

ZOOM TECHNOLOGIES INC
Form PRER14A
July 14, 2009

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant ☐

Filed by a Party other than the Registrant ☐

Check the appropriate box:

<input type="checkbox"/>	Preliminary Proxy Statement
<input type="checkbox"/>	Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
<input type="checkbox"/>	Definitive Proxy Statement
<input type="checkbox"/>	Definitive Additional Materials
<input type="checkbox"/>	Soliciting Material Pursuant to §240.14a-12

Zoom Technologies, Inc.
(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

☐ No fee required.

☐ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1)	Title of each class of securities to which transaction applies:
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Ownership of 100% of Gold Lion Holding Limited; and up to an additional 28.97% interest in Tianjin Tong Guang Group Digital Communication Co., Ltd. (Gold Lion Holding Limited is the indirect owner of 51.03% of Tianjin Tong Guang Group Digital Communication Co., Ltd.)

(2)	Aggregate number of securities to which transaction applies:
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Ownership of 100% of Gold Lion Holding Limited; and up to an additional 28.97% interest in Tianjin Tong Guang Group Digital Communication Co., Ltd. (Gold Lion Holding Limited is the indirect owner of 51.03% of Tianjin Tong Guang Group Digital

Communication Co., Ltd.)

- (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

A maximum being paid for the ownership of 100% of Gold Lion Holding Limited and up to an additional 28.97% interest in Tianjin Tong Guang Group Digital Communication Co., Ltd. is \$13,462,270.42. The transaction value is based on the average of the high and low price of the registrant's common stock reported on the NASDAQ Capital Market on May 8, 2009.

- (4) Proposed maximum aggregate value of transaction:
\$13,462,270.42

- (5) Total fee paid:
\$751.20

b

Fee paid previously with preliminary materials.

..

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

- (1) Amount Previously Paid:
(2) Form, Schedule or Registration Statement No.:
(3) Filing Party:
(4) Date Filed:

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ZOOM TECHNOLOGIES, INC.

207 South Street

Boston, Massachusetts 02111

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS

TO BE HELD [], 2009

TO THE STOCKHOLDERS OF ZOOM TECHNOLOGIES, INC.:

NOTICE IS HEREBY GIVEN that a special meeting of stockholders of Zoom Technologies, Inc., or Zoom, a Delaware corporation, relating to the proposed acquisition of Gold Lion Holding Limited, or Gold Lion, a company organized and existing under the laws of the British Virgin Islands, will be held at [] Eastern daylight time on [], 2009, at Zoom's offices located at 207 South Street, Boston, Massachusetts 02111, to consider and vote upon the proposals described below.

Proposal 1 The Acquisition Proposal. A proposal to approve: (a) the acquisition by Zoom by the issuance of 4,225,219 shares of Zoom common stock (aggregate value based on per share price as of June 17, 2009: \$5,957,558.79) for 100% of Gold Lion, which is a holding company that owns (i) 100% of Jiangsu Leimone Electronics Co., Ltd., or Jiangsu Leimone, a foreign investment enterprise organized under the laws of the People's Republic of China, or PRC, which owns 51.03% of Tianjin Tong Guang Group Digital Communication Co., Ltd., or TCB Digital, a company organized under the laws of the PRC, and (ii) 100% of Profit Harvest Corporation Ltd., or Profit Harvest, a company organized under the laws of Hong Kong, and (b) the future acquisition by Zoom by the issuance of an additional 2,402,576 shares of Zoom common stock of additional shares of TCB Digital such that Zoom would own up to 80% of the outstanding shares of TCB Digital; subject to an upward adjustment that could provide for a maximum of 9,126,963 shares of Zoom common stock being issued for the acquisition of both Gold Lion and the additional 28.97% interest in TCB Digital. The acquisition is made pursuant to the Share Exchange Agreement, dated January 28, 2009, as amended on May 12, 2009, between Zoom, Gold Lion, TCB Digital, Zoom Telephonics, Inc., a wholly owned subsidiary of Zoom, and the Gold Lion shareholders. The completion of the proposed acquisition will result in the change of control of Zoom under the NASDAQ Stock Market Rules.

Proposal 2 The Name Change Proposal. To approve the amendment to Zoom's certificate of incorporation to change Zoom's name from and after the closing of the acquisition to Leimone United, Inc.

Proposal 3 The Adjournment Proposal. To approve any adjournment of the special meeting for the purpose of soliciting additional proxies.

The Zoom board of directors has fixed the record date as the close of business on [], 2009, as the date for determining stockholders entitled to receive notice of and to vote at the special meeting and any adjournment thereof.

A quorum will be present at the Zoom special meeting if one-third of the outstanding shares of common stock entitled to vote at the special meeting are represented in person or by proxy. Abstentions and broker non-votes will count as present for the purposes of establishing a quorum. Each of the Acquisition Proposal and the Adjournment Proposal will be approved if holders of a majority of all shares of common stock that are present or represented at the special meeting and entitled to vote on such proposal vote in favor of the proposal. The Name Change Proposal will be approved if holders of a majority of all shares of common stock outstanding on the record date vote in favor of the proposal.

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Your vote is important. Please sign, date and return your proxy card as soon as possible to make sure that your shares are represented at the special meeting. You may also vote by telephone or the internet, as described on the proxy card. If you are a stockholder of record, you may also cast your vote in person at the special meeting. If your shares are held in an account at a brokerage firm or bank, you must instruct your broker or bank how to vote your shares, or you may cast your vote in person at the special meeting by obtaining a proxy from your brokerage firm or bank.

After careful consideration of all relevant factors, Zoom's board of directors has determined that the above proposals are fair to and in the best interests of Zoom and its stockholders and has recommended that you vote or give instruction to vote FOR adoption of each of them. The board of directors of Zoom did not obtain a fairness opinion on which to base its assessment of the Acquisition Proposal.

Dated: [], 2009

By Order of the Board of Directors,

Frank B. Manning

Chairman of the Board

YOUR VOTE IS IMPORTANT. WHETHER YOU PLAN TO ATTEND THE SPECIAL MEETING IN PERSON OR NOT, PLEASE COMPLETE, SIGN, DATE AND RETURN THE ENCLOSED PROXY CARD IN THE ENVELOPE PROVIDED, OR SUBMIT A PROXY BY TELEPHONE OR THE INTERNET (AS DESCRIBED ON THE PROXY CARD) AS SOON AS POSSIBLE.

SEE RISK FACTORS IN THE ACCOMPANYING PROXY FOR A DISCUSSION OF VARIOUS FACTORS THAT YOU SHOULD CONSIDER IN CONNECTION WITH THE ACQUISITION OF GOLD LION SINCE, UPON ZOOM'S ACQUISITION OF GOLD LION, THE OPERATIONS AND ASSETS OF ZOOM WILL LARGELY BE THOSE OF GOLD LION.

THIS PROXY STATEMENT IS DATED [], 2009, AND IS FIRST BEING MAILED TO ZOOM'S STOCKHOLDERS ON OR ABOUT [], 2009.

TABLE OF CONTENTS

SUMMARY OF MATERIAL TERMS OF THE TRANSACTION

4

QUESTIONS AND ANSWERS ABOUT THE ACQUISITION AND THE ZOOM SPECIAL MEETING

6

SUMMARY

10

The Parties

10

The Acquisition; Acquisition Consideration

10

Management of Zoom

11

Date, Time and Place of Special Meeting of Zoom's Stockholders

11

Voting Power; Record Date

11

Approval of the Gold Lion Shareholders

11

The Name Change Proposal

11

Quorum and Vote Required to Approve the Proposals by the Zoom Stockholders

12

Proxies

12

Option Modifications

12

Interests of Zoom Officers and Directors in the Acquisition

12

Zoom's Recommendations to Stockholders

12

Conditions to the Closing of the Share Exchange Agreement

13

Exclusivity; No Other Negotiation

13

Quotation

13

Material Federal Income Tax Consequences of the Acquisition

13

Anticipated Accounting Treatment

14

Risk Factors

14

Board Solicitation

14

RISK FACTORS

15

Risks Related to Gold Lion's Business

15

Risks Relating to the Acquisition and Spin-Off

21

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

24

HISTORICAL FINANCIAL INFORMATION

25

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL DATA OF ZOOM

51

THE ZOOM SPECIAL MEETING

81

THE ACQUISITION PROPOSAL

83

General Description of the Acquisition

83

Background of the Acquisition

83

Interests of Zoom Officers and Directors in the Acquisition

85

Zoom's Reasons for the Acquisition and Recommendation of the Zoom Board

85

Fees and Expenses

87

Material Federal Income Tax Consequences of the Acquisition

87

Anticipated Accounting Treatment

88

Regulatory Matters

88

THE SHARE EXCHANGE AGREEMENT

89

Basic Deal Terms

89

Representations and Warranties

90

Conditions to Closing

92

Covenants of the Parties

93

Additional Agreements and Covenants

94

Exclusivity; No Other Negotiation

94

Termination

94

Effect of Termination; No Termination Fee

95

Indemnification

95

Conclusion of Zoom's Board of Directors

95

CERTAIN AGREEMENTS RELATING TO THE ACQUISITION

96

Lock-Up and Voting Agreements

96

Founder Lock-Up Agreement

96

NAME CHANGE PROPOSAL

97

ADJOURNMENT PROPOSAL

98

INFORMATION ABOUT GOLD LION

99

Overview

99

Competitive Strengths

99

Strategy

100

Products and Technology

100

Sale and Marketing

103

Competition

104

Employees

104

Industry

104

Properties

106

GOLD LION S MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS

107

Overview

107

Plan of Operation

108

Critical Accounting Policies and Estimates

108

Revenue Recognition

108

Liquidity and Capital Resources

110

DIRECTORS AND EXECUTIVE OFFICERS

115

Independence of Directors

116

Board Committees

116

EXECUTIVE COMPENSATION

117

Summary Compensation Table

118

Bonuses and Deferred Compensation

118

Stock Option and Stock Appreciation Rights

118

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

119

BENEFICIAL OWNERSHIP OF SECURITIES

120

Security Ownership of Zoom

120

Security Ownership of Gold Lion

121

Security Ownership of Zoom after the Acquisition

121

DESCRIPTION OF ZOOM'S COMMON STOCK

122

Anti-Takeover Effects of Provisions of Delaware Law

122

Anti-Takeover Effects of Provisions of Zoom's Charter Documents

122

Listing

122

Zoom's common stock is listed on the NASDAQ Capital Market under the symbol ZOOM.

122

Transfer Agent

122

STOCKHOLDER PROPOSALS

123

WHERE YOU CAN FIND MORE INFORMATION

123

ANNEXES

- A Share Exchange Agreement
- A-1 Amendment to Share Exchange Agreement
- B Form of Separation Agreement
- C Form of Lock-Up and Voting Agreement
- D Form of Founder Lock-Up Agreement
- E Form of License Agreement

SUMMARY OF MATERIAL TERMS OF THE TRANSACTION

This section summarizes information related to the proposals to be voted on at the special meeting. These items are described in greater detail elsewhere in this proxy statement. **You should carefully read this entire proxy statement and the other documents to which you are referred.**

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The parties to the share exchange agreement are:

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Zoom Technologies, Inc., or Zoom;

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Tianjin Tong Guang Group Digital Communication Co., Ltd., or TCB Digital, a company organized under the laws of the People's Republic of China, or PRC;

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Zoom Telephonics, Inc., or Zoom Telephonics, a wholly owned subsidiary of Zoom;

.

Gold Lion Holding Limited, or Gold Lion, a company organized and existing under the laws of the British Virgin Islands. Gold Lion owns 100% of the outstanding capital stock of Jiangsu Leimone Electronics Co., Ltd., or Jiangsu Leimone, a foreign investment enterprise organized under the laws of the PRC, that engages in the manufacturing, research and development, and sales of electronic components for 3rd generation mobile phones, wireless communication circuitry, GPS equipment, and related software products. Jiangsu Leimone owns the initial 51.03% of the outstanding capital stock of TCB Digital that Zoom is proposing to initially acquire. Gold Lion also owns 100% of Profit Harvest Corporation Ltd, or Profit Harvest, which is a marketing and sales company organized and existing under the laws of Hong Kong.; and

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Lei (Leo) Gu, a citizen of the PRC. Mr. Gu owns 70.6% of the outstanding capital stock of Gold Lion and holds an option indirectly to acquire an additional 28.97% of the outstanding capital stock of TCB Digital.

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Songtao Du, a citizen of the PRC. Mr. Du owns 29.4% of the outstanding capital stock of Gold Lion, which was pledged to Mr. Cao Wei.

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TCB Digital is a high technology company engaged in electronic and telecommunication product design, development, and manufacturing. TCB Digital started its business in 1999 and was originally established as an Electronic Manufacturing Service (EMS) factory for mobile phone vendors. TCB Digital was Motorola's first independent outsource manufacturing vendor responsible for producing Motorola mobile phones in China. Moreover, TCB Digital was the first EMS factory in China receiving Motorola's International Quality Product and Qualification certificate. Since 2004, TCB Digital developed and produced GSM and CDMA mobile phones, wireless data modules and GPS equipment. TCB Digital is headquartered in Tianjin, China. TCB Digital's two main business operations are EMS for Original Equipment Manufacturer (OEM) customers and the design and production of mobile phone products.

TCB Digital offers high quality and comprehensive EMS to both domestic and global customers, including, Samsung, Tianyu, CCT, Danahar and Spreadtrum. TCB Digital's primary products include mobile phones, wireless telecommunication modules, digital cameras, cable TV set-top boxes and GPS equipment. In addition, TCB Digital has developed various state-of-the-art mobile phones and Smartphones based on both of the main network technologies: Global System for Mobile Communications, or GSM, and Code Division Multiple Access, or CDMA. Presently, TCB Digital markets its mobile phone products through distributors in China and also supplies GSM and CDMA mobile phones to major customers, including China Mobile Communications Corporation, or CMCC, China UNICOM and China Telecom. See Information about TCB Digital for more information.

Pursuant to the share exchange agreement, Zoom will acquire from the Gold Lion shareholders 100% of Gold Lion in exchange for 4,225,219 shares of Zoom common stock (aggregate value based on per share price as of June 17, 2009: \$5,957,558.79). As discussed above, Mr. Gu holds an option to acquire an additional 28.97% of the outstanding capital stock of TCB Digital. Pursuant to the share exchange agreement, Zoom has agreed to provide Mr. Gu the option to exchange the additional 28.97% interest in TCB Digital for the issuance by Zoom of an additional 2,402,576 shares of Zoom common stock. Assuming the exercise by Mr. Gu of the foregoing option, Zoom would issue an

aggregate of 6,627,795 shares of Zoom common stock. The number of shares issuable for the acquisition of Gold Lion would increase to 5,818,439 shares of Zoom common stock, and the number of shares issuable for the additional 28.97% interest in TCB Digital would increase to 3,308,524 shares of Zoom common, if either: (a) as of the date the Zoom stockholders approve the acquisition, Zoom's common stock is not listed on the NASDAQ Capital Market or (b) the NASDAQ Capital Market has not approved Zoom's listing application for the post-transaction entity within 30 days after the closing of the share exchange agreement. Upon the execution of the share exchange agreement, Gold Lion was entitled to and Zoom issued 90,000 shares of common stock as consideration for the execution of the share exchange agreement. See The Acquisition Proposal.

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After the acquisition and assuming Zoom acquires Gold Lion and the additional 28.97% interest in TCB Digital and the upward adjustment discussed in the preceding bullet point does not occur, the existing Zoom stockholders are expected to beneficially own approximately 22% of the outstanding shares of Zoom, excluding shares that may be acquired upon the exercise of outstanding options following the completion of the acquisition. If the upward adjustment discussed in the preceding bullet point does occur, the existing Zoom stockholders are expected to beneficially own approximately 17% of the outstanding shares of Zoom, excluding shares that may be acquired upon the exercise of outstanding options following the completion of the acquisition.

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The closing of the acquisition is subject to the satisfaction by each party of various conditions prior to closing. See The Share Exchange Agreement Conditions to Closing.

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Upon the closing of the acquisition, the officers of Zoom will be: Leo Gu Chief Executive Officer and Anthony K. Chan Chief Financial Officer.

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Upon the closing of the acquisition, Zoom intends to issue a dividend consisting of 100% of the issued and outstanding capital stock of Zoom Telephonics to its stockholders of record immediately prior to the closing. We refer to this as the spin-off. In connection with the spin-off, Zoom would contribute, distribute or otherwise transfer all of its current and future assets and liabilities related to the business of Zoom to Zoom Telephonics, subject to certain licensing rights discussed below. Zoom's stockholders immediately prior to the closing would retain their existing shares in Zoom and would also receive an equal number of new shares in Zoom Telephonics.

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In connection with the completion of the acquisition, Zoom Telephonics has agreed to enter into a license agreement with TCB Digital granting TCB Digital licensing rights for Zoom and Hayes trademarks for certain products and geographic regions.

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In connection with the execution of the share exchange agreement, Zoom entered into lock-up and voting agreements with each of its executive officers and directors, pursuant to which each person agreed until the closing not to sell, transfer, assign, pledge or hypothecate any shares of Zoom's common stock and to vote their shares in favor of the Acquisition Proposal.

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At the closing of the acquisition, Frank Manning and Peter Kramer will enter into founder lock-up agreements pursuant to which they will agree that during the one-year period commencing on the date of closing that each will not sell, transfer, assign, pledge or hypothecate, in any calendar month, greater than 3% of the shares of Zoom's common stock sold in the previous four calendar weeks.

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Upon the closing of the acquisition, if the Name Change Proposal is approved, Zoom will change its name to Leimone United, Inc.

QUESTIONS AND ANSWERS ABOUT THE ACQUISITION AND THE ZOOM SPECIAL MEETING

These Questions and Answers below are only summaries of matters described in this proxy statement. They do not contain all of the information that may be important to you. You should read carefully the entire document, including the annexes to this proxy statement.

Q. What is being voted on?

A. You are being asked to vote on three proposals:

.

A proposal to approve: (a) the acquisition by Zoom by the issuance of 4,225,219 shares of Zoom common stock for 100% of Gold Lion, and (b) the future acquisition by Zoom of an additional 28.97% interest in TCB Digital by the issuance of an additional 2,402,576 shares of Zoom common stock; subject to an upward adjustment that could provide for a maximum of 9,126,963 shares of Zoom common stock (aggregate value based on per share price as of June 17, 2009: \$5,957,558.79) being issued for the acquisition of both Gold Lion and the additional 28.97% interest in TCB Digital. This proposal is called the Acquisition Proposal.

.

A proposal to approve the amendment to Zoom's certificate of incorporation to change Zoom's name from and after the closing of the acquisition to Leimone United, Inc. This proposal is called the Name Change Proposal.

.

A proposal for the approval of any adjournment of the special meeting for the purpose of soliciting additional proxies. This proposal is called the Adjournment Proposal.

Q. What vote is required to approve the Acquisition Proposal and Adjournment Proposal?

A. Approval of the Acquisition Proposal and Adjournment Proposal will require the affirmative vote of the majority of our shares of common stock voted at the special meeting, provided that there is a quorum at such meeting.

Q. What vote is required to approve the Name Change Proposal?

A. Approval of the Name Change Proposal will require the affirmative vote of the majority of our outstanding shares of common stock as of the record date.

Q. Why is Zoom proposing to approve any adjournment of the special meeting?

A. We are proposing to approve any adjournment of the special meeting so that we may delay the meeting in the event that it appears that the other proposals to be presented at the meeting will not be approved. This will provide our management with more time to solicit stockholders to vote or change their votes.

Q. Who is entitled to vote at the special meeting?

A. The record date for the special meeting is [], 2009. Record holders of our common stock at the close of business on the record date are entitled to vote or have their votes cast at the special meeting. Each share of common stock is entitled to one vote per proposal at the special meeting.

Q. What constitutes a quorum?

A. A quorum will be present at the special meeting if one-third of Zoom's outstanding shares entitled to vote at the meeting are represented in person or by proxy. Abstentions and broker non-votes will count as present for the purposes of establishing a quorum.

Q. Does the Zoom board of directors recommend voting in favor of the Acquisition Proposal, Name Change Proposal and Adjournment Proposal?

A. After careful consideration of the acquisition and the terms and conditions of the share exchange agreement, the board of directors of Zoom has determined that the Acquisition Proposal, Name Change Proposal and Adjournment Proposal are in the best interests of the Zoom stockholders. The Zoom board of directors recommends that the stockholders entitled to vote approve each of the proposals described above. See Summary Interests of Zoom Officers and Directors in the Acquisition for a discussion of how the interests of our officers and directors are different from those of yours as a stockholder.

Q. How do the Zoom s executive officers and directors intend to vote their shares?

A. All of our executive officers and directors have agreed to vote the shares held by them in favor of the Acquisition Proposal.

Q. How much of Zoom will existing Zoom stockholders own after the acquisition?

A. Pursuant to the share exchange agreement, the number of shares issuable pursuant to the Acquisition Proposal will increase if either: (a) as of the date the Zoom stockholders approve the acquisition, Zoom s common stock is not listed on the NASDAQ Capital Market or (b) the NASDAQ Capital Market has not approved Zoom s listing application for the post-transaction entity within 30 days after the closing of the share exchange agreement; provided that these additional shares would not be issuable if Gold Lion s net income after tax is less than \$2.7 million for the year ended December 31, 2008 or if Gold Lion does not deliver to Zoom its final audited financial statements for the years ended December 31, 2008 and 2007 on or before May 12, 2009. We refer to the requirement to issue the additional shares as the NASDAQ Additional Consideration Shares.

Pursuant to the share exchange agreement, Zoom will acquire Gold Lion for 4,225,219 shares of Zoom common stock (aggregate value based on per share price as of June 17, 2009: \$5,957,558.79), and if Zoom acquires the additional 28.97% interest in TCB Digital the aggregate shares that will be issued will be 6,627,795 shares of Zoom common stock. If Zoom is required to issue the NASDAQ Additional Consideration Shares, Zoom will issue 5,818,439 shares of Zoom common stock for Gold Lion, and a maximum of 9,126,963 shares of Zoom common stock if it acquires the additional 28.97% interest in TCB Digital.

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If Zoom acquires Gold Lion (and not the additional 28.97% interest in TCB Digital) and does not issue the NASDAQ Additional Consideration Shares, the existing Zoom stockholders are expected to beneficially own approximately 30.7% of the outstanding shares of Zoom.

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If Zoom acquires Gold Lion and the additional 28.97% interest in TCB Digital, and does not issue the NASDAQ Additional Consideration Shares, the existing Zoom stockholders are expected to beneficially own approximately 22.0% of the outstanding shares of Zoom.

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If Zoom acquires Gold Lion (and not the additional 28.97% interest in TCB Digital) and issues the NASDAQ Additional Consideration Shares, the existing Zoom stockholders are expected to beneficially own approximately 24.3% of the outstanding shares of Zoom.

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If Zoom acquires Gold Lion and the additional 28.97% interest in TCB Digital, and issues the NASDAQ Additional Consideration Shares, the existing Zoom stockholders are expected to beneficially own approximately 17.0% of the outstanding shares of Zoom.

The above percentages exclude shares that may be acquired upon the exercise of outstanding options following the completion of the acquisition.

Q. Do Zoom stockholders have appraisal rights under Delaware law?

A. No. Zoom stockholders do not have appraisal rights under Delaware corporate law.

Q. How will the spin-off work and what will I get in the spin-off?

A. In the spin-off, on the closing date, Zoom will distribute to its stockholders all of the outstanding shares of Zoom Telephonics common stock on a *pro rata* basis.

Zoom will distribute one share of Zoom Telephonics common stock for every share of Zoom common stock you own of record as of the close of business on the record date for the spin-off, and do not sell in the regular way market prior to the ex-dividend date.

Q. What will Zoom's relationship with Zoom Telephonics be after the spin-off?

A. Zoom and Zoom Telephonics each will be independent, publicly traded companies. However, TCB Digital and Zoom Telephonics will enter into a license agreement granting TCB Digital licensing rights for Zoom and Hayes trademarks for certain products and geographic regions. Zoom and Zoom Telephonics have also entered into a separation and distribution agreement that allocates responsibility for obligations arising before and after the spin-off, including, among others, obligations relating to taxes.

Q. Why is Zoom affecting the spin-off?

A. Zoom's believes that upon the completion of the Gold Lion acquisition, both post-acquisition Zoom and Zoom Telephonics would be better served by becoming separate entities. Among other considerations, Zoom's board of directors believed that making Zoom and Zoom Telephonics separate entities would:

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allow Zoom Telephonics management, which is based in the United States, to focus solely on the current United States and European business;

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allow Zoom Telephonics to provide its employees stock-based incentives linked solely to the operations of Zoom Telephonics, as opposed to the overall post-acquisition Zoom operations;

.

allow Zoom Telephonics to pursue financing arrangements based solely on the merits of its business, as opposed to the overall post-acquisition Zoom operations; and

.

make it more likely that post-acquisition Zoom would meet the initial listing requirements of the Nasdaq Stock Market, which would prevent Zoom for being required to issue the NASDAQ Additional Consideration Shares.

Q. Where will Zoom Telephonics common stock be traded after the spin-off?

A. After the spin-off, we expect Zoom Telephonics common stock to be traded on the OTC Bulletin Board.

Q. Will the Zoom stockholders be taxed as a result of the acquisition?

A. It is anticipated that the acquisition will qualify as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code and no gain or loss will be recognized by Zoom, Zoom stockholders, Gold Lion, or Gold Lion stockholders as a result of the acquisition.

Q. Will the Zoom stockholders be taxed as a result of the spin-off?

A. We expect that a U.S. holder receiving Zoom Telephonics shares in the distribution will be treated as receiving a taxable distribution to the extent of the fair market value of shares received (including any fractional shares sold on behalf of the stockholder) on the distribution date. That distribution would be treated as taxable dividend income to the extent of such holder's share of Zoom's current and accumulated earnings and profits (as determined for federal income tax purposes), if any. Based on certain assumptions, however, Zoom does not believe that it will have any current or accumulated earnings and profits. To the extent the amount of the distribution exceeds such holder's share of Zoom's current and accumulated earnings and profits, if any, the distribution would be treated first as a tax-free return of capital to the extent of the U.S. Holder's adjusted tax basis in its shares of Zoom common stock (thus reducing such adjusted tax basis) with any remaining amounts being treated as capital gain from the sale of Zoom shares.

Q. If I am not going to attend the special meeting in person, should I return my proxy card instead?

A. Yes. After carefully reading and considering the information in this proxy statement, please fill out and sign your proxy card. Then return it in the return envelope as soon as possible, so that your shares may be represented at the special meeting. You may also submit a proxy by telephone or on the internet, as explained on the proxy card. A properly executed proxy will be counted for the purpose of determining the existence of a quorum.

Q. How do I change my vote?

A. You must send a later-dated, signed proxy card to Zoom's secretary prior to the date of the special meeting or, if you are a stockholder of record, you may attend the special meeting in person and vote.

Q. If my shares are held in street name, will my broker automatically vote them for me?

A. No. Your broker can vote your shares only if you provide instructions on how to vote. You should instruct your broker to vote your shares. Your broker can tell you how to provide these instructions.

Q. What will happen if the requisite number of Zoom's shareholders do not vote to approve of the acquisition proposal described in this proxy statement?

A. If the proposed acquisition is not approved and the share exchange agreement is terminated, each party will bear its own costs and expenses and there shall be no penalty associated with the break-up. Moreover, the parties would decide collectively whether to re-solicit proxies at a later date.

**Q. Who can help
answer
my questions?**

A. If you have questions, you may write or call Zoom at 207 South Street,
Boston, Massachusetts 02111; Telephone: []; Attention: [].

SUMMARY

This summary highlights selected information from this proxy statement and does not contain all of the information that is important to you. To better understand the acquisition, as well as the other proposals, you should read carefully this entire document and the other documents to which this proxy statement refers you, including the share exchange agreement attached as Annex A to this proxy statement, as amended in Annex A-1. The share exchange agreement is the legal document that governs the acquisition. The share exchange agreement is also described in detail elsewhere in this proxy statement.

The Parties

Zoom and Zoom Telephonics

Zoom is the parent company of Zoom Telephonics, which is an operating company that designs, produces, markets, sells, and supports broadband and dial-up modems, Voice over Internet Protocol or "VoIP" products and services, Bluetooth® wireless products, and other communication-related products. Unless otherwise noted, when we refer to Zoom's business, we are referring to the current business of Zoom and Zoom Telephonics.

TCB Digital

TCB Digital is a high technology company engaged in electronic and telecommunication product design, development, and manufacturing. TCB Digital started its business in 2004 and was originally established as an Electronic Manufacturing Service (EMS) factory for mobile phone vendors. TCB Digital was Motorola's first independent outsource manufacturing vendor responsible for producing Motorola mobile phones in China. Moreover, TCB Digital was the first EMS factory in China receiving Motorola's International Quality Product and Qualification certificate. Since 2004, TCB Digital developed and produced GSM and CDMA mobile phones, wireless data modules and GPS equipment. TCB Digital is headquartered in Tianjin, China. TCB Digital's two main business operations are Electronic Manufacturing Service for OEM (Original Equipment Manufacturer) customers and the design and production of mobile phone products.

Gold Lion; Gold Lion Shareholders

Gold Lion is a company organized and existing under the laws of the British Virgin Islands. Gold Lion owns 100% of the outstanding capital stock of Jiangsu Leimone, a foreign investment enterprise organized under the laws of the PRC that engages in the manufacturing, research and development, and sales of electronic components for 3rd generation mobile phones, wireless communication circuitry, GPS equipment, and related software products. Jiangsu Leimone owns the initial 51.03% of the outstanding capital stock of TCB Digital that Zoom is proposing to acquire. Profit Harvest is a marketing and sales company 100% owned by Gold Lion, and is organized and existing under the laws of Hong Kong.

Leo Gu is a citizen of the PRC. Mr. Gu owns 70.6% of the outstanding capital stock of Gold Lion and holds an option indirectly to acquire an additional 28.97% of the outstanding capital stock of TCB Digital. Songtao Du is a citizen of the PRC. Mr. Du owns 29.4% of the outstanding capital stock of Gold Lion, which was pledged to Mr. Cao Wei.

The Acquisition; Acquisition Consideration

The share exchange agreement provides for an acquisition transaction in which Zoom would acquire 100% of Gold Lion in exchange for 4,225,219 shares of Zoom common stock (aggregate value based on per share price as of June 17, 2009: \$5,957,558.79). Gold Lion owns 100% of Profit Harvest and also 100% of Jiangsu Leimone. Jiangsu Leimone owns 51.03% of the outstanding shares of TCB Digital. Further, Zoom has agreed with Mr. Gu, the holder of an option to acquire an additional 28.97% of the outstanding capital stock of TCB Digital, to provide him with the option to exchange the additional 28.97% TCB Digital interest for the issuance by Zoom of an additional 2,402,576 shares of Zoom common stock.

The number of shares issuable to the Gold Lion shareholders for their shares of Gold Lion would increase to 5,818,439 shares of Zoom common stock, and the number of shares issuable for the additional 28.97% interest in TCB Digital would increase to 3,308,524 shares of Zoom common stock, if either: (a) as of the date the Zoom stockholders approve the acquisition, Zoom's common stock is not listed on the NASDAQ Capital Market or (b) the NASDAQ Capital Market has not approved Zoom's listing application for the post-transaction entity within 30 days

after the closing of the share exchange agreement Upon the execution of the share exchange agreement, Gold Lion was entitled to and Zoom issued 90,000 shares of common stock as consideration for the execution of the share exchange agreement.

The parties plan to complete the acquisition promptly after the Zoom special meeting, provided that:

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our stockholders have approved the Acquisition Proposal; and

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the other conditions specified in the share exchange agreement have been satisfied or waived.

The share exchange agreement also provides Zoom with purchase options to acquire from Mr. Gu five other companies that are wholly owned or majority owned by Gu, or the Leimone Companies, with the option price of each company based on the higher of a minimum price or a multiple of that company's net income.

Management of Zoom

Upon the consummation of the acquisition, the Zoom board of directors will consist of five directors, as set forth below. At least three of the four directors designated by Gold Lion shall be independent directors as defined by the rules of the Securities and Exchange Commission and the NASDAQ Capital Market. Such independent directors will serve as members of our audit committee.

Upon the consummation of the acquisition, our executive officers and directors are expected to be:

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Leo Gu Chairman of the Board, Director, and Chief Executive Officer

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Anthony K. Chan Chief Financial Officer

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Frank B. Manning Director

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Augustine Lo Independent Director, Chairperson of the Audit and Compensation Committees

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Kit H. Choy Independent Director

Chang Shan Independent Director

See the section entitled Directors and Executive Officers for biographical information about our directors and executive officers after the consummation of the acquisition.

Date, Time and Place of Special Meeting of Zoom's Stockholders

The special meeting of the stockholders of Zoom will be held at [] Eastern daylight time on [], 2009 at Zoom's offices located at 207 South Street, Boston, Massachusetts 02111, to consider and vote upon each of the proposals.

Voting Power; Record Date

You will be entitled to vote or direct votes to be cast at the special meeting if you owned shares of our common stock at the close of business on [], 2009, the record date for the special meeting. You will have one vote for each share of common stock you owned at the close of business on the record date. On the record date, there were [] shares of common stock outstanding.

Approval of the Gold Lion Shareholders

All of Gold Lion shareholders are parties to the share exchange agreement. Accordingly, no further action by the Gold Lion shareholders is needed to approve the acquisition.

The Name Change Proposal

Zoom is seeking stockholder approval to amend its amended and restated certificate of incorporation to change its name from and after the closing of the acquisition to Leimone United, Inc.

Quorum and Vote Required to Approve the Proposals by the Zoom Stockholders

A quorum of Zoom's stockholders is necessary to hold a valid meeting. A quorum will be present at the special meeting if one-third of the outstanding shares entitled to vote at the meeting are represented in person or by proxy. Abstentions and broker non-votes will count as present for the purposes of establishing a quorum.

The approval of the Acquisition Proposal and Adjournment Proposal will require the affirmative vote of holders of a majority of the shares of Zoom's common stock presented in person or represented by proxy and cast at the special meeting.

The approval of the Name Change Proposal will require the affirmative vote of the holders of a majority of the outstanding shares of Zoom's common stock on the record date.

A broker non-vote will have no effect on the Acquisition Proposal or the Adjournment Proposal vote, but an abstention will have the effect of a vote against the Acquisition Proposal and the Adjournment Proposal. With respect to the Name Change Proposal, an abstention or a broker non-vote will have the same effect as a vote against the proposal.

Proxies

Proxies may be solicited by mail, telephone or in person. If you grant a proxy, you may revoke your proxy before it is exercised at the special meeting by sending a notice of revocation to the secretary of Zoom, submitting a later-dated proxy statement or, if you are a stockholder of record, voting in person at the special meeting.

Option Modifications

Upon the consummation of the acquisition, Zoom will modify each of its outstanding options such that any vesting provision provided in such options that requires the continued service of the holder to Zoom or its subsidiaries to vest shall thereafter continue to vest in accordance with the vesting schedule included in the option without the need for the holder to continue to provide service to Zoom or its subsidiaries.

Interests of Zoom Officers and Directors in the Acquisition

When you consider the unanimous recommendation of Zoom's board of directors in favor of adoption of the Acquisition Proposal, you should keep in mind that its executive officers and members of its board of directors have interests in the transaction that are different from, or in addition to, your interests as a stockholder. These interests include, among other things:

As discussed in the Summary Option Modifications, all of Zoom's options, including those held by its executive officers and directors, will be modified such that the vesting provisions provided in such options that requires the continued service of the holder to Zoom or its subsidiaries to vest shall thereafter continue to vest in accordance with the vesting schedule included in the option without the need for the holder to continue to provide service to Zoom or its subsidiaries. This means that Zoom's officers and directors will retain the rights associated with their options, even though they will no longer be required to provide services to Zoom.

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Upon completion of the spin-off, Zoom anticipates that each of its current executive officers and directors will hold similar positions in Zoom Telephonics. Further, it is likely that Zoom Telephonics will issue its employees and directors new options to purchase Zoom Telephonics common stock upon completion of the spin-off.

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Upon completion of the acquisition, Peter Kramer, Bernard Furman, Ronald Woods and Joseph Donovan will resign as directors of Zoom. After the acquisition, Messrs. Kramer, Furman, Woods and Donovan have agreed to cooperate with the combined company's management in its transition, including the provision of any historical information about Zoom that the combined company may need in connection with future capital raising transactions. These individuals will not receive any cash compensation for their services to the combined company, but will each receive an option to acquire 7,500 shares of the combined company at an exercise price equal to the closing price of Zoom's common stock on the closing date of the acquisition.

Zoom's Recommendations to Stockholders

After careful consideration of the terms and conditions of the share exchange agreement, Zoom's board of directors has unanimously determined that the acquisition and the transactions contemplated thereby, including the spin-off, are fair to and in the best interests of Zoom and its stockholders. Zoom's board of directors has also unanimously determined that the Name Change Proposal and the Adjournment Proposal are also in the best interests of Zoom and its stockholders. The board of directors did not obtain a fairness opinion on which to base its assessment. Zoom's board of directors recommends that Zoom stockholders vote:

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FOR the Acquisition Proposal;

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FOR the Name Change Proposal; and

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FOR the Adjournment Proposal.

Conditions to the Closing of the Share Exchange Agreement

The consummation of the transactions contemplated by the share exchange agreement is conditioned upon a number of other conditions to the obligations of each of the parties to complete the acquisition, including the accuracy of each of the parties' representations and warranties, the compliance by each party with its covenants and obligations, the delivery of certain ancillary agreements and the absence of a material adverse effect with respect to each of the parties. See "The Share Exchange Agreement - Conditions to Closing."

Exclusivity; No Other Negotiation

The share exchange agreement contains detailed provisions prohibiting each of Zoom, Gold Lion, TCB Digital, and the Gold Lion shareholders party to the share exchange agreement from seeking an alternative transaction. These covenants generally prohibit Zoom, TCB Digital and the Gold Lion shareholders party to the share exchange agreement, as well as their officers, directors, subsidiaries, employees, agents and representatives, from taking any action to solicit an alternative acquisition proposal.

Quotation

Our outstanding common stock is quoted on the NASDAQ Capital Market under the symbol ZOOM. We intend to apply to NASDAQ to retain our listing upon completion of the acquisition. NASDAQ's approval will require that the post-acquisition entity meet NASDAQ's initial listing requirements. There is no assurance that the post-acquisition entity will meet NASDAQ's initial listing requirements. If the post-acquisition entity does meet NASDAQ's initial listing requirements, we expect Zoom's common stock to be traded on the OTC Bulletin Board.

After the spin-off, we expect Zoom Telephonics common stock to be traded on the OTC Bulletin Board.

Material Federal Income Tax Consequences of the Acquisition

The following section is a summary regarding material United States federal income tax consequences of the acquisition to holders of Zoom common stock. This discussion addresses only those Zoom security holders that hold their securities as a capital asset within the meaning of Section 1221 of the Internal Revenue Code of 1986, as amended, or the Code, and does not address all the United States federal income tax consequences that may be relevant to particular holders in light of their individual circumstances or to holders that are subject to special rules, such as:

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financial institutions;

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investors in pass-through entities;

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tax-exempt organizations;

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dealers in securities or currencies;

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traders in securities that elect to use a mark to market method of accounting;

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persons that hold Zoom common stock as part of a straddle, hedge, constructive sale or conversion transaction; and

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persons who are not citizens or residents of the United States

This summary of material federal income tax consequences is based upon the Code, applicable treasury regulations thereunder, published rulings and court decisions, all as currently in effect as of the date hereof, and all of which are subject to change, possibly with retroactive effect. Tax considerations under state, local and foreign laws, or federal laws other than those pertaining to the income tax, are not addressed.

Neither Zoom nor Gold Lion intends to request any ruling from the Internal Revenue Service as to the United States federal income tax consequences of the acquisition.

It is anticipated that the acquisition will qualify as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code and no gain or loss will be recognized by Zoom, Gold Lion, or their respective shareholders as a result of the acquisition.

This discussion is intended to provide all material United States federal income tax consequences of the acquisition to Zoom and its stockholders who hold their stock as a capital asset. This discussion is not a complete analysis or description of all potential United States federal tax consequences of the acquisition to other holders who are subject to special rules. It does not address any non-income tax or any foreign, state or local tax consequences of the acquisition. Accordingly, you are strongly urged to consult with your tax advisor to determine the particular United States federal, state, local or foreign income or other tax consequences to you of the acquisition.

Anticipated Accounting Treatment

The Gold Lion acquisition will be accounted for as a reverse merger, whereby Gold Lion will be the continuing entity for financial reporting purposes and will be deemed to be the acquirer of Zoom. The acquisition is being accounted for as a reverse merger because after the acquisition the former shareholders of Gold Lion will hold the majority of the outstanding shares of Zoom and will have the ability to initially appoint the majority of the members of the board of directors of Zoom.

In accordance with the applicable guidance for accounting for the acquisition as a reverse merger, first Gold Lion will be deemed to have undergone a recapitalization, whereby its outstanding ordinary shares were converted into shares of Zoom common stock. Immediately thereafter Gold Lion, which is the continuing accounting entity, will have been deemed to have acquired the assets and assumed the liabilities of Zoom in exchange for the issuance of the Zoom shares. However, because of the spin-out of essentially all the assets and liabilities of Zoom to the Zoom shareholders, the proposed transaction will have no impact on the historical assets and liabilities of Gold Lion.

Risk Factors

In evaluating the proposals to be voted on at the special meeting, you should carefully read this proxy statement and especially consider the factors discussed in the section entitled **Risk Factors**.

Board Solicitation

Your proxy is being solicited by the board of directors of Zoom on each of the proposals being presented to the stockholders at the special meeting.

RISK FACTORS

You should carefully consider the following risk factors, together with all of the other information included in this proxy statement, before you decide whether to vote or direct your vote to be cast to approve the acquisition or the other proposals.

If Zoom completes the Gold Lion acquisition pursuant to the share exchange agreement, the resulting company will be subject to a number of risks. You should carefully consider the risks described below and the other information included in this proxy statement before you decide how you want to vote on the proposals. Following the closing of the share exchange agreement, the market price of Zoom's securities could decline due to any of these risks, in which case you could lose all or part of your investment.

In assessing these risks, you should also refer to the other information included in this proxy statement, including the consolidated financial statements and the accompanying notes. You should note that Zoom would become a holding company with substantial operations in the PRC. As a result, Zoom would be subject to legal and regulatory environments that differ in many respects from those of the United States. Zoom's business, financial condition or results of operations could be affected materially and adversely by any of the risks discussed below.

Risks Related to Gold Lion's Business

Gold Lion's ownership of businesses, inclusive of TCB Digital, Jiangsu Leimone and Profit Harvest (collectively Gold Lion Group) including sales, results of operations, and reputation could be materially adversely affected if it fails to efficiently manage its manufacturing operations without interruption, or fails to ensure that its products meet the expectations of its distributors and end-user customers.

Operation of Gold Lion Group requires successful execution of complex manufacturing processes. The disruption of any of these could interrupt its revenue generation and have a material and adverse effect on Gold Lion Group's relationships with distributors and end-user customers, TCB Digital and Jiangsu Leimone's brand names, and its financial performance. TCB Digital and Jiangsu Leimone's manufacturing operations involve raw material and component sourcing from third parties, internal assembly processes, and distribution processes. These operations are modified on a regular basis in an effort to improve manufacturing and distribution efficiency and flexibility. Gold Lion Group may experience difficulties in coordinating its supplies of components and raw materials to meet the demand for its products, increasing or decreasing production at its facilities in response to demand, adopting new manufacturing processes, finding a timely way to develop the best technical solutions for new products, or achieving manufacturing efficiency and flexibility. Gold Lion Group may experience delays in adjusting or upgrading production at its facilities when it introduces new models, delays in expanding manufacturing capacity, failure in its manufacturing processes, or failure by its business partners to adequately perform the services it has outsourced to them, which in turn may have a material adverse effect on Gold Lion Group's sales and results of operations. In addition, a failure or an interruption could occur at any stage of Gold Lion Group's product development, manufacturing and delivery processes, resulting in products not meeting the expectations of its distributors and end customers, which could have a material adverse effect on Gold Lion Group's sales, results of operations, and reputation.

Gold Lion Group's results of operations, particularly its profitability, may be materially adversely affected if it does not successfully manage price erosion and is not able to manage costs related to its products and operations.

Selling price erosion is a characteristic of the mobile handset and electronics industries, and the products offered by Gold Lion Group are subject to natural price erosion over time. If Gold Lion Group is not able to lower its costs at the same rate or faster than this selling price erosion, and to introduce new cost-efficient products with higher prices in a timely manner, as well as manage costs related to its products and operations generally, this will have a material adverse effect on its business and results of operations, particularly its profitability.

Gold Lion Group relies primarily on its distributors for marketing and sale of its products at the provincial and local levels and for after-sales support of its products. Because Gold Lion Group has limited influence over its distributors, it cannot be certain that their marketing and after-sale support of its products will be adequate to meet Gold Lion Group's sales requirements and to protect Gold Lion Group's brand and reputation.

Gold Lion Group now has distributors and after-sales service centers at the national level, provincial level and municipal level in 31 provinces in China. Gold Lion Group grants its distributors the right to use its brand name and logo when they market Gold Lion Group's products within their respective sales territories or channels and

when they provide after-sales support to Gold Lion Group's end-user customers. However, Gold Lion Group's contractual arrangements with its distributors do not provide Gold Lion Group with control over their everyday business activities, and one or more of its distributors may engage in activities that are prohibited under Gold Lion Group's contractual arrangements with them, that violate Peoples' Republic of China (PRC) laws and regulations governing the mobile handset industry or other PRC laws and regulations generally, or that are otherwise harmful to Gold Lion Group's business or reputation in the industry.

Gold Lion Group maintains inventories of raw materials, components and handsets, and its inventories may decline in value or become obsolete.

The rapid technological change in Gold Lion Group's industry, the short product life cycle of its handsets, its limited forecasting experience and processes, and the competitive nature of its target markets make forecasting Gold Lion Group's future sales and operating results difficult. Gold Lion Group's expense levels are based, in part, on its expectations regarding future sales. In addition, to enable Gold Lion Group to promptly fill orders, it maintains inventories of raw materials, components and handsets. As a result, Gold Lion Group has to commit to considerable costs in advance of anticipated sales. Any significant shortfall of sales may result in Gold Lion Group maintaining higher levels of inventories of raw materials, components, and finished goods than it requires, thereby increasing its risk of inventory obsolescence and corresponding inventory write-downs and write-offs. Gold Lion Group cannot guarantee that such write-downs will be adequate to cover all losses resulting from inventory obsolescence.

Gold Lion Group plans to market its products to countries outside of China, which may subject it to various economic, political, regulatory, legal and foreign exchange risks.

Gold Lion Group currently sells substantially all of its products in China. Gold Lion Group also plans to selectively enter into markets outside China where it identifies an opportunity to sell differentiated products and where it believes it will be able to realize a reasonable return on investment. The marketing, distribution and sale of its mobile handsets overseas exposes Gold Lion Group to a number of risks, including:

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fluctuations in currency exchange rates of the U.S. dollar and other foreign currencies against the Renminbi;

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difficulty in engaging and retaining distributors and agents who are knowledgeable about, and can function effectively in, overseas markets;

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difficulty in designing products that are compatible with communications and product standards in foreign countries, and in attaining the required certifications for those products;

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longer accounts receivable collection periods and greater difficulty in accounts receivable collection;

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increased costs associated with maintaining marketing and sales activities in various countries;

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difficulty and costs relating to compliance with unexpected changes in regulatory requirements and different commercial and legal requirements in the jurisdictions in which Gold Lion Group offers its products;

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inability to obtain, maintain or enforce intellectual property rights; and

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changes to import and export regulations, including quotas, tariffs and other trade barriers, delays or difficulties in obtaining export and import licenses, potential foreign exchange controls and repatriation controls on foreign earnings, exchange rate fluctuations, and currency conversion restrictions.

If Gold Lion Group is unable to effectively manage these risks, its ability to conduct or expand its business abroad would be impaired; and this may in turn have a material adverse effect on Gold Lion Group's business, financial condition, results of operations, and prospects.

Gold Lion Group's operating results are difficult to predict and may fluctuate significantly from period to period in the future.

Gold Lion Group's operating results are difficult to predict and may fluctuate significantly from period to period based on a number of factors such as the launch of new products in a given period, the seasonality of its mobile handset sales, the short life-cycle of any given handset model due to rapid technological advances, a possible

deterioration of economic conditions in China, and potential changes to the regulation of the mobile handset industry in China. As a result, you may not be able to rely on period-to-period comparisons of Gold Lion Group's operating results as an indication of its future performance. If its revenues for a particular period are lower than Gold Lion Group expects, it may be unable to reduce its fixed costs and operating expenses for that period by a corresponding amount, which would negatively impact its operating results for that period relative to its operating results for other periods.

Gold Lion Group has not applied for patents or registered copyrights for most of its intellectual property; and its failure to adequately protect its intellectual property rights may undermine its competitive position. In addition, litigation to protect Gold Lion Group's intellectual property rights may be costly.

Implementation of PRC intellectual property-related laws has historically been lacking, primarily because of ambiguities in PRC laws and difficulties in enforcement. Accordingly, intellectual property rights and confidentiality protections in China may not be as effective as in the United States or other countries. Gold Lion Group relies primarily on trade secrets and other contractual restrictions to protect its intellectual property. Gold Lion Group has not applied for patents or registered copyrights in China for most of its inventions, original works of authorship, developments, and improvements relating to the mobile handsets it produces. The actions Gold Lion Group has taken to protect its intellectual property rights may not be adequate to provide it with meaningful protection or commercial advantage. As a result, third parties may use the technologies that it has developed and compete with Gold Lion Group, which could have a material adverse effect on its business, financial condition and operating results.

In addition, policing unauthorized use of proprietary technology can be difficult and expensive. Litigation may be necessary to enforce Gold Lion Group's intellectual property rights and the outcome of any such litigation may not be in Gold Lion Group's favor. Given the relative unpredictability of China's legal system and potential difficulties in enforcing a court judgment in China, there is no guarantee that Gold Lion Group would be able to halt the unauthorized use of its intellectual property through litigation in a timely manner.

Furthermore, any such litigation may be costly and may divert management attention away from Gold Lion Group's business and cause it to expend significant resources. An adverse determination in any such litigation will impair Gold Lion Group's intellectual property rights and may harm its business, prospects and reputation. In addition, Gold Lion Group has no insurance coverage against litigation costs and would have to bear all costs arising from such litigation to the extent it is unable to recover them from other parties. The occurrence of any of the foregoing could have a material adverse impact on Gold Lion Group's business, financial condition and results of operations.

Gold Lion Group may be exposed to infringement or misappropriation claims by third parties which, if determined adversely against it, could disrupt its business and subject it to significant liability to third parties, as well as have a material adverse effect on its financial condition and results of operations.

Gold Lion Group's success depends, in large part, on its ability to use and develop its technology, know-how and product designs without infringing upon the intellectual property rights of third parties.

Gold Lion Group's products include increasingly complex technology and, as the amount of such technologies and the number of parties claiming rights continue to increase; the possibility of alleged infringement and related intellectual property claims against it continues to rise. The holders of patents and other intellectual property rights potentially relevant to Gold Lion Group's product offerings may be unknown to Gold Lion Group, or may otherwise make it difficult for Gold Lion Group to acquire a license on commercially acceptable terms. There may also be technologies licensed to and relied on by Gold Lion Group that are subject to infringement or other corresponding allegations or

claims by others which could damage its ability to rely on such technologies. In addition, although Gold Lion Group endeavors to ensure that companies that work with it possess appropriate intellectual property rights or licenses, Gold Lion Group cannot fully avoid the risks of intellectual property rights infringement created by suppliers of components used in its products or by companies with which it works in cooperative research and development activities. Since technology standards, including those used and relied on by Gold Lion Group, typically involve intellectual property rights, Gold Lion Group cannot fully avoid risks of a claim for infringement of such rights due to its reliance on such standards. Gold Lion Group believes that the number of third parties declaring their intellectual property to be relevant to these standards - for example, those standards related to 3G mobile communication technologies as well as other advanced mobile communications standards - is increasing, which may increase the likelihood that Gold Lion Group will be subject to such claims in the future.

While Gold Lion Group believes that any such intellectual property rights declared and found to be essential to a given standard carry with them an obligation to be licensed on fair, reasonable and non-discriminatory terms, not all intellectual property owners agree on the meaning of that obligation and, thus, costly and time-consuming litigation over such issues may result in the future.

As Gold Lion Group continues to market and sell its products throughout China, and as litigation becomes more common in China, Gold Lion Group faces a higher risk of becoming subject to claims for intellectual property infringement. While Gold Lion Group has not, to date, become subject to these types of claims, it is possible that it may, in the future, become subject to such intellectual property infringement claims. Regardless of whether such claims have merit or are decided in its favor, any such litigation could have a negative impact on Gold Lion Group brand, reputation and ability to conduct its business and sell some or all of its products.

Gold Lion Group's sales and profitability depend on the continued growth of the mobile telecommunications industry, especially in China, and if the mobile telecommunications industry does not grow as Gold Lion Group expects or grows at a slower speed than Gold Lion Group expects, its sales and profitability may be materially adversely affected.

Gold Lion Group derives substantially all of its revenues from sales of mobile handsets in China. The continued development of its business depends, in large part, on continued growth in the mobile telecommunications industry, especially in China, in terms of the number of existing mobile subscribers who upgrade or replace their existing mobile handsets, the number of new subscribers, and increased usage. Although China's wireless telecommunication industry has grown rapidly in the past, and although China government has granted 3G licenses to operators, the wireless telecommunication industry may not continue to grow at the same growth rate in the future or to grow at all.

Furthermore, Gold Lion Group's sales and profitability are also affected by the extent to which there is increasing demand for, and development of, value-added services, leading to opportunities for it to successfully market mobile handsets that feature those services. To a certain extent, Gold Lion Group is dependent on third-party mobile telecommunication operators to successfully introduce these value-added services that encourage end users to upgrade or replace their mobile handsets. For instance, mobile telecommunication operators in China are upgrading their networks to offer 3G wireless telecommunication services, which will lead to increased demand for enhanced wireless value-added services and, therefore, increased demand for mobile handsets with more advanced technologies in China. Therefore, if mobile telecommunication operators are not successful in their attempts to introduce new services, increase the number of subscribers, stimulate increased usage and drive replacement sales, its business and results of operations could be materially adversely affected.

These developments in its industry are, to a large extent, outside of Gold Lion Group's control; and any reduced demand for wireless voice and data services, any other downturn, or other adverse changes in China's wireless telecommunication industry could severely harm its business.

Changes in the regulatory environment for telecommunications systems and services, especially in China, could negatively impact Gold Lion Group's business.

The telecommunications industry in China is heavily regulated, and regulatory changes may affect both Gold Lion Group and its customers. For example, changes in regulations that impose more stringent standards for the production of mobile handsets could adversely affect Gold Lion Group business. Similarly, tariff regulations that affect the pricing of new services offered by mobile telecommunication operators could also affect their ability to invest in network infrastructure, which in turn could affect the sales of Gold Lion Group's mobile handsets. License fees,

environmental, health and safety, privacy and other regulatory changes may increase costs and restrict operations of mobile telecommunication network operators and service providers. The indirect impact of such changes could affect Gold Lion Group's business adversely even though the specific regulations may not directly apply to it or its products.

China Ministry of Industry and Information Technology (MIIT) has broad discretion and authority to regulate all aspects of the telecommunications and information technology industries in China, including managing spectrum, setting mobile handset specifications and standards, approving the adoption of new technologies such as 3G, and drafting laws and regulations. MIIT also determines the forms and types of services that may be offered by telecommunication companies to the public, the rates that are charged to subscribers for those services, and the content of material available in China over wireless services, including Internet content. In addition, China's

telecommunication regulatory framework is still at a relatively early stage of development, and prone to directional shifts and major structural changes. The PRC government is in the process of drafting a national telecommunication law, which may include new legislation governing the mobile handset industry. If MIIT sets standards with which Gold Lion Group is unable to comply or which would render Gold Lion Group's products uncompetitive, its ability to sell products could be severely limited, resulting in substantial harm to Gold Lion Group's operations.

Gold Lion Group depends on its key personnel, and its business and growth may be severely disrupted if it loses their services. Gold Lion Group may also have difficulty attracting and retaining qualified management and research and development personnel.

Gold Lion Group's future success depends substantially on the continued services of its key personnel. Gold Lion Group relies on key personnel's experience in the mobile handset manufacturing industry, in similar business operations, in sales and marketing, and on their relationships with Gold Lion Group's shareholders, customers, and suppliers. If Gold Lion Group loses the services of one or more of these key personnel, it may not be able to replace them readily, if at all, with suitable or qualified candidates, and may incur additional expenses to recruit and retain new officers, which could severely disrupt its business and growth.

In addition, if any of these key personnel joins a competitor or forms a competing company, Gold Lion Group may lose some of its customers. Gold Lion Group has entered into employment agreements with each of these key personnel, which contain confidentiality and non-competition provisions. However, if any disputes arise between these key personnel and Gold Lion Group, it is not clear what the court decisions will be and the extent to which these court decisions could be enforced in China, where all of these key personnel reside and hold some of their assets. Furthermore, as Gold Lion Group expects to continue to expand its operations and develop new products, Gold Lion Group will need to continue attracting and retaining experienced management and key research and development personnel.

Competition for management and research and development personnel in the mobile handset market in China is intense, and the availability of suitable and qualified candidates is limited. In particular, Gold Lion Group competes to attract and retain qualified research and development personnel with other mobile handset manufacturers, universities and research institutions. Competition for these individuals could cause Gold Lion Group to offer higher compensation and other benefits in order to attract and retain them, which could have a material adverse effect on Gold Lion Group's financial condition and results of operations. Gold Lion Group may also be unable to attract or retain the personnel necessary to achieve its business objectives, and any failure in this regard could severely disrupt its business and growth.

Fluctuations in exchange rates could adversely affect Gold Lion Group's business.

Because substantially all of its earnings are denominated in Renminbi, any appreciation or depreciation in the value of the Renminbi relative to the U.S. dollar would affect Gold Lion Group's balance sheet position and financial results reported in U.S. dollar terms without giving effect to any underlying change in its business or results of operations. In addition, fluctuations in the exchange rate between the U.S. dollar and the Renminbi would affect the relative purchasing power of Gold Lion Group's U.S. dollar denominated cash assets and the Renminbi value of Gold Lion Group's U.S. dollar denominated bank borrowings. Fluctuations in the exchange rate will also affect the relative value of any dividend Gold Lion Group may issue that will be exchanged into U.S. dollars, and will affect the earnings from and value of any U.S. dollar-denominated investments it makes in the future.

Gold Lion Group's competitive position could decline if it is unable to obtain additional financing to acquire businesses or technologies that are strategic for its success, or otherwise execute its business strategy.

Gold Lion Group believes that its current cash will be sufficient to fund its working capital and capital expenditure requirements for at least the next twelve months. However, Gold Lion Group may need to raise additional funds to support more rapid expansion, respond to competitive pressures, acquire complementary businesses or technologies or respond to unanticipated requirements. Gold Lion Group cannot assure you that additional funding will be available to it in amounts or on terms acceptable to Gold Lion Group. If sufficient funds are not available or are not available on acceptable terms, Gold Lion Group's ability to fund its expansion, take advantage of acquisition opportunities, develop or enhance its services or products, or otherwise respond to competitive pressures would be significantly limited. If appropriate opportunities arise, Gold Lion Group intends to acquire businesses; technologies, services or products that it believes are strategic.

Risks Related to Gold Lion's Industry

If Gold Lion Group cannot keep pace with market changes and produce mobile phones with new technologies and features in a timely and cost-efficient manner to meet its customers' requirements and preferences, the growth and success of its business will be materially adversely affected.

The mobile handset market in China is characterized by changing consumer preferences with respect to style and functionality, increasing demand for new and advanced technologies and features, rapid product obsolescence and price erosion, evolving industry standards, intense competition and wide fluctuations in product supply and demand. If Gold Lion Group cannot keep pace with market changes and produce new mobile handsets in a timely and cost-efficient manner to meet its customers' requirements and preferences, the growth and success of its business will be materially adversely affected.

Gold Lion Group experiences intensive competition from its Electronics Manufacturing Service (EMS) competitors; Gold Lion Group's failure to maintain its relationship with clients may have material adverse impact on its business and profitability.

In recent years, more and more EMS providers have invested heavily in the northern part of China and particularly in the Bo Hai area where Tianjin city is located. Gold Lion Group's OEM customers are also giving more orders to other EMS providers to balance their need and reduce their risk. Gold Lion Group will attempt to provide better services and higher quality products to attract more customers and reduce its risk from fierce competition.

Competition in mobile phone manufacture and sales is intense. Gold Lion Group's failure to maintain or improve its market position and respond successfully to changes in the competitive landscape may have a material adverse impact on its business and results of operations.

The mobile handset manufacturing industry in China is intensely competitive. Industry participants compete with each other mainly on the basis of the breadth and depth of their product portfolios, price, operational and manufacturing efficiency, technical performance, product features, quality, customer support and brand recognition. Gold Lion Group faces significant competition from a number of competitors, including domestic mobile handset producers such as Bird Ningbo Co., Ltd, Haier Telecom Co. Ltd., , Konka Group Co., Ltd, Lenovo Group Limited, and TCL Communication Technology Holdings Limited,. and a number of large multinational mobile handset producers, such as LG Electronics Ltd., Motorola Inc., Nokia Corporation, Samsung Electronics Co., Ltd., and Sony Ericsson Mobile Communications (China) Co., Ltd.. Many of Gold Lion Group's competitors have longer operating histories, greater name recognition, significantly larger market shares, access to larger customer bases and significantly greater economies of scale and financial, sales and marketing, manufacturing, distribution, technical and other resources than Gold Lion Group does. Some of these competitors have used, and will probably continue to use, more aggressive pricing strategies, greater amounts of sales incentives and subsidies for distributors, retailers and customers, more successful design approaches, and more advanced technologies. In addition, some competitors have chosen to focus on building products based on commercially available components, which may enable them to introduce these products faster and with lower levels of research and development spending than Gold Lion Group. Furthermore, consolidation among the industry participants in China may potentially result in stronger competitors that are better able to compete as end-to-end suppliers as well as competitors who are more specialized in particular areas and geographic markets. This could have a material adverse effect on Gold Lion Group's business, financial condition, results of operations and prospects.

Gold Lion Group may be unable to manage rapid growth and a changing operating environment, which could adversely affect its ability to serve its customers and could harm its business.

Gold Lion Group has experienced rapid growth over the last few years. Gold Lion Group has limited operational, administrative and financial resources, which may be inadequate to sustain its current growth rate. If Gold Lion Group is unable to manage its growth effectively, the quality of its solutions could deteriorate and its business may suffer. As its customer base increases and it enters new end-markets, Gold Lion Group will need to:

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increase its investments in personnel, research and development capabilities, facilities and other operational areas;

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continue training, motivating and retaining its existing employees, and attract and integrate new qualified employees;

develop and improve its operational, financial, accounting and other internal systems and controls; and

take enhanced measures to protect any proprietary technology or technological capability it develops.

Any failure to manage Gold Lion Group's growth successfully could distract management's attention and result in its failure to serve its customers and harm its business.

Risks Related to Doing Business in China

Adverse changes in political and economic policies of the PRC government could have a material adverse effect on the overall economic growth of China, which could reduce the demand for Gold Lion Group's products and materially adversely affect its competitive position.

Gold Lion Group conducts substantially all of its operations and generates most of its revenues in China. Accordingly, its business, financial condition, results of operations and prospects are affected significantly by economic, political and legal developments in China. The PRC economy differs from the economies of most developed countries in many respects, including:

the higher level of government involvement;

the early stage of development of the market-oriented sector of the economy;

the rapid growth rate;

the higher level of control over foreign exchange; and

The allocation of resources.

While the PRC economy has grown significantly since the late 1970s, the growth has been uneven, both geographically and among various sectors of the economy. The PRC government has implemented various measures to encourage economic growth and guide the allocation of resources. Some of these measures benefit the overall PRC economy, but may also have a negative effect on Gold Lion Group. For example, Gold Lion Group's financial condition and results of operations may be adversely affected by government control over the telecommunications

industry, capital investments or changes in tax regulations that are applicable to it.

The PRC economy has been transitioning from a planned economy to a more market-oriented economy. Although the PRC government has in recent years implemented measures emphasizing the utilization of market forces for economic reform, the PRC government continues to exercise significant control over economic growth in China through the allocation of resources, controlling payment of foreign currency-denominated obligations, setting monetary policy, and imposing policies that impact particular industries or companies in different ways. For example, efforts by the PRC government to slow the pace of growth of the PRC economy could result in decreased capital expenditure by mobile telecommunication network operators, which in turn could reduce demand for its products.

Any adverse change in the economic conditions or government policies in China could have a material adverse effect on the overall economic growth and the level of mobile communications investments and expenditures in China, which in turn could lead to a reduction in demand for Gold Lion Group's products and consequently have a material adverse effect on its business and prospects. In particular, any adverse change in the PRC government's policies towards the mobile communications industry may have a material adverse effect on Gold Lion Group's business.

Risks Relating to the Acquisition and Spin-Off

Upon completion of the acquisition, voting control by the Gold Lion shareholders may limit your ability to influence the outcome of director elections and other matters requiring shareholder approval.

Upon consummation of the acquisition, the shareholders of Gold Lion will own between 60.3% and 83% of the common stock of Zoom depending on whether Zoom only acquires Gold Lion or if it also acquires the additional 28.97% interest in TCB Digital and depending on whether Zoom is required to issue the NASDAQ Additional Consideration Shares. These Gold Lion shareholders will be able to control substantially all matters requiring approval by Zoom's stockholders, including the election of a majority of Zoom's directors and the approval of other

business transactions. This concentration of ownership could have the effect of delaying or preventing a future change in control of Zoom or discouraging a potential acquirer from attempting to obtain control of Zoom, which in turn could have a material adverse effect on the market price of Zoom's common stock or prevent Zoom's stockholders from realizing a premium over the market price for their common stock.

If Zoom is required to issue the NASDAQ Additional Consideration Shares, the Gold Lion shareholders will be entitled to receive additional shares as contingent consideration for the acquisition, which would result in dilution and might have an adverse effect on the market price of Zoom's common stock.

Under the share exchange agreement, the Gold Lion shareholders are entitled to receive up to an additional 2,499,168 in NASDAQ Additional Consideration Shares if either: (a) as of the date the Zoom stockholders approve the acquisition, Zoom's common stock is not listed on the NASDAQ Capital Market or (b) the NASDAQ Capital Market has not approved Zoom's listing application for the post-transaction entity within 30 days after the closing of the share exchange agreement. If the NASDAQ Additional Consideration Shares are issued, the number of shares outstanding will significantly increase. The issuance of the additional shares will have a dilutive effect on the common stock already outstanding and may cause a reduction in the trading price of Zoom's common stock in the public market.

Because Zoom does not intend to pay dividends, stockholders will benefit from an investment in Zoom's common stock only if those shares appreciate in value.

Zoom has never declared or paid any cash dividends on the shares of Zoom common stock. Upon completion of the acquisition, Zoom currently intends to retain all future earnings, if any, for use in the operations and expansion of the business. As a result, Zoom does not anticipate paying cash dividends in the foreseeable future. Any future determination as to the declaration and payment of cash dividends will be at the discretion of Zoom's board of directors and will depend on factors its board of directors deems relevant, including among others, Zoom's results of operations, financial condition and cash requirements, business prospects, and the terms of Zoom's credit facilities, if any, and any other financing arrangements. Accordingly, realization of a gain on stockholders' investments will depend on the appreciation of the price of Zoom's common stock, and there is no guarantee that Zoom's common stock will appreciate in value.

Zoom's board of directors approved the acquisition without obtaining a fairness opinion.

Zoom did not obtain a fairness opinion with respect to the Gold Lion acquisition. If Zoom's board of directors erred in concluding that the share exchange agreement is in the best interest of Zoom's stockholders, then its stockholders could suffer adverse consequences such as a decline in the value of their shares following the consummation of the transaction. In addition, at a minimum, any litigation over the board's exercise of its fiduciary duties would divert management's time and attention from completing the transactions described herein and would likely also involve the expenditure of substantial amounts for legal fees.

Gold Lion may have difficulty establishing adequate management, legal and financial controls in the PRC.

Most PRC companies historically have been less focused on establishing Western style management and financial reporting concepts and practices, as well as modern banking, computer and other internal control systems, than companies in the U.S. and certain other Western countries. Gold Lion may have difficulty in hiring and retaining a sufficient number of qualified internal control employees to work in the PRC. As a result of these factors, Gold Lion

may experience difficulty in establishing management, legal and financial controls, collecting financial data, preparing financial statements, books of account and corporate records, and instituting business practices that meet Western standards.

Section 404 of the Sarbanes-Oxley Act of 2002 will require Zoom to document and test its internal controls over financial reporting in future periods. Any delays or difficulty in satisfying these requirements could adversely effect its future results of operations and Zoom's stock price.

Section 404 of the Sarbanes-Oxley Act of 2002 will require Zoom to document and test the effectiveness of Gold Lion's internal control over financial reporting in accordance with an established internal control framework and to report on its conclusion as to the effectiveness of such internal controls. It may cost Zoom more than it expects to comply with these control and procedure-related requirements.

Zoom may discover in the future areas of its internal control that need improvement, particularly with respect to Gold Lion Group or other businesses that it may acquire. Zoom cannot be certain that any remedial measures it takes will provide it with adequate internal control over its financial processes and reporting in the future. Any failure to implement required new or improved controls, or difficulties encountered in their implementation could harm Zoom's operating results or cause it to fail to meet its reporting obligations. If Zoom is unable to conclude that it has effective internal control over financial reporting, or if its independent auditors are unable to provide it with an unqualified report regarding the effectiveness of its internal control over financial reporting in future periods as required by Section 404, investors could lose confidence in the reliability of its financial statements, which could result in a decrease in the value of Zoom's common stock. In addition, failure to comply with Section 404 could potentially subject Zoom to sanctions or investigations by the SEC or other regulatory authorities.

The distribution of Zoom Telephonics stock to Zoom shareholders may be treated as a taxable dividend.

Zoom may discover that as of the date of the distribution of Zoom Telephonics stock to Zoom shareholders that it has sufficient current earnings and profits to cause all or a portion of the distribution to be treated as a taxable dividend. If this were to occur, an amount equal to the fair market value of the Zoom Telephonics common stock received by Zoom shareholders (including any fractional shares deemed to be received) on the distribution date will be treated as a taxable dividend to the extent of a shareholder's ratable share of 2009 earnings and profits of Zoom with the excess treated as a non-taxable return of capital to the extent of a shareholder's tax basis in Zoom common stock, and any remaining excess treated as capital gain.

The distribution of Zoom Telephonics stock to Zoom shareholders may result in a taxable gain to Zoom.

The distribution of Zoom Telephonics stock to Zoom shareholders is not intended to be a tax-free distribution governed by Section 355 of the Code. A taxable distribution will generally result in taxable gain to the distributing corporation. Zoom believes in this case that it will not recognize gain as a result of the distribution because its tax basis in Zoom Telephonics stock will exceed the fair market value of that stock as of the date of distribution. In addition, even if Zoom's tax basis in the Zoom Telephonics stock were less than the fair market value of that stock as of the date of distribution, Zoom believes that it would nonetheless have sufficient net operating loss carryforwards to offset any taxable gain recognized.

To the extent that either of these assumptions are incorrect, Zoom has fully indemnified TCB Digital under the Share Exchange Agreement for any pre-closing income taxes incurred, including any income tax resulting from the distribution of Zoom Telephonics.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This proxy statement contains forward-looking statements that involve substantial risks and uncertainties. All statements, other than statements of historical facts, included in this proxy statement regarding Zoom's and Gold Lion's strategy, future operations, future financial position, future revenues, projected costs, prospects, plans and objectives of management are forward-looking statements. The words anticipate, believe, estimate, expect, intend, may, predict, project, will, would and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words.

The parties may not actually achieve the plans, intentions or expectations disclosed in the forward-looking statements, and you should not place undue reliance on the forward-looking statements. Actual results or events could differ materially from the plans, intentions and expectations disclosed in the forward-looking statements made by the parties. The parties to this proxy statement have included important factors in the cautionary statements included in this proxy statement, particularly in the Risk Factors section, that the parties believe could cause actual results or events to differ materially from the forward-looking statements made by the parties, including, among others:

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legislation or regulatory environments, requirements or changes adversely affecting the business in which Gold Lion is engaged;

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continued compliance with government regulations;

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fluctuations in customer demand;

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management of rapid growth;

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the time to develop and market new products;

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general economic conditions;

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geopolitical events; and

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changes in accounting principles generally accepted in the United States.

Further, the forward-looking statements do not reflect the potential impact of any future acquisitions, mergers, dispositions, joint ventures, collaborations, dividends or investments made by Zoom or Gold Lion.

You should read this proxy statement, including all annexes to this proxy statement with the understanding that actual future results may be materially different from what the parties expect. Neither Zoom nor Gold Lion assumes any obligation to update any forward-looking statements.

HISTORICAL FINANCIAL INFORMATION
OF GOLD LION HOLDING LTD.

Index

Report of Independent Registered Public Accounting Firm	page 26
Consolidated Balance Sheets at December 31, 2008 and 2007	page 27
For the years ended December 31, 2008 and 2007:	
Consolidated Statements of Operations and Other Comprehensive Income	page 28
Consolidated Statements of Cash Flows	page 29
Consolidated Statements of Stockholders' Equity	page 30
Notes to Consolidated Financial Statements	page 31
Unaudited Consolidated Balance Sheets at March 31, 2009 and 2008	page 51
For the years ended March 31, 2009 and 2008:	
Unaudited Consolidated Statements of Operations and Other Comprehensive Income	page 52
Unaudited Consolidated Statements of Cash Flows	page 53
Unaudited Notes to Consolidated Financial Statements	page 54

Report of Independent Registered Public Accounting Firm

Board of Directors and Stockholders of

Gold Lion Holding, Ltd.

We have audited the accompanying consolidated balance sheets of Gold Lion Holding, Ltd. Affiliates and Subsidiaries as of December 31, 2008 and 2007 and the related consolidated statements of income and other comprehensive income, stockholders' equity, and cash flows for the years ended December 31, 2008 and 2007. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these combined consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Gold Lion Holding, Ltd., Affiliates and Subsidiaries as of December 31, 2008 and 2007 and the combined consolidated results of their operations and their consolidated cash flows for the years ended December 31, 2008 and 2007, in conformity with U.S. generally accepted accounting principles.

The accompanying financial statements referred to above were combined and consolidated as described in Note 1 to the financial statements.

/s/ Goldman Parks Kurland Mohidin LLP

Goldman Parks Kurland Mohidin LLP

Encino, California

March 27 2009

GOLD LION HOLDING LTD.
CONSOLIDATED BALANCE SHEETS

	December 31, 2008	December 31, 2007
ASSETS		
Current assets		
Cash and cash equivalents	\$ 812,769	\$ 3,980,584
Restricted cash	8,753,757	5,452,203
Notes receivable		452,742
Accounts receivable, net	12,366,814	12,669,242
Other receivables, net of allowance for doubtful accounts	1,119,881	2,598,614
Advance to suppliers	24,275,313	12,309,764
Inventories, net	3,742,046	7,216,945
Due from related parties	6,069,842	18,148,353
Total current assets	57,140,422	62,828,447
Property, plant and equipment, net	7,054,892	5,002,685
Long-term investments	65,653	229,391
Due from related parties-long term	247,294	
Deferred tax assets	612,835	438,938
Goodwill	103,057	10,273
TOTAL ASSETS	\$ 65,224,153	\$ 68,509,734
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Short-term loans	\$ 18,893,525	\$ 19,240,918
Notes payable	17,507,514	9,553,870
Accounts payable	3,580,720	4,857,342
Advance from customers	3,785,462	2,721,406
Dividends payable	578,142	541,789
Taxes payable	775,315	645,925
Accrued expenses and other payables	2,832,599	2,845,673
Due to related parties	5,161,169	16,207,276
Deferred tax liabilities	11,879	

Total current liabilities	53,126,325	56,614,199
Long-term loans	1,167,168	
TOTAL LIABILITIES	54,293,493	56,614,199
MINORITY INTERESTS	6,489,032	5,776,086
STOCKHOLDERS EQUITY		
Common shares, issued and outstanding; 1,000 shares, par value \$0.001 per share	1	4,630,213
Additional paid-in capital	3,553,292	1
Statutory surplus reserve	569,193	257,078
Accumulated other comprehensive income	243,625	234,917
Accumulated retained earning	75,517	997,240
TOTAL STOCKHOLDERS EQUITY	4,441,628	6,119,449
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	\$ 65,224,153	\$ 68,509,734

The accompanying notes are an integral part of these consolidated financial statements

GOLD LION HOLDING LTD.**CONSOLIDATED STATEMENTS OF INCOME AND OTHER COMPREHENSIVE INCOME**

	Years Ended December 31	
	2008	2007
Net revenue	\$ 80,611,981	\$ 42,496,458
Cost of sales	(72,410,992)	(37,789,130)
Gross profit	8,200,989	4,707,328
Operating expenses:		
Sales and marketing expenses	267,076	159,576
General and administrative expenses	1,685,885	557,215
Research and development expenses	871,238	1,957,194
	2,824,199	2,673,985
Income from operations	5,376,790	2,033,343
Other income (expenses)		
Equity in earnings in investee	3,191	
Interest income	176,102	9,860
Government grant income	176,747	79,933
Other income	4,121	63,879
Interest expense	(1,599,139)	(449,873)
Exchange loss	(91,071)	(449,873)
Other expenses	(37,506)	(17,983)
	(1,367,555)	(316,416)
Income before income taxes and minority interests	4,009,235	1,716,927
Income tax expense	(611,586)	(120,949)
Income before minority interest	3,397,649	1,595,978
Minority interest	(330,721)	(626,576)
Income from continuing operations	3,066,928	969,402
Loss from discontinued operation	(246,654)	(214,117)

Net Income		2,820,274		755,285
Other comprehensive income		8,708		234,917
Comprehensive income	\$	2,828,982	\$	990,202

The accompanying notes are an integral part of these consolidated financial statements

GOLD LION HOLDING LTD.**CONSOLIDATED STATEMENTS OF CASH FLOWS****YEARS ENDED DECEMBER 31, 2008 AND 2007**

	2008	2007
Cash flows from operating activities:		
Net income	\$ 2,820,274	\$ 755,285
Adjustments to reconcile net income to cash used by operating activities:		
Minority interest	330,721	626,576
Depreciation and amortization	1,231,707	437,188
Provision for inventory obsolescence	(173,528)	416,931
Provision for doubtful receivables	(86,390)	55,505
Loss on disposal of fixed assets	497	
Investment income	(3,191)	
Changes in operating assets and liabilities:		
Deferred tax assets	(130,508)	(427,702)
Accounts receivable	266,411	(6,290,050)
Inventories	3,292,582	(4,486,960)
Advances to suppliers	(16,037,819)	(9,462,401)
Prepaid expenses and other assets	1,541,259	(2,537,207)
Accounts payable	(1,543,164)	2,320,802
Advance from customers	867,776	
Related parties	(721,332)	(1,190,725)
Accrued expenses and other current liabilities	(110,174)	340,278
Net cash used by operating activities	(8,454,880)	(19,442,480)
Cash flows from investing activities:		
Restricted cash	(2,890,163)	(5,312,627)
Cash paid for long- term investment		(10,273)
Purchase of property & equipment and other long-term assets	(2,895,299)	(1,919,288)
Cash proceeds from disposal of fixed assets	9,623	445
Cash proceeds from disposal of discontinued operations	1,749,258	
Cash proceeds from notes receivable	475,622	360,779
Cash increase due to acquisition of subsidiaries		5,151,367
Net cash used for investing activities	(3,550,959)	(1,729,597)

Cash flows from financing activities:

Proceeds from short-term loans	18,600,309	17,416,130
Proceeds from long-term loan	1,149,054	
Advance to related parties	(5,649,111)	(17,810,945)
Repayment on borrowing from related parties	(37,884,458)	18,039,538
Proceeds from notes payable	7,199,115	9,309,291
Dividend distribution		(519,566)
Collection on advance to related parties	18,484,740	1,395,920
Receipt on related parties	26,885,911	(546,402)
Repayments on short-term loan	(20,213,293)	(2,531,221)
Net cash provided by financing activities	8,572,267	24,752,745
Effect of exchange rate changes on cash	265,756	181,332
Net increase (decrease) in cash and cash equivalents	(3,167,815)	3,762,000
Cash and cash equivalents, beginning balance	3,980,584	218,584
Cash and cash equivalents, ending balance	\$ 812,769	\$ 3,980,584

SUPPLEMENTARY DISCLOSURE:

Interest paid	\$ 1,489,630	\$ 416,580
Income tax paid	\$ 931,854	\$ 189,735

The accompanying notes are an integral part of these consolidated financial statements

GOLD LION HOLDING LTD.**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY****YEARS ENDED DECEMBER 31, 2008 AND 2007**

	Shares	Common stock	Additional paid-in capital	Statutory surplus reserve	Other compre-hensive income (loss)	Accumulated surplus/ (deficit)	Total
Balance December 31, 2006	1,000	\$ 1	\$	\$	\$	\$ 1,770	\$ 1,769
Foreign currency translation					234,917		234,917
Net income						755,285	755,285
Appropriated statutory surplus reserve				65,293		(65,293)	
Contribution of equity in affiliates		4,630,213		191,785		309,018	5,131,016
Balance December 31, 2007	1,000	\$ 4,630,214	\$	\$ 257,078	\$ 234,917	\$ 997,240	\$ 6,119,449
Changes due to consolidation		(4,630,213)	3,553,292	(257,078)		(3,172,804)	(4,506,803)
Foreign currency translation					8,708		8,708
Net income						2,820,274	2,820,274
Appropriated statutory surplus reserve				569,193		(569,193)	

Balance December 31, 2008	1,000	\$	1	\$ 3,553,292	\$ 569,193	\$ 243,625	\$ 75,517	\$ 4,441,628
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The accompanying notes are an integral part of these consolidated financial statements

GOLD LION HOLDING LTD

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2008 AND 2007

NOTE 1 ORGANIZATION AND PROPOSED BUSINESS OPERATIONS

Gold Lion Holding Ltd ("Gold Lion" or the Company) was founded by Mr. Gu Lei (Gu) in September 2002 in the British Virgin Islands. Pursuant to an agreement dated June 30, 2007, Mr. Cao Wei (Cao), purchased from Gu 29.4% shares in the Company. Through a resolution of the Company on November 26, 2008, the Company issued 705 shares to Gu and 294 shares to Mr. Du Songtao (Du), resulting in a total of 1,000 issued and outstanding shares of Common Stock. Pursuant to a pledge agreement dated November 26, 2008, Du pledged his 294 shares to Cao, including all rights to such shares. As such, Gu and Cao jointly control 100% of Gold Lion.

On August 2, 2007, Gu founded Profit Harvest Corporation Ltd. (Profit Harvest) in Hong Kong, and in December 2008, 100% ownership of Profit Harvest was transferred to Gold Lion.

Pursuant to the capital injection agreement (the Agreement) by and among Tianjin Communication and Broadcasting Group Co., Ltd. (TCBGCL), TCBGCL Labour Union, Hebei Leimone Science and Technology Co., Ltd. (Hebei Leimone), Tianjin 712 Communication and Broadcasting Co., Ltd. (712), Beijing Depu Investment Co., Ltd. (Beijing Depu) and other natural person shareholders on May 8, 2007 and a resolution of the shareholder s meeting on June 30, 2007, Hebei Leimone, a company controlled by Gu, acquired 25.13% of Tianjin Tong Guang Group Digital Communication Co., Ltd. (TCB Digital) from TCBGCL Labour Union and various natural person shareholders for cash of RMB9,000,000, approximately \$1,286,000. Pursuant to this Agreement, Hebei Leimone and Beijing Depu, the companies controlled by Gu and Cao respectively, were to invest additional RMB15,928,700 and RMB10,377,600 respectively to TCB Digital, bringing the total investment from Hebei Leimone and Beijing Depu to \$4,679,111 (RMB35,306,300). After this additional investment was made as of June 30, 2007, Hebei Leimone and Beijing Depu held 36.03% and 15% equity interests respectively of TCB Digital, amounting to 51.03% ownership in TCB Digital. Pursuant to an agreement dated June 30, 2007, Cao irrevocably pledged his 15% equity interest in TCB Digital through his ownership in Beijing Depu to Gu in exchange for a 29.4% stake in Gold Lion.

On November 30, 2007, Gold Lion and GD Industrial Company signed a share transfer agreement, pursuant to which, GD Industrial Company transferred 60% equity of Nantong Zong Yi Kechuang Digital Camera Technology Co., Ltd. (Nantong Zong Yi) for cash of \$10,273 to the Company. In July 2008, Nantong Zong Yi changed its name to Jiangsu Leimone Electronic Co., Ltd. (JS Leimone). Before the acquisition date, JS Leimone did not have any operating activities. In January 2008, the Company invested \$5,074,226 (HK\$38,800,000) to JS Leimone to increase the Company s ownership in JS Leimone to 80%. Pursuant to the share transfer agreement by and between Gold Lion and Nantong Zong Yi Investment Co., Ltd. dated November 26, 2008, the Company acquired the remaining 20% equity interest of JS Leimone from Nantong Zong Yi Investment Co., Ltd. for cash of \$103,214 (HK\$800,000). After this transaction, the Company owned 100% of JS Leimone.

Pursuant to the share transfer agreement by and among Hebei Leimone, Beijing Depu Investment Co., Ltd and JS Leimone dated December 15, 2008, Hebei Leimone and Beijing Depu Investment Co., Ltd. transferred their 51.03% equity interest of TCB Digital to JS Leimone on December 30, 2008.

Per the fact that TCB Digital and Profit Harvest are under common control with the Company since July 2007 and August 2007, respectively, we combined their financials at historical cost into the Company from the date the Company acquires control. Acquisition method is used when the Company has actual equity investment in TCB Digital and Profit Harvest.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Gold Lion Holding Ltd, its 100%-owned subsidiary Profit Harvest, its 100%-owned subsidiary JS Leimone and its 51.03%-owned joint venture TCB Digital as of and for the year ended December 31, 2008. As the Company acquired 60% of JS Leimone on November 30, 2007, the operating results from December 1, 2007 through December 31, 2007 and the balance sheet of JS Leimone were included in the combination for the year ended December 31, 2007. As of June 30, 2007, Gu and Cao jointly acquired 51.03% equity of TCB Digital through Hebei Leimone and Beijing Depu, entities they controlled, and Gu controlled 100% of Profit Harvest in 2007. The consolidated financial statements for 2007

GOLD LION HOLDING LTD

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2008 AND 2007

NOTE 1 ORGANIZATION AND PROPOSED BUSINESS OPERATIONS (continued)

Principles of Consolidation (continued)

included the combination of 100% operation results of TCB Digital from July 1, 2007 through December 31, 2007 and 100% of the operating results of Profit Harvest for 2007. As Gu and Cao transferred their 51.03% equity interest of TCB Digital into JS Leimone on December 30, 2008, and 100% equity interest of Profit Harvest was transferred to Gold Lion on December 22, 2008, the consolidated financial statements as of December 31, 2008 include the consolidation of balance sheets of TCB Digital and Profit Harvest and combination of 100% operating results of TCB Digital and 100% operating results of Profit Harvest of 2008. The difference of shareholder's equity between 2007 and 2008 resulted from the change of consolidation method is presented as changes due to consolidation on the face of consolidated statements of shareholder's equity. The common stock from contribution of equity in affiliates by the shareholders in 2007 was the 51.03% paid-in capital of TCB Digital, which was \$4,630,212, and 100% paid-in capital of Profit Harvest, which was \$1. The accumulated surplus from recapitalization on reverse acquisition in 2007 was the 51.03% retained earning of TCB Digital and 100% retained earning of Profit Harvest amounting to \$309,018 and nil respectively. The common stock from changes due to consolidation was the reclassification in 2008 of 51.03% paid-in capital of TCB Digital, which was \$4,630,212, and 100% paid-in capital of Profit Harvest, which was \$1. The additional paid-in capital from changes due to consolidation amounted to \$3,553,292 in 2008 was the excess of the net assets over the purchase price for the acquisition of 51.03% of TCB Digital and 100% of Profit Harvest from related parties amounting to \$1,610,957 and \$1,942,335 respectively. The statutory surplus reserve from changes due to consolidation amounted to \$(257,078) in 2008 was the net figure of statutory surplus reserve amounting to \$257,078. The accumulated deficit from changes due to consolidation amounted to \$(3,172,804) in 2008 was the 51.03% of accumulated retained earning of TCB Digital as of Dec. 31, 2008 which amounted to \$1,230,469 and the 100% of accumulated retained earning of Profit Harvest as of December 31, 2008 which amounted to \$1,942,335.

Basis of Presentation

The consolidated financial statements are prepared in accordance with generally accepted accounting principles in the United States of America ("US GAAP"). The Company's functional currency is the Chinese Renminbi; however the accompanying consolidated financial statements have been translated and presented in United States Dollars (\$).

Use of Estimates

The preparation of the consolidated financial statements in conformity with US GAAP requires management of the Company to make a number of estimates and assumptions relating to the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the period. Significant items subject to such estimates and assumptions include the recoverability of the carrying amount of property and equipment and intangible assets; the allocation of the purchase price for the Company's acquisitions; the collectability of accounts receivable; the fair value of share-based compensation; the useful lives and salvage values of property and equipment; the realizability of inventories; and amounts recorded for contingencies. These estimates are often based on complex judgments and assumptions that management believes to be reasonable but are inherently uncertain and unpredictable. Actual results may differ from those estimates.

Foreign Currency Translation

The Company's financial records are maintained in its local currency, the Renminbi (RMB), which is the functional currency. Assets and liabilities are translated at the exchange rates at the balance sheet dates and revenue and expenses are translated at the average exchange rates and stockholders' equity is translated at historical exchange rates. Any translation adjustments resulting are not included in determining net income but are included in foreign exchange adjustment to other comprehensive income, a component of stockholders' equity.

GOLD LION HOLDING LTD

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2008 AND 2007

NOTE 1 ORGANIZATION AND PROPOSED BUSINESS OPERATIONS (continued)

Foreign Currency Translation

The reporting currency of the Company is the US dollar. Transactions denominated in currencies other than US dollars are translated into US dollars at the average rate for the period. Monetary assets and liabilities denominated in currencies other than US dollars are translated into US dollars at the rates of exchange at the balance sheet date. The resulting exchange differences are recorded in other expenses in the statement of income and comprehensive income.

RMB is not a fully convertible currency. All foreign exchange transactions involving RMB must take place either through the People's Bank of China (the PBOC) or other institutions authorized to buy and sell foreign exchange. The exchange rates adopted for the foreign exchange transactions are the rates of exchange quoted by the PBOC, which are determined largely by supply and demand.

Fair Value of Financial Instruments

The carrying values of the Company's financial instruments, including cash and cash equivalents, restricted cash, marketable securities, trade, bills and other receivables, deposits, trade, bills and other payables approximate their fair values due to the short-term maturity of such instruments. The carrying amounts of bank borrowings approximate their fair values because the applicable interest rates approximate current market rates.

It is management's opinion that the Company is not exposed to significant interest, price or credit risks arising from these financial instruments.

The Company is exposed to foreign currency risk arising from import purchase transactions and trade payables as they affect the future operating results of the Company. The Company did not have any hedging transactions during 2008 or 2007.

Risks and Uncertainties

The Company is subject to substantial risks from, among other things, intense competition associated with the industry in general, other risks associated with financing, liquidity requirements, rapidly changing customer requirements, limited operating history, foreign currency exchange rates and the volatility of public markets.

Cash and Cash Equivalents

Cash consists of cash on hand, cash in bank accounts and interest-bearing savings accounts. Cash deposits that are restricted as to withdrawal or pledged as security, are disclosed separately on the consolidated balance sheet, and not included in cash for the purpose of the consolidated statements of cash flows.

Accounts Receivable

Allowances for doubtful accounts are maintained against accounts receivable for estimated losses resulting from the inability of customers to make required payments. These allowances are based on both recent trends of certain customers estimated to be a greater credit risk as well as general trends of the entire customer pool. Accounts are written off against the allowance when it becomes evident collection will not occur.

Inventories

Inventories are stated at the lower of cost or market. Cost is determined on a weighted average basis and includes all expenditures incurred in bringing the goods to the point of sale and putting them in a saleable condition. In assessing the ultimate realization of inventories, the management makes judgments as to future demand requirements compared to current or committed inventory levels. Our reserve requirements generally increase as our projected demand requirements; or decrease due to market conditions and product life cycle changes. The Company estimates the demand requirements based on market conditions, forecasts prepared by its customers, sales contracts and orders in hand.

GOLD LION HOLDING LTD

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2008 AND 2007

NOTE 1 ORGANIZATION AND PROPOSED BUSINESS OPERATIONS (continued)

Inventories (continued)

In addition, the Company estimates net realizable value based on intended use, current market value and inventory ageing analyses. The Company writes down the inventories for estimated obsolescence or unmarketable inventory equal to the difference between the cost of inventories and the estimated market value based upon assumptions about future demand and market conditions. Historically, the actual net realizable value has been close to management's estimate.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost, less accumulated depreciation and amortization. Depreciation is calculated on a straight-line basis over estimated useful lives of 30 years for buildings and improvements, 10 years for machinery and equipment, 4-5 years for electronic equipment, 5 years for workshop reconstruction and assembling line reconstruction, and 5 years for transportation equipment. Expenditures for maintenance and repairs are charged to expense as incurred. Major renewals and betterments are charged to the property accounts while replacements, maintenance and repairs, which do not improve or extend the lives of the respective assets, are expensed to the current period.

Capitalized Interest

Interest associated with major development and construction projects is capitalized and included in the cost of the project. When no debt is incurred specifically for a project, interest is capitalized on amounts expended on the project using weighted-average cost of the Company's outstanding borrowings. Capitalization of interest ceases when the project is substantially complete or development activity is suspended for more than a brief period.

Impairment of Long-Lived Assets

In accordance with Statement of Financial Accounting Standards (SFAS) No.144, Accounting for the Impairment or Disposal of Long-Lived Assets, the Company reviews the carrying values of long-lived assets, including property, plant and equipment and other intangible assets, whenever facts and circumstances indicate that the assets may be impaired. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net undiscounted cash flows expected to be generated by the asset. If an asset is considered impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the asset exceeds the fair value. Assets to be disposed of are reported at the lower of the carrying amount or fair value, less costs of disposal. For 2008, the Company performed an annual impairment review of long-lived assets and concluded that there was no impairment loss.

Goodwill

The Company recognizes goodwill for the excess of the purchase price over the fair value of the identifiable net assets of the business acquired. As required by SFAS No. 142, Goodwill and Other Intangible Assets, an impairment test for goodwill is undertaken by the Company at the reporting unit level annually, or more frequently if events or changes in circumstances indicate that goodwill might be impaired. As of December 31, 2008, the Company did not incur any impairment loss for goodwill.

Revenue Recognition

The Company recognizes sales in accordance with the United States Securities and Exchange Commission (SEC) Staff Accounting Bulletin (SAB) No. 101, Revenue Recognition in Financial Statements and SAB No. 104, Revenue Recognition. The Company recognizes revenue when the following criteria are met: (i) persuasive evidence of an arrangement exists, (ii) delivery has occurred or services were rendered, (iii) the price to the customer is fixed or determinable and (iv) collection of the resulting receivable is reasonably assured. Revenue is not recognized until title and risk of loss is transferred to the customer, which occurs upon delivery of goods, and objective evidence exists that customer acceptance provisions were met. Provisions for discounts and returns are provided for at the time the sale is recorded, and are recorded as a reduction of sales. The Company bases its

GOLD LION HOLDING LTD

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2008 AND 2007

NOTE 1 ORGANIZATION AND PROPOSED BUSINESS OPERATIONS (continued)

Revenue Recognition (continued)

estimates on historical experience taking into consideration the type of products sold, the type of customer, and the type of specific transaction in each arrangement. Revenues represent the invoiced value of goods, net of value added

The Company does not offer promotional payments, customer coupons, rebates or other cash redemption offers to its customers. Deposits or advance payments from customers prior to delivery of goods and passage of title of goods are recorded as advanced from customers.

Income Taxes

The Company accounts for income taxes in accordance with SFAS No. 109, *Accounting for Income Taxes*. Under this method, deferred income taxes are recognized for the estimated tax consequences in future years of differences between the tax bases of assets and liabilities and their financial reporting amounts and each year-end based on enacted tax laws and statutory rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established to reduce deferred tax assets to the amount expected to be realized when, in management's opinion; it is more likely than not that some portion of the deferred tax assets will not be realized. The provision for income taxes represents current taxes payable net of the change during the period in deferred tax assets and liabilities.

Operating Leases

Leases where substantially all the rewards and risks of ownership of assets remain with the leasing company that do not meet the capitalization criteria of SFAS 13, are accounted for as operating leases. Rental payables under operating leases are recognized as expenses on the straight-line basis over the lease term.

Comprehensive Income

The Company uses SFAS 130 *Reporting Comprehensive Income*. Comprehensive income is comprised of net income and all changes to the statements of stockholders' equity, except those due to investments by stockholders, changes in paid-in capital and distributions to stockholders.

SFAS No.130, *Reporting Comprehensive Income*, establishes standards for reporting and displaying comprehensive income and its components in the consolidated financial statements. Accumulated other comprehensive income (loss) includes foreign currency translation adjustments.

Long-Term Investments

The Company accounted for its 9% investment in Tianjin Tong Guang Microelectronics Co., Ltd using the cost method.

Recent Accounting Pronouncements

In July 2006, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes (FIN 48). This interpretation requires we recognize in our financial statements, the impact of a tax position, if that position is more likely than not of being sustained on audit, based on the technical merits of the position. The provisions of FIN 48 are effective as of the beginning of 2007. The adoption of FIN 48 had no material effect on our financial statements.

In September 2006, the FASB issued SFAS No. 157 Fair Value Measurement (SFAS 157). SFAS 157 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. This Statement was effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. Earlier application was encouraged, provided the

GOLD LION HOLDING LTD

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2008 AND 2007

NOTE 1 ORGANIZATION AND PROPOSED BUSINESS OPERATIONS (continued)

Recent Accounting Pronouncements (continued)

reporting entity has not yet issued financial statements for that fiscal year, including any financial statements for an interim period within that fiscal year. The provisions of this statement should be applied prospectively as of the beginning of the fiscal year in which this Statement is initially applied, except in some circumstances where the statement shall be applied retrospectively. The adoption of SFAS 157 had no material effect on our financial statements.

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities - Including an Amendment of FASB Statement No. 115* (SFAS 159). SFAS 159 permits entities to choose to measure many financial instruments and certain other items at fair value. Entities that elect the fair value option will report unrealized gains and losses in earnings at each subsequent reporting date. The fair value option may be elected on an instrument-by-instrument basis, with few exceptions. SFAS 159 also establishes presentation and disclosure requirements to facilitate comparisons between companies that choose different measurement attributes for similar assets and liabilities. The requirements of SFAS 159 were effective for 2008. The adoption of SFAS 159 had no material effect on our financial statements.

In June 2007, the FASB issued FASB Staff Position No. EITF 07-3, *Accounting for Nonrefundable Advance Payments for Goods or Services Received for use in Future Research and Development Activities* (FSP EITF 07-3), which addresses whether nonrefundable advance payments for goods or services that used or rendered for research and development activities should be expensed when the advance payment is made or when the research and development activity has been performed. The adoption of FASB Staff Position No. EITF 07-3 had no material effect on our financial statements.

In December 2007, the FASB issued SFAS No. 160 *Noncontrolling Interests in Consolidated Financial Statements-an amendment of ARB No. 51* . SFAS 160 establishes accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. The guidance became effective for the fiscal year beginning after December 15, 2008. Our management is in the process of evaluating the impact that SFAS 160 will have on the Company's financial statements upon adoption.

In December 2007, the FASB issued SFAS No. 141 (Revised) *Business Combinations* . SFAS 141 (Revised) establishes principles and requirements for how the acquirer of a business recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree. The statement also provides guidance for recognizing and measuring the goodwill acquired in the business combination and determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. The guidance became effective for the fiscal year beginning after December 15, 2008. Our management is in the process of evaluating the impact that SFAS 141 (Revised) will have on the Company's financial statements upon adoption.

In March 2008, the FASB issued SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities* an amendment of FASB Statement No. 133. SFAS 161 changes the disclosure requirements for derivative instruments

and hedging activities. Entities are required to provide enhanced disclosures about (a) how and why an entity uses derivative instruments, (b) how derivative instruments and related hedged items are accounted for under SFAS 133 and its related interpretations, and (c) how derivative instruments and related hedged items affect an entity's financial position, financial performance, and cash flows. Based on current conditions, the Company does not expect the adoption of SFAS 161 to have a significant impact on its results of operations or financial position.

In May 2008, the FASB issued SFAS No. 162, The Hierarchy of Generally Accepted Accounting Principles. SFAS 162 identifies the sources of accounting principles and the framework for selecting the principles to be used in the preparation of financial statements of nongovernmental entities that are presented in conformity with US GAAP (the GAAP hierarchy). SFAS 162 will not have an offset on the Company's financial statements.

GOLD LION HOLDING LTD**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****DECEMBER 31, 2008 AND 2007****NOTE 1 ORGANIZATION AND PROPOSED BUSINESS OPERATIONS (continued)*****Recent Accounting Pronouncements (continued)***

In May 2008, the FASB issued SFAS No. 163, Accounting for Financial Guarantee Insurance Contracts, an interpretation of FASB Statement No. 60. The scope of SFAS 163 is limited to financial guarantee insurance (and reinsurance) contracts, as described in this Statement, issued by enterprises included within the scope of Statement 60. Accordingly, SFAS 163 does not apply to financial guarantee contracts issued by enterprises excluded from the scope of Statement 60 or to some insurance contracts that seem similar to financial guarantee insurance contracts issued by insurance enterprises (such as mortgage guaranty insurance or credit insurance on trade receivables). SFAS 163 also does not apply to financial guarantee insurance contracts that are derivative instruments included within the scope of FASB Statement No. 133, Accounting for Derivative Instruments and Hedging Activities. SFAS 163 will not have an impact on the Company's financial statements.

NOTE 2 MERGER AND ACQUISITION

The Company acquired 60% of equity of JS Leimone on November 30, 2007. As of November 30, 2007, the net assets of JS Leimone were Nil. The agreed purchase consideration was \$10,273 which was higher than 60% of total net assets of JS Leimone and resulted in goodwill of \$10,273. On January 1, 2008, the Company invested \$4,971,056 (HK\$38,800,000) into JS Leimone. After this investment, the net assets of JS Leimone were \$4,976,051 and the Company owned 80% of JS Leimone. The fair value of the 80% of equity interest of JS Leimone Electronic Co., Ltd on January 1, 2008 was \$3,981,085. The agreed purchase consideration was \$4,971,012 (HK\$38,800,000) which was higher than 80% of total net assets of JS Leimone and resulted in goodwill of \$989,927. The Company acquired the remaining 20% of equity of JS Leimone on November 30, 2008. As of November 30, 2008, the net assets of JS Leimone were \$5,001,783 and therefore 20% of total assets of JS Leimone was \$1,000,357. The agreed purchase consideration was \$103,214 which was lower than 20% of total net assets of JS Leimone and resulted in negative goodwill of \$897,143. Therefore, the total goodwill resulted from the acquisition of JS Leimone was \$103,057. As of December 31, 2008 and 2007, goodwill was \$103,057 and \$10,273 respectively. There was no impairment of goodwill for 2008.

The following table summarizes goodwill resulting from the acquisition of JS Leimone:

November 30, 2007	\$	10,273
January 1, 2008		989,927
November 30, 2008		(897,143)
Total goodwill	\$	103,057

GOLD LION HOLDING LTD**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****DECEMBER 31, 2008 AND 2007****NOTE 2 MERGER AND ACQUISITION (continued)**

The following table summarizes the fair values of the assets acquired and liabilities assumed from JS Leimone as of the date of acquisition.

	November 30, 2007	January 1, 2008	November 30, 2008
Cash	\$ 39,231	\$ 5,010,704	\$ 79,411
Accounts receivable			18,475
Other receivables			(4,750)
Advance to suppliers			4,665,134
Inventories			246,854
Due from related parties			45,431
Other assets			217,569
Fixed assets			1,708,102
Accounts payable			(388,235)
Advance from customers			(115,716)
Salary payable		(21,401)	(52,961)
Taxes payable			(5,138)
Other Payable			(1,111,614)
Due to related parties	(39,231)	(39,648)	
Affect from foreign currency translation		200	(258,357)
Purchase price		4,949,855	5,001,783

NOTE 3 RESTRICTED CASH

Restricted cash as of December 31, 2008 and 2007, was \$8,753,757 and \$5,452,203 respectively. Restricted cash was deposits in banks representing collateral for the banks to issue banker's acceptances. Restricted cash may not be recovered when the secured notes payable cannot be paid.

NOTE 4 NOTES RECEIVABLE

All Company's notes receivable are non-interest bearing bank acceptances issued by Beijing Beny Wave Science and Technology Co., Ltd. and honored by local banks, which were Nil and \$452,742, at December 31, 2008 and 2007, respectively. As of December 31, 2007, the balance of notes receivable were due from January 2008 through February 2008.

NOTE 5 ACCOUNTS RECEIVABLE

As of December 31, 2008 and 2007, the Company's accounts receivable consisted of the following:

	2008	2007
Accounts receivable	\$ 12,383,724	\$ 13,015,913
Less: Allowance for doubtful accounts	(16,910)	(346,671)
Accounts receivable, net	\$ 12,366,814	\$ 12,669,242

GOLD LION HOLDING LTD**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****DECEMBER 31, 2008 AND 2007****NOTE 6 INVENTORIES**

Inventories, by major categories, as of December 31, 2008 and 2007 are as follows:

	2008	2007
Raw materials	\$ 3,704,758	\$ 6,531,972
Work in progress	17,672	111,744
Low value consumables	5,591	
Finished goods	382,488	1,001,114
	4,096,227	7,644,830
Less: Allowance for obsolete inventories	(368,463)	(427,885)
Inventories, net	\$ 3,742,046	\$ 7,216,945

NOTE 7 ADVANCE TO SUPPLIERS

As of December 31, 2008 and 2007, the Company's advance to suppliers consisted of the following:

	2008	2007
Suzhou Moben Communication Technology Ltd.	\$ 200,039	
Shenzhen Yingqiongxing Trading Company	455,852	
Beijing Xingwang Time Commercial Trading Co., Ltd.	7,737,737	\$ 6,856,638
China Electronic Appliance Corporation		2,531,549
Spreadtrum Communications (shanghai) Co., Ltd.		127,808
Shenzhen HANTEL Communication Co., Ltd.		600,211
WINCOS		1,409,488
CEC CoreCast Corporation Limited	7,305,206	

Beijing Orsus Xelent Technologies Inc.	6,000,625	
HK HYWIN TECHNOLOGY Co., Ltd.		154,725
Derong	1,312,336	
ECE Telecom Technology Limited	377,085	
Tianjin Liantuo Electronic Technology Co., Ltd.	382,247	
T.L.Y. (Hong Kong) Limited	104,840	
Others	399,346	629,345
Total other receivables, net	\$ 24,275,313	\$ 12,309,764

GOLD LION HOLDING LTD**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****DECEMBER 31, 2008 AND 2007****NOTE 8 OTHER RECEIVABLES**

As of December 31, 2008 and 2007, the Company's other receivables and prepaid expenses consist of the following:

	2008	2007
Advance to employees	\$ 177,068	\$ 276,616
Loan to third parties	476,963	832,529
Deposit for rental of equipment lease	43,769	115,065
Payment on behalf of other companies		836,517
Receivable for disposal of long-term assets	297,628	278,913
Others	83,605	243,251
Prepaid expenses	40,848	15,723
Total other receivables, net	\$ 1,119,881	\$ 2,598,614

The loan to third parties bear no interest.

The deposit for rental of equipment lease will be recovered in one year.

NOTE 9 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment as of December 31, 2008 and 2007 consisted of the following:

	2008	2007
Cost:		
Machinery and Equipment	\$ 8,479,599	\$ 5,467,660
Electronic Equipment	1,581,014	1,336,720

Transportation Equipment	169,235	115,305
Workshop reconstruction	58,606	54,921
Assembling line reconstruction	119,173	
Total at cost	10,407,627	6,974,606
Less: Accumulated depreciation	(3,352,735)	(1,971,921)
Total property, plant and equipment, net	\$ 7,054,892	\$ 5,002,685
Depreciation for 2008 and 2007 was \$1,231,707 and \$437,188 respectively.		

GOLD LION HOLDING LTD**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****DECEMBER 31, 2008 AND 2007****NOTE 10 LONG-TERM INVESTMENTS**

As of December 31, 2008 and 2007, the Company's long-term investment consisted of the following:

		2008		2007
Tianjin Jiaotong Group Guang Tong Information Tech Construction Co., Ltd. (TJGGTIT)		\$		\$
			25%	167,865
Tianjin Tong Guang Microelectronics Co., Ltd.	9%	65,653	9%	61,526
Total		\$ 65,653		\$ 229,391

TJGGTIT was established on April 27, 2006 with total registered capital of \$622,836 (RMB5,000,000). The Company sold the investment in TJGGTIT for \$178,620 in 2008.

Tianjin Tong Guang Microelectronics Co., Ltd. was established on April 19, 2006 with total registered capital of \$622,549 (RMB5,000,000). Tianjin Tong Guang Microelectronics Co., Ltd.'s principal activities are development, manufacturing and sale of electronic information products and related technical consulting services.

NOTE 11 SHORT-TERM LOANS

Short-term loans represent amounts due to various financial institutions which are normally due within one year. As of December 31, 2008 and 2007, the Company's short term loans consisted of the followings:

	2008	2007
Loan from Shanghai Pudong Development Bank Tianjin Pucheng Branch, due from May 30, 2007 to May 29, 2008, with interest at 6.8985%, guaranteed by Huamiao Industrial Co., Ltd.	\$	\$ 1,367,222
Loan from Bank of Communications Tianjin Shenyi Street Branch, due from August 3, 2007 to April 25, 2008, with interest at 6.84%, guaranteed by TCBGCL		4,101,667
Loan from Bank of Communications Tianjin Shenyi Street Branch, due from August 16, 2007 to July 15, 2008, with interest at 6.84%, guaranteed by TCBGCL		8,203,333

Loan from Bank of Communications Tianjin Shenyi Street Branch, due from September 17, 2007 to September 16, 2008, with interest at 8.019%, secured by the Company's fixed assets	2,597,722
Loan from Bank of Communications Tianjin Shenyi Street Branch, due from November 15, 2007 to November 14, 2008, with interest at 8.019%, secured by the Company's fixed assets	1,162,139
Loan from China Merchants Bank Tianjin Branch, due from November 12, 2007 to February 5, 2008, with interest at 5.832%, pledged by Company's notes receivable	441,613
Loan from Northern International Trust & Investment Co., LTD, due from December 17, 2007 to December 16, 2008, with interest at 8.019%, guaranteed by Hebei Leimone	1,367,222

GOLD LION HOLDING LTD**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****DECEMBER 31, 2008 AND 2007****NOTE 11 SHORT-TERM LOANS (continued)**

	2008	2007
Loan from Bank of Communications Tianjin Branch, due from April 25, 2008 to March 25, 2009 with interest at 8.217%, guaranteed by TCBGCL, the common shareholder of TCB Digital, paid March 25, 2009	\$ 4,376,878	
Loan from Bank of Communications Tianjin Branch, due from May 26, 2008 to April 25, 2009 with interest at 8.217%, guaranteed by TCBGCL, the common shareholder of TCB Digital, paid on April 27, 2009 (Unaudited)	2,917,919	
Loan from Bank of Communications Tianjin Branch, due from June 25, 2008 to June 13, 2009 with interest at 8.217%, guaranteed by TCBGCL	2,917,919	
Loan from Bank of Communications Tianjin Branch, due from July 15, 2008 to May 25, 2009 with interest at 8.217%, guaranteed by TCBGCL, the common shareholder of TCB Digital	2,917,919	
Loan from Bank of Communications Tianjin Branch, due from September 17, 2008 to September 16, 2009 with interest at 7.92%, secured by the Company's fixed assets	2,772,023	
Loan from Bank of Communications Tianjin Branch, due from November 17, 2008 to November 16, 2009 with interest at 7.326%, secured by the Company's fixed assets	1,240,116	
Loan from Northern International Trust & Investment Co., LTD, due from December 23, 2008 to October 23, 2009 with interest at 8.7000%, guaranteed by small and medium enterprises credit guaranty center.	1,750,751	
Total short-term loans	\$ 18,893,525	\$ 19,240,918

NOTE 12 NOTES PAYABLE

These notes were payable in 3 or 6 months and bear no interest. The balance of notes payable as of December 31, 2008 and 2007 consisted of the following which all were banker's acceptances:

	2008	2007
Notes payable to Beijing Orsus Xelent Technology & Trading Company Limited, honored by the Bank of Communications Tianjin Shenyi Street Branch, from December 14, 2007 to June 14, 2008, secured by \$1,367,222 of cash in bank	\$	\$ 2,734,444
Notes payable to China Electronic Appliance Co., Ltd, honored by the Bank of Communications Tianjin Shenyi Street Branch, from December 20, 2007 to June 20, 2008, secured by \$1,367,222 of cash in bank		2,734,444
Notes payable to China Electronic Appliance Co., Ltd, honored by the Bank of Communications Tianjin Shenyi Street Branch, from December 21, 2007 to June 21, 2008, secured by \$1,367,222 of cash in bank		2,734,445
Note payable to Techfaith Intelligent Handset Technology(Beijing) Limited, honored by the Bank of Communications Tianjin Shenyi Street Branch, from December 21, 2007 to March 31, 2008, secured by \$1,350,537 of cash in bank		1,350,537

GOLD LION HOLDING LTD**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****DECEMBER 31, 2008 AND 2007****NOTE 12 NOTES PAYABLE (continued)**

	2008	2007
Notes payable to Beijing Orsus Xelent Technology & Trading Company Limited, honored by the Bank of Communications Tianjin Shenyi Street Branch, from September 11, 2008 to March 11, 2009, secured by \$729,480 of cash in bank, paid on March 11, 2009	\$ 1,458,960	
Notes payable to CEC CoreCast Corporation Limited, honored by the Bank of Communications Tianjin Shenyi Street Branch, from September 10, 2008 to March 10, 2009, secured by \$2,188,439 of cash in bank, paid on March 10, 2009	4,376,878	
Notes payable to CEC CoreCast Corporation Limited, honored by the Bank of Communications Tianjin Shenyi Street Branch, from September 16, 2008 to March 16, 2009, secured by \$2,188,439 of cash in bank, paid on March 16, 2009	4,376,878	
Notes payable to CEC CoreCast Corporation Limited, honored by the Bank of Communications Tianjin Shenyi Street Branch, from September 17, 2008 to March 17, 2009, secured by \$583,584 of cash in bank, paid on March 17, 2009	1,167,168	
Notes payable to CEC CoreCast Corporation Limited, honored by the Bank of Communications Tianjin Shenyi Street Branch, from September 22, 2008 to March 22, 2009, secured by \$875,376 of cash in bank, paid on March 22, 2009	1,750,751	
Notes payable to CEC CoreCast Corporation Limited, honored by the Bank of Communications Tianjin Shenyi Street Branch, from September 09, 2008 to March 09, 2009, secured by \$1,458,959 of cash in bank, paid on March 9, 2009	2,917,919	
Notes payable to Beijing Orsus Xelent Technology & Trading Company Limited, honored by the Bank of Communications Tianjin Shenyi Street Branch, from October 17, 2008 to April 17, 2009, secured by \$291,792 of cash in bank, paid on April 17, 2009 (Unaudited)	583,584	

Notes payable to Beijing Orsus Xelent Technology & Trading Company Limited, honored by the Bank of Communications Tianjin Shenyi Street Branch, from December 18, 2008 to June 18, 2009, secured by \$437,688 of cash in bank

875,376

Total notes payable	\$	17,507,514	\$	9,553,870
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GOLD LION HOLDING LTD**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****DECEMBER 31, 2008 AND 2007****NOTE 13 ACCRUED EXPENSES AND OTHER PAYABLES**

As of December 31, 2008 and 2007, the accrued expenses and other liabilities of the Company are summarized as follows:

	2008	2007
Accrued machinery rent	\$ 1,158,189	\$ 1,842,312
Accrued plant rent	807,404	428,142
Accrued utility	608,480	174,790
Accrued others	46,451	22,887
Warranty deposit		205,083
Welfare & salary payable	53,702	21,401
Others	158,373	151,058
Total accrued expenses and other payables	\$ 2,832,599	\$ 2,845,673

NOTE 14 LONG-TERM LOANS

As of December 31, 2008, the Company's long-term loans consisted of the followings:

Loan from Nantong Zong Yi Investment Co., Ltd., due from January 29, 2008 to January 28, 2010, with interest at same period secured bank lending rate of 7.56% plus 0.756%, secured by the Company's fixed assets

\$ 729,480

Loan from Nantong Zong Yi Investment Co., Ltd., due from March 5, 2008 to March 4, 2010, with interest at same period secured bank lending rate of 7.56% plus 0.756%, secured by the Company's fixed assets

437,688

Total long-term loans **\$ 1,167,168**

NOTE 15 DIVIDEND PAYABLE

In June 2007, before the Company acquired 51.03% of TCB Digital, TCB Digital decided to distribute cash dividends to its original shareholders of \$1,074,068 (RMB7,862,700). The Company paid dividends of \$495,926 (RMB3,900,000) in July 2007 to its original shareholders. The balance of dividends payable was \$578,142 and \$541,789 as of December 31, 2008 and 2007 respectively, representing the dividend payable to TCBGCL amounting to RMB3,962,700. The Company has no plan to pay this amount in the first two quarters of 2009. The specific due date of the dividend will be negotiated between the current shareholders and original shareholders of the Company. The fluctuation of the balance of dividend payable represents the fluctuation of currency exchange rate.

GOLD LION HOLDING LTD**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****DECEMBER 31, 2008 AND 2007****NOTE 16 RELATED PARTY BALANCES AND TRANSACTIONS***Due from related parties*

As of December 31, 2008 and 2007, due from related parties were:

	2008	2007
Due from related parties-short term		
Tianjin Tong Guang Group Electronics Science & Technology Co., Ltd.	\$ 673,380	\$ 1,001,571
Hebei Leimone	745,943	416,530
Shanghai Spreadbridge Information Technology Co., Ltd.	2,111,460	771,113
Beijing Leimone Shengtong Wireless Technology Co., Ltd.	561,699	830,353
Gu Lei	575,710	478,528
Leimone (Tianjin) Industrial Co., Ltd.	582,096	14,649,850
Beijing Leimone Shengtong Cultural Development Co., Ltd.	14,590	
TCBGCL	74,484	
712	51,990	
Zhejiang Leimone Electronics Co., Ltd.	678,489	
Other		406
Total due from related parties-short term	6,069,842	18,148,353
Due from related parties long term		
Beijing Leimone Shengtong Wireless Technology Co., Ltd.	247,294	

Total due from related parties **\$ 6,317,136** **\$ 18,148,353**

Tianjin Tong Guang Group Electronics Science & Technology Co., Ltd. (Electronics Science & Tech), an entity related to the Company through a common shareholder of TCB Digital, purchased products from the Company. For 2008 and 2007, the Company recorded net revenues of \$11,839,003 and \$2,307,822 from sales to Electronics Science & Tech respectively.

Hebei Leimone is controlled by Gu, the majority shareholder of the Company.

a.

Hebei Leimone sells certain handsets to the Company. For 2008 and 2007, the Company recorded total purchases from Hebei Leimone of nil and \$1,290,829 respectively. The balances due from Hebei Leimone represented advances to Hebei Leimone which were \$68,206 and \$63,918 respectively;

b.

The Company sells certain products and provides some technical services to Hebei Leimone. For 2008 and 2007, the Company recorded net revenues of \$407,116 and \$537,086 respectively from sales to Hebei Leimone; and as of December 31, 2008 and 2007, the balances of due from Hebei Leimone regarding such sales were \$437,009 and \$352,612 respectively;

c.

Additionally, Hebei Leimone borrowed money from the Company. The borrowings bear no interest and had a maturity of 12 months. As of December 31, 2008, the balance of such loans was \$240,728, among which \$43,768 is due on October 20, 2009 and \$196,960 is due on December 25, 2009.

GOLD LION HOLDING LTD

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2008 AND 2007

NOTE 16 RELATED PARTY BALANCE AND TRANSACTIONS (continued)

Shanghai Spreadbridge Information Technology Co., Ltd. (Shanghai Spreadbridge) is controlled by Gu, the majority shareholder of the Company.

a.

Shanghai Spreadbridge borrows money from the Company. The borrowings bear no interest and had a maturity of 14 months. As of December 31, 2008 and 2007, the balances of loans were \$393,919 and \$546,889 respectively, of which \$393,919 was due on December 31, 2008 and \$14,590 was subsequently received on February 19, 2009;

b.

The Company sells certain products to Shanghai Spreadbridge. For 2008 and 2007, the Company recorded net revenues of \$4,112,767 and \$184,019 from sales to Shanghai Spreadbridge respectively. As of December 31, 2008 and 2007, the balances of due from Shanghai Spreadbridge related to such sales was \$1,263,007 and \$224,224 respectively;

c.

Additionally, Shanghai Spreadbridge sells raw materials to the Company. For 2008 and 2007, the Company recorded total purchases from Shanghai Spreadbridge of \$1,515,113 and nil respectively. The amount due from Shanghai Spreadbridge represented advances made and the amount was \$454,534 as of December 31, 2008.

Beijing Leimone Shengtong Wireless Technology Co., Ltd. (Beijing Leimone) was founded by Gu, the majority shareholder of the Company.

a.

Beijing Leimone borrows money from the Company. The borrowings bear no interest and had a maturity of 12 months or more. As of December 31, 2007, the balance of such loans was \$830,353 which was subsequently repaid in April 2008. As of December 31, 2008, the balance of such loans was \$247,294 and is due on March 30, 2010.

b.

TCB Digital transferred a project to Beijing Leimone on June 25, 2008 and as of December 31, 2008, the balance related to this business was \$561,699, which was received on March 11, 2009.

The majority shareholder of the Company Gu borrowed money from the Company, these borrowings bear no interest and had a two-year repayment term. As of December 31, 2008 and 2007, the balances of such loans were \$510,634 and \$478,528 respectively; and the amount outstanding as of December 31, 2008 is due on August 5, 2009.

The amount due from Leimone (Tianjin) Industrial Co., Ltd. (Tianjin Leimone) represented short term loans granted by the Company. Tianjin Leimone is controlled by Gu. The borrowing bears no interest and had a one-year repayment term. As of December 31, 2008, the balance of loans was \$551,458 among with bulk due on May 12, 2009 and \$30,638 due on December 25, 2009. Additionally, the Company made an advance payment to Tianjin Leimone on December 18, 2007; and as of December 31, 2008 and 2007, the balances of advance payments amounted to nil and \$14,649,850 respectively.

The amount due from Beijing Leimone Shengtong Cultural Development Co., Ltd. (Beijing Leimone Cultural) represented a short term loan granted by the Company. Beijing Leimone Cultural was controlled by Gu. The borrowing bears no interest and no maturity date.

The amount due from TCBGCL represented an advance payment. TCBGCL is a shareholder of TCB Digital.

712 is a minority shareholder of TCB Digital. 712 purchases raw materials from the Company. For 2008 and 2007, the Company recorded total revenues from such sales to 712 of \$906,178 and nil respectively.

GOLD LION HOLDING LTD**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****DECEMBER 31, 2008 AND 2007****NOTE 16 RELATED PARTY BALANCE AND TRANSACTIONS (continued)**

Zhejiang Leimone Electronics Co., Ltd. (Zhejiang Leimone) was controlled by Gu. Zhejiang Leimone acquired Personal Phone System Electronic Manufacturing Service from the Company in 2008. The acquisition cost was \$627,353 and had not been paid as at December 31, 2008. Additionally, the Company purchases raw materials from Zhejiang Leimone. For 2008, the Company recorded total purchases of nil. The amount due from Zhejiang Leimone represented the advance payment of \$51,136 as of December 31, 2008.

Due to related parties

As of December 31, 2008 and 2007, due to related parties were:

	2008	2007
TCBGCL		\$ 1,599,422
Hebei Leimone	\$ 233,434	39,648
Zhejiang Leimone	37,002	
Gu	4,879,889	14,565,884
Others	10,844	2,322
Total due to related parties	\$ 5,161,169	\$ 16,207,276

The balance of due to related parties under TCBGCL which is a shareholder of TCB Digital represented rentals payable for the lease of machinery properties and plants. The balances of due to TCBGCL related to such lease amounted to nil and \$1,599,422 at December 31 2008 and 2007, respectively.

The Company borrowed money from Hebei Leimone. The borrowing bears no interest and had a two-year repayment term. As of December 31, 2008 and 2007, the balances of such loans amounted to \$233,434 and \$39,648 respectively; and the outstanding amount as of December 31, 2008 is due on November 21, 2009.

Zhejiang Leimone transferred some fixed assets to the Company which amounted to \$37,002 which the Company has not yet paid as at December 31, 2008.

Gu provides fund to the Company with no interest and repayment term. As of December 31, 2008 and 2007, the balances of funds provided by Gu was \$4,879,889 and \$14,565,884 respectively.

NOTE 17 DISCONTINUED OPERATION

On May 6, 2008, the Company entered into a project transfer agreement and transferred the digital project department to 712. Such agreement was implemented before June 30, 2008. For the period before June 30, 2008, the statements of operations of the Company reported the results of operations of the digital project department as discontinued

operations. The digital project department was sold at its net book value, of \$1,669,674.

NOTE 18 GOVERNMENT GRANT INCOME

In 2007, TCB Digital received a \$79,933 subsidy from Tianjin Municipal Bureau of Finance for the development of ERP. In 2008, TCB Digital received a \$43,089 subsidy from Tianjin Municipal Bureau of Finance for research and development and a \$133,658 subsidy from Tianjin Municipal Hebei District Science and Technology Commission for research and development.

NOTE 19 MINORITY INTERESTS

Minority interests on the consolidated statement of income and comprehensive income of \$330,721 and \$626,576 for 2008 and 2007 respectively represents the minority shareholders' proportionate share of the net income/(loss) of the Company.

GOLD LION HOLDING LTD**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****DECEMBER 31, 2008 AND 2007****NOTE 20 INCOME TAX**

TCB Digital and JS Leimone are governed by the Income Tax Law of the PRC concerning the private-run enterprises, which are generally subject to tax at a statutory rate of 25% (33% before year 2008) on income reported in the statutory financial statements after appropriated tax adjustments.

JS Leimone is exempt from income tax in PRC for two years starting from the first profitable year or the year 2008, whichever is earlier, and is subject to a 50% discount on normal income tax rate for the following three years.

TCB Digital had operating profit of approximately \$654,000 and \$1,813,000 for 2008 and 2007, respectively, while JS Leimone had operating profit of approximately \$486,000 and operating loss of approximately \$299,000 for 2008 and 2007, respectively, while Profit Harvest had operating profit of approximately \$1,942,000 and Nil for 2008 and 2007, respectively. A 100% valuation allowance was established due to the uncertainty of its realization. The additional deducted expenses in 2007 was the additional 50% of R&D expenses deducted before income tax.

The following table summarizes the temporary differences which result in deferred tax assets and liabilities:

	2008	2007
Deferred tax assets:		
Inventory impairment	92,116	106,971
Buy-back reverse	290,550	331,967
Expenses deductible in next year	171,490	
Understated cost and expenses	58,679	
Total deferred tax assets	612,835	438,938
Deferred tax liabilities		
Understated sales	(11,879)	
Net deferred tax assets	600,956	438,938

The following table reconciles the U.S. statutory rates to the Company's effective tax rate for 2008 and 2007:

	2008	2007
US statutory rates	(34%)	(34%)
Tax rate difference	14.6%	3.7%
Effect of tax holiday	3.1%	(0.5%)
Additional deducted expenses	0.0%	22.7%
Other	1.0%	1.0%
Tax per financial statements	(15.3%)	(7.1%)

NOTE 21 STATUTORY RESERVES

The Company is required to make appropriations to reserve funds, comprising the statutory surplus reserve, statutory public welfare fund and discretionary surplus reserve, based on after-tax net income determined in accordance with generally accepted accounting principles of the PRC (the "PRC GAAP"). Appropriations to the statutory surplus reserve should be at least 10% of the after tax net income determined in accordance with the PRC GAAP until the reserve equals 50% of the entities' registered capital or members' equity. Appropriations to the statutory public welfare fund are at least 5% of the after tax net income determined in accordance with PRC GAAP. Commencing on January 1, 2006, new PRC regulations waived the requirement for appropriating retained earnings to a welfare fund. As of June 30, 2007, TCB Digital accumulatively appropriated the statutory surplus reserve amounted to \$375,827. We appropriated \$127,951 to the statutory surplus reserve in the second half year of 2007. After this appropriation, TCB Digital's statutory surplus reserve amounted to \$503,778 and the Company's statutory surplus reserve amounted to \$257,078 as of December 31, 2007. In 2008, we appropriated 10% of 2008's net income of TCB Digital, which amounted to \$65,415 to the statutory reserve accordingly. As of December 31, 2008, the Company's statutory surplus reserve amounted to \$569,193.

GOLD LION HOLDING LTD**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****DECEMBER 31, 2008 AND 2007****NOTE 22 CONCENTRATION DISCLOSURE**

The following table set forth the Company's major customers whose purchases from the Company represent over 10% of the Company's sales for the year ended December 31, 2008 and 2007:

2008			2007		
Customers	Sales revenue	% of total revenue	Customers	Sales Revenue	% of total revenue
Tianjin Tong Guang Group Electronics Science & Technology Co., Ltd.	\$11,850,174	15%	Beijing Orsus Xelent Technology & Trading Co., Limited.	\$ 8,101,324	19%
Beijing Xingwang Shidai Tech & Trading Co., Ltd.	11,524,309	14%	Tianjin Tong Guang Group Electronics Science & Technology Co., Ltd.	6,107,810	14%
			Beijing Xingwang Shidai Tech & Trading Co., Ltd.	5,529,669	13%
			Beijing Beny Wave Science and Technology Co., Ltd.	5,300,006	12%
Total	\$23,374,483	29%	Total	\$25,038,809	58%

The following table set forth the Company's major suppliers whose sales to the Company represent over 10% of the Company's purchases for 2008 and 2007:

2008			2007		
Suppliers	Purchase	% of total purchase	Suppliers	Purchase	% of total purchase
Tianjin Tong Guang Group Electronics Science & Technology Co., Ltd.	\$11,850,174	15%	Beijing Orsus Xelent Technology & Trading Co., Limited.	\$ 8,101,324	19%
	11,524,309	14%		6,107,810	14%

Beijing Xingwang Shidai Tech & Trading Co., Ltd.			Tianjin Tong Guang Group Electronics Science & Technology Co., Ltd.		
			Beijing Xingwang Shidai Tech & Trading Co., Ltd.	5,529,669	13%
			Beijing Beny Wave Science and Technology Co., Ltd.	5,300,006	12%
Total	\$23,374,483	29%	Total	\$25,038,809	58%

GOLD LION HOLDING LTD

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2008 AND 2007

NOTE 23 OPERATING RISK

(a)

Industry risk

The industry in which we compete is a rapidly evolving, highly competitive and fragmented market driven by consumer preferences and quickly evolving technology. Increased competition may result in price reductions, reduced gross margin and loss of market share. Failure to compete successfully against current or future competitors could have a material adverse effect on the Company's business, operating results and financial condition.

(b)

Product risk of obsolescence

From the second half of year 2007, the Company began to involve in the agent business of some famous high-end smart phones. Because of the restructure of China Unicom, one type of smart phones could not be sold as expected and inventory impairment loss arose. Such uncertain and unpredictable events could take significant effect on the profits that the Company will make in the future.

(c)

Exchange risk

The Company can not guarantee the current exchange rate will remain steady, therefore the Company could post the same profit for two comparable periods and because of a fluctuating exchange rate actually post higher or lower profit depending on exchange rate of Renminbi and US dollars on that date. The exchange rate could fluctuate depending on changes in the political and economic environments without notice.

(d)

Political risk

Currently, PRC is in a period of growth and is openly promoting business development in order to bring more business into PRC. Additionally PRC currently allows a Chinese corporation to be owned by a United States corporation. If the laws or regulations relating to ownership of a Chinese corporation are changed by the PRC government, the Company's ability to operate the PRC subsidiaries could be affected.

(e)

Interest risk

The Company is exposed to interest rate risk arising from short-term variable rate borrowings from time to time. The Company's future interest expense will fluctuate in line with any change in borrowing rates. The Company does not have any derivative financial instruments as of December 31, 2008 and 2007 and believes its exposure to interest rate risk is not material.

NOTE 24 COMMITMENT

Operating lease commitment

The Company has operating leases and the lessor of the premises for TCB Digital is TCBGCL, a common shareholder of TCB Digital. Pursuant to these leases which rates of rent are all at Rmb 8 per square meter per month for both production facilities and dormitory space, the commitment of the Company is as follows:

Year Ended December 31	
2009	\$ 249,867
2010	201,369
2011	200,678
2012	111,128
Total minimum lease payments	\$ 763,042

GOLD LION HOLDING LTD.**UNAUDITED CONSOLIDATED BALANCE SHEETS****AS OF MARCH 31, 2009 & DECEMBER 31, 2008**

	March 31, 2009	December 31, 2008
ASSETS		
Current assets		
Cash and cash equivalents	\$ 3,273,094	\$ 812,769
Restricted cash	11,978,497	8,753,757
Accounts receivable, net of allowance for doubtful accounts	5,388,503	12,366,814
Other receivables, net of allowance for doubtful accounts	674,527	1,119,881
Advance to suppliers	35,849,103	24,275,313
Inventories, net	3,346,461	3,742,046
Due from related parties	9,100,489	6,069,842
Total current assets	69,610,674	57,140,422
Property, plant and equipment, net	6,692,107	7,054,892
Long-term investments	65,736	65,653
Due from related parties-long term	247,604	247,294
Deferred tax assets	658,625	600,956
Goodwill	103,057	103,057
TOTAL ASSETS	\$ 77,377,803	\$ 65,212,274
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Short-term loans	\$ 18,917,261	\$ 18,893,525
Notes payable	23,956,994	17,507,514
Accounts payable	3,107,685	3,580,720
Advance from customers	9,029,205	3,785,462
Dividends payable	578,868	578,142
Taxes payable	746,835	775,315
Accrued expenses and other payables	2,757,193	2,832,599
Due to related parties	5,264,344	5,161,169

Total current liabilities	64,358,384	53,114,446
Long-term loans	1,168,634	1,167,168
TOTAL LIABILITIES	65,527,018	54,281,614
STOCKHOLDERS EQUITY		
Common shares, issued and outstanding; 1,000 shares, par value \$0.001 per share	1	1
Additional paid-in capital	3,553,292	3,553,292
Statutory surplus reserve	569,193	569,193
Accumulated other comprehensive income	260,293	243,625
Retained earnings	995,888	75,517
TOTAL STOCKHOLDERS EQUITY	5,378,667	4,441,628
Noncontrolling Interest	6,472,118	6,489,032
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	\$ 77,377,803	\$ 65,212,274

The accompanying notes are an integral part of these consolidated financial statements.

GOLD LION HOLDING LTD.**UNAUDITED CONSOLIDATED STATEMENTS OF INCOME
AND OTHER COMPREHENSIVE INCOME****FOR THE THREE MONTHS ENDED MARCH 31, 2009 & 2008**

	March 31,	
	2009	2008
Net revenue	\$ 28,816,557	\$ 11,283,503
Cost of sales	(26,131,951)	(9,159,640)
Gross profit	2,684,606	2,123,863
Operating expenses:		
Sales and marketing expenses	(1,048,323)	(154,106)
General and administrative expenses	(787,482)	(751,727)
Research and development expenses		(683,661)
	(1,835,805)	(1,589,494)
Income from operations	848,801	534,369
Other income (expenses)		
Equity in earnings in investee		3,096
Interest income	154,170	15,200
Other income	425,038	
Interest expense	(320,907)	(355,720)
Exchange loss	(24,903)	(65,523)
Other expenses	(31,560)	(9,175)
	201,838	(412,122)
Income before income taxes and noncontrolling interests	1,050,639	122,247
Income tax expense	(147,181)	(7,257)
Income before noncontrolling interests	903,458	114,990
Less: Net income attributable to Noncontrolling Interest	16,914	(4,737)

Income from operations	920,372	110,253
Other comprehensive income	16,668	609,515
Comprehensive income	\$ 937,040	\$ 719,768

The accompanying notes are an integral part of these consolidated financial statements.

GOLD LION HOLDING LTD.**UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS****FOR THE THREE MONTHS ENDED MARCH 31, 2009 & 2008**

	March 31,	
	2009	2008
Cash flows from operating activities:		
Net income including noncontrolling interest	\$ 903,458	\$ 114,990
Adjustments to reconcile net income to cash used by operating activities:		
Depreciation and amortization	394,928	242,781
Provision for inventory obsolescence	308,350	321,183
Provision for doubtful receivables	36,637	
Investment income		(3,096)
Changes in operating assets and liabilities:		
Deferred tax assets	(56,906)	(152,828)
Accounts receivable	6,950,079	(669,384)
Inventories	77,581	(193,979)
Advances to suppliers	(11,541,642)	(12,103,151)
Prepaid expenses and other assets	446,697	(267,313)
Accounts payable	(477,465)	8,089,361
Advance from customers	5,238,238	848,891
Related parties-net	(3,627,940)	(2,310,606)
Accrued expenses and other current liabilities	(107,897)	(1,419,739)
Net cash used in operating activities	(1,455,882)	(7,502,890)
Cash flows from investing activities:		
Restricted cash	(3,213,283)	(1,257,308)
Cash paid for long- term investment		(9,031,486)
Purchase of property and equipment and other long-term assets	(23,333)	(385,347)
Net cash used in investing activities	(3,236,616)	(10,674,141)
Cash flows from financing activities:		
Proceeds from short-term loans	4,819,925	348,399
Proceeds from long-term loan		1,114,877

Advance to related parties	(7,351,115)	(1,741,995)
Repayment on borrowing from related parties		(1,434,642)
Proceeds from notes payable	6,426,566	1,104,013
Collection on advance to related parties	7,954,414	459,886
Receipt on related parties	108,119	15,828,177
Repayments on short-term loan	(4,819,925)	(450,132)
Net cash provided by financing activities	7,137,984	15,228,583
Effect of exchange rate changes on cash	14,839	240,883
Net increase (decrease) in cash and cash equivalents	2,460,325	(2,707,565)
Cash and cash equivalents, beginning balance	812,769	3,980,584
Cash and cash equivalents, ending balance	\$ 3,273,094	\$ 1,273,019

SUPPLEMENTARY DISCLOSURE:

Interest paid	\$ 297,134	\$ 327,481
Income tax paid	\$	\$ 488,346

The accompanying notes are an integral part of these consolidated financial statements.

GOLD LION HOLDING LTD.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE THREE MONTHS ENDED MARCH 31, 2009 & 2008

NOTE 1 - ORGANIZATION AND PROPOSED BUSINESS OPERATIONS

Gold Lion Holding Ltd ("Gold Lion" or the Company) was founded by Mr. Gu Lei (Gu) in September 2002 in the British Virgin Islands. Pursuant to an agreement dated June 30, 2007, Mr. Cao Wei (Cao), purchased from Gu 29.4% shares in the Company. Through a resolution of the Company on November 26, 2008, the Company issued 705 shares to Gu and 294 shares to Mr. Du Songtao (Du), resulting in a total of 1,000 issued and outstanding shares of Common Stock. Pursuant to a pledge agreement dated November 26, 2008, Du pledged his 294 shares to Cao, including all rights to such shares. As such, Gu and Cao jointly control 100% of Gold Lion.

On August 2, 2007, Gu founded Profit Harvest Corporation Ltd. (Profit Harvest) in Hong Kong, and in December 2008, 100% ownership of Profit Harvest was transferred to Gold Lion.

Pursuant to the capital injection agreement (the Agreement) by and among Tianjin Communication and Broadcasting Group Co., Ltd. (TCBGCL), TCBGCL Labour Union, Hebei Leimone Science and Technology Co., Ltd. (Hebei Leimone), Tianjin 712 Communication and Broadcasting Co., Ltd. (712), Beijing Depu Investment Co., Ltd. (Beijing Depu) and other natural person shareholders on May 8, 2007 and a resolution of the shareholder s meeting on June 30, 2007, Hebei Leimone, a company controlled by Gu, acquired 25.13% of Tianjin Tong Guang Group Digital Communication Co., Ltd. (TCB Digital) from TCBGCL Labour Union and various natural person shareholders for cash of RMB9,000,000, approximately \$1,286,000. Pursuant to this Agreement, Hebei Leimone and Beijing Depu, the companies controlled by Gu and Cao respectively, were to invest additional RMB15,928,700 and RMB10,377,600 respectively to TCB Digital, bringing the total investment from Hebei Leimone and Beijing Depu to \$4,679,111 (RMB35,306,300). After this additional investment was made as of June 30, 2007, Hebei Leimone and Beijing Depu held 36.03% and 15% equity interests respectively of TCB Digital, amounting to 51.03% ownership in TCB Digital. Pursuant to an agreement dated June 30, 2007, Cao irrevocably pledged his 15% equity interest in TCB Digital through his ownership in Beijing Depu to Gu in exchange for a 29.4% stake in Gold Lion.

On November 30, 2007, Gold Lion and GD Industrial Company signed a share transfer agreement, pursuant to which, GD Industrial Company transferred 60% equity of Nantong Zong Yi Kechuang Digital Camera Technology Co., Ltd. (Nantong Zong Yi) for cash of \$10,273 to the Company. In July 2008, Nantong Zong Yi changed its name to Jiangsu Leimone Electronic Co., Ltd. (JS Leimone). Before the acquisition date, JS Leimone did not have any operating activities. In January 2008, the Company invested \$5,074,226 (HK\$38,800,000) to JS Leimone to increase the Company s ownership in JS Leimone to 80%. Pursuant to the share transfer agreement by and between Gold Lion and Nantong Zong Yi Investment Co., Ltd. dated November 26, 2008, the Company acquired the remaining 20% equity interest of JS Leimone from Nantong Zong Yi Investment Co., Ltd. for cash of \$103,214 (HK\$800,000). After this transaction, the Company owned 100% of JS Leimone.

Pursuant to the share transfer agreement by and among Hebei Leimone, Beijing Depu Investment Co., Ltd and JS Leimone dated December 15, 2008, Hebei Leimone and Beijing Depu Investment Co., Ltd. transferred their 51.03% equity interest of TCB Digital to JS Leimone on December 30, 2008.

Per the fact that TCB Digital and Profit Harvest are in common control with the Company since July 2007 and August 2007, respectively, we combine their financials at historical cost into the Company from the date the Company acquires control. Acquisition method is used when the Company has actual equity investment in TCB Digital and

Profit Harvest.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Gold Lion Holding Ltd, its 100%-owned subsidiary Profit Harvest, its 100%-owned subsidiary JS Leimone and its 51.03%-owned joint venture TCB Digital as of and for the three months ended March 31, 2009. As of June 30, 2007, Gu and Cao jointly acquired 51.03% equity of TCB Digital through Hebei Leimone and Beijing Depu, entities under they controlled, and Gu controlled 100% of Profit Harvest in 2007. The consolidated financial statements for the three months ended March 31, 2008 included the combination of 51.03% operation results of TCB Digital from January 1, 2008 through March 31, 2008 and 100% of the operating results of Profit Harvest for three months ended March 31, 2008. As Gu

GOLD LION HOLDING LTD.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED MARCH 31, 2009 & 2008

NOTE 1 - ORGANIZATION AND PROPOSED BUSINESS OPERATIONS (continued)

Principles of Consolidation (continued)

and Cao transferred their 51.03% equity interest of TCB Digital into JS Leimone on December 30, 2008, and 100% equity interest of Profit Harvest was transferred to Gold Lion on December 22, 2008, the consolidated financial statements as of March 31, 2009 include the consolidation of balance sheets and operating results for the three months ended March 31, 2009 of TCB Digital and Profit Harvest.

Basis of Presentation

The consolidated financial statements are prepared in accordance with generally accepted accounting principles in the United States of America ("US GAAP"). The Company's functional currency is the Chinese Renminbi; however the accompanying consolidated financial statements have been translated and presented in United States Dollars (\$).

Use of Estimates

The preparation of the consolidated financial statements in conformity with US GAAP requires management of the Company to make a number of estimates and assumptions relating to the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the period. Significant items subject to such estimates and assumptions include the recoverability of the carrying amount of property and equipment and intangible assets; the allocation of the purchase price for the Company's acquisitions; the collectability of accounts receivable; the fair value of share-based compensation; the useful lives and salvage values of property and equipment; the realizability of inventories; and amounts recorded for contingencies. These estimates are often based on complex judgments and assumptions that management believes to be reasonable but are inherently uncertain and unpredictable. Actual results may differ from those estimates.

Foreign Currency Translation

The Company's financial records are maintained in its local currency, the Renminbi (RMB), which is the functional currency. Assets and liabilities are translated at the exchange rates at the balance sheet dates and revenue and expenses are translated at the average exchange rates and stockholders' equity is translated at historical exchange rates. Any translation adjustments resulting are not included in determining net income but are included in foreign exchange adjustment to other comprehensive income, a component of stockholders' equity.

The reporting currency of the Company is the US dollar. Transactions denominated in currencies other than US dollars are translated into US dollars at the average rate for the period. Monetary assets and liabilities denominated in currencies other than US dollars are translated into US dollars at the rates of exchange at the balance sheet date. The resulting exchange differences are recorded in other expenses in the statement of income and comprehensive income.

Foreign Currency Transaction

RMB is not a fully convertible currency. All foreign exchange transactions involving RMB must take place either through the People's Bank of China (the PBOC) or other institutions authorized to buy and sell foreign exchange. The exchange rates adopted for the foreign exchange transactions are the rates of exchange quoted by the PBOC, which are determined largely by supply and demand.

Fair Value of Financial Instruments

The carrying values of the Company's financial instruments, including cash and cash equivalents, restricted cash, marketable securities, trade, bills and other receivables, deposits, trade, bills and other payables approximate their fair values due to the short-term maturity of such instruments. The carrying amounts of bank borrowings approximate their fair values because the applicable interest rates approximate current market rates.

GOLD LION HOLDING LTD.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED MARCH 31, 2009 & 2008

NOTE 1 - ORGANIZATION AND PROPOSED BUSINESS OPERATIONS (continued)

Fair Value of Financial Instruments (continued)

It is management's opinion that the Company is not exposed to significant interest, price or credit risks arising from these financial instruments.

The Company is exposed to foreign currency risk arising from import purchase transactions and trade payables as they affect the future operating results of the Company. The Company did not have any hedging transactions during the three months ended March 31, 2009 or 2008.

Risks and Uncertainties

The Company is subject to substantial risks from, among other things, intense competition associated with the industry in general, other risks associated with financing, liquidity requirements, rapidly changing customer requirements, limited operating history, foreign currency exchange rates and the volatility of public markets.

Cash and Cash Equivalents

Cash consists of cash on hand, cash in bank accounts and interest-bearing savings accounts. Cash deposits that are restricted as to withdrawal or pledged as security, are disclosed separately on the consolidated balance sheet, and not included in cash for the purpose of the consolidated statements of cash flows.

Accounts Receivable

Allowances for doubtful accounts are maintained against accounts receivable for estimated losses resulting from the inability of customers to make required payments. These allowances are based on both recent trends of certain customers estimated to be a greater credit risk as well as general trends of the entire customer pool. Accounts are written off against the allowance when it becomes evident collection will not occur.

Inventories

Inventories are stated at the lower of cost or market. Cost is determined on a weighted average basis and includes all expenditures incurred in bringing the goods to the point of sale and putting them in a saleable condition. In assessing the ultimate realization of inventories, the management makes judgments as to future demand requirements compared to current or committed inventory levels. Our reserve requirements generally increase as our projected demand requirements; or decrease due to market conditions and product life cycle changes. The Company estimates the demand requirements based on market conditions, forecasts prepared by its customers, sales contracts and orders in hand.

In addition, the Company estimates net realizable value based on intended use, current market value and inventory ageing analyses. The Company writes down the inventories for estimated obsolescence or unmarketable inventory equal to the difference between the cost of inventories and the estimated market value based upon assumptions about

future demand and market conditions. Historically, the actual net realizable value has been close to management's estimate.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost, less accumulated depreciation and amortization. Depreciation is calculated on a straight-line basis over estimated useful lives of 30 years for buildings and improvements, 10 years for machinery and equipment, 4-5 years for electronic equipment, 5 years for workshop reconstruction and assembling line reconstruction, and 5 years for transportation equipment. Expenditures for maintenance and repairs are charged to expense as incurred. Major renewals and betterments are charged to the property accounts while replacements, maintenance and repairs, which do not improve or extend the lives of the respective assets, are expensed to the current period.

GOLD LION HOLDING LTD.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED MARCH 31, 2009 & 2008

NOTE 1 - ORGANIZATION AND PROPOSED BUSINESS OPERATIONS (continued)

Capitalized Interest

Interest associated with major development and construction projects is capitalized and included in the cost of the project. When no debt is incurred specifically for a project, interest is capitalized on amounts expended on the project using weighted-average cost of the Company's outstanding borrowings. Capitalization of interest ceases when the project is substantially complete or development activity is suspended for more than a brief period.

Impairment of Long-Lived Assets

In accordance with Statement of Financial Accounting Standards (SFAS) No.144, Accounting for the Impairment or Disposal of Long-Lived Assets , the Company reviews the carrying values of long-lived assets, including property, plant and equipment and other intangible assets, whenever facts and circumstances indicate that the assets may be impaired. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net undiscounted cash flows expected to be generated by the asset. If an asset is considered impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the asset exceeds the fair value. Assets to be disposed of are reported at the lower of the carrying amount or fair value, less costs of disposal. For 2008, the Company performed an annual impairment review of long-lived assets and concluded that there was no impairment loss.

Goodwill

The Company recognizes goodwill for the excess of the purchase price over the fair value of the identifiable net assets of the business acquired. As required by SFAS No. 142, Goodwill and Other Intangible Assets, an impairment test for goodwill is undertaken by the Company at the reporting unit level annually, or more frequently if events or changes in circumstances indicate that goodwill might be impaired. As of December 31, 2008, the Company did not incur any impairment loss for goodwill.

Revenue Recognition

The Company recognizes sales in accordance with the United States Securities and Exchange Commission (SEC) Staff Accounting Bulletin (SAB) No. 101, Revenue Recognition in Financial Statements and SAB No. 104, Revenue Recognition. The Company recognizes revenue when the following criteria are met: (i) persuasive evidence of an arrangement exists, (ii) delivery has occurred or services were rendered, (iii) the price to the customer is fixed or determinable and (iv) collection of the resulting receivable is reasonably assured. Revenue is not recognized until title and risk of loss is transferred to the customer, which occurs upon delivery of goods, and objective evidence exists that customer acceptance provisions were met. Provisions for discounts and returns are provided for at the time the sale is recorded, and are recorded as a reduction of sales. The Company bases its estimates on historical experience taking into consideration the type of products sold, the type of customer, and the type of specific transaction in each arrangement. Revenues represent the invoiced value of goods, net of value added tax (VAT).

The Company does not offer promotional payments, customer coupons, rebates or other cash redemption offers to its customers. Deposits or advance payments from customers prior to delivery of goods and passage of title of goods are recorded as advanced from customers.

Income Taxes

The Company accounts for income taxes in accordance with SFAS No. 109, *Accounting for Income Taxes*. Under this method, deferred income taxes are recognized for the estimated tax consequences in future years of differences between the tax bases of assets and liabilities and their financial reporting amounts and each year-end based on enacted tax laws and statutory rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established to reduce deferred tax assets to the amount expected to be realized when, in management's opinion; it is more likely than not that some portion of the deferred tax assets will not be realized. The provision for income taxes represents current taxes payable net of the change during the period in deferred tax assets and liabilities.

GOLD LION HOLDING LTD.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED MARCH 31, 2009 & 2008

NOTE 1 - ORGANIZATION AND PROPOSED BUSINESS OPERATIONS (continued)

Operating Leases

Leases where substantially all the rewards and risks of ownership of assets remain with the leasing company that do not meet the capitalization criteria of SFAS 13, are accounted for as operating leases. Rental payables under operating leases are recognized as expenses on the straight-line basis over the lease term.

Comprehensive Income

The Company uses SFAS 130 Reporting Comprehensive Income . Comprehensive income is comprised of net income and all changes to the statements of stockholders' equity, except those due to investments by stockholders, changes in paid-in capital and distributions to stockholders.

SFAS No.130, Reporting Comprehensive Income, establishes standards for reporting and displaying comprehensive income and its components in the consolidated financial statements. Accumulated other comprehensive income (loss) includes foreign currency translation adjustments.

Long-Term Investments

The Company accounted for its 9% investment in Tianjin Tong Guang Microelectronics Co., Ltd using the cost method.

GOLD LION HOLDING LTD.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED MARCH 31, 2009 & 2008

NOTE 1 - ORGANIZATION AND PROPOSED BUSINESS OPERATIONS (continued)

Recent Accounting Pronouncements

In December 2007, the FASB issued SFAS No. 160 Noncontrolling Interests in Consolidated Financial Statements-an amendment of ARB No. 51. SFAS 160 establishes accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. The Company adopted SFAS 160 from January 1, 2009.

Certain amounts presented for prior periods that were previously designated as minority interest have been reclassified to conform to the current year presentation. Effective January 1, 2009, the Company adopted SFAS No. 160,

Noncontrolling Interests in Consolidated Financial Statements, an amendment of ARB No. 51, which established new standards governing the accounting for and reporting of noncontrolling interests (NCIs) in partially owned consolidated subsidiaries and the loss of control of subsidiaries. Certain provisions of this standard indicate, among other things, that NCIs (previously referred to as minority interests) be treated as a separate component of equity, not as a liability (as was previously the case); that increases and decreases in the parent's ownership interest that leave control intact be treated as equity transactions, rather than as step acquisitions or dilution gains or losses; and that losses of a partially owned consolidated subsidiary be allocated to the NCI even when such allocation might result in a deficit balance. This standard also required changes to certain presentation and disclosure requirements. The provisions of the standard were applied to all NCIs prospectively, except for the presentation and disclosure requirements, which were applied retrospectively to all periods presented. As a result, upon adoption, the Company retroactively reclassified the Minority interest balance previously included in the Other liabilities section of the consolidated balance sheet to a new component of equity with respect to NCIs in consolidated subsidiaries. The adoption also impacted certain captions previously used on the consolidated statement of income and other comprehensive income, largely identifying net income including NCI and net income attributable to China Tractor Holdings, Inc.

In December 2007, the FASB issued SFAS No. 141 (Revised) Business Combinations. SFAS 141 (Revised) establishes principles and requirements for how the acquirer of a business recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree. The statement also provides guidance for recognizing and measuring the goodwill acquired in the business combination and determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. The Company adopted SFAS 141 (Revised) on January 1, 2009. The adoption of SFAS 141 (Revised) did not have any impact on the Company's financial statements.

In March 2008, the FASB issued SFAS No. 161, Disclosures about Derivative Instruments and Hedging Activities an amendment of FASB Statement No. 133. SFAS 161 changes the disclosure requirements for derivative instruments and hedging activities. Entities are required to provide enhanced disclosures about (a) how and why an entity uses derivative instruments, (b) how derivative instruments and related hedged items are accounted for under SFAS 133 and its related interpretations, and (c) how derivative instruments and related hedged items affect an entity's financial position, financial performance, and cash flows.

The Company adopted SFAS 161 on January 1, 2009. The adoption of SFAS 161 did not have any impact on the Company's financial statements.

GOLD LION HOLDING LTD.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED MARCH 31, 2009 & 2008

NOTE 1 - ORGANIZATION AND PROPOSED BUSINESS OPERATIONS (continued)

Recent Accounting Pronouncements (continued)

In May 2008, the FASB issued SFAS No. 162, The Hierarchy of Generally Accepted Accounting Principles. SFAS 162 identifies the sources of accounting principles and the framework for selecting the principles to be used in the preparation of financial statements of nongovernmental entities that are presented in conformity with GAAP (the GAAP hierarchy). SFAS 162 did not have an impact on the Company's financial statements.

In May 2008, the FASB issued SFAS No. 163, Accounting for Financial Guarantee Insurance Contracts, an interpretation of FASB Statement No. 60. The scope of SFAS 163 is limited to financial guarantee insurance (and reinsurance) contracts, as described in this Statement, issued by enterprises included within the scope of Statement 60. Accordingly, SFAS 163 does not apply to financial guarantee contracts issued by enterprises excluded from the scope of Statement 60 or to some insurance contracts that seem similar to financial guarantee insurance contracts issued by insurance enterprises (such as mortgage guaranty insurance or credit insurance on trade receivables). SFAS 163 also does not apply to financial guarantee insurance contracts that are derivative instruments included within the scope of FASB Statement No. 133, Accounting for Derivative Instruments and Hedging Activities. SFAS 163 was adopted on January 1, 2009 and did not have an impact on the Company's financial statements.

In January 2009, the FASB issued FSP EITF 99-20-1, Amendments to the Impairment Guidance of EITF Issue No. 99-20, and EITF Issue No. 99-20, Recognition of Interest Income and Impairment on Purchased and Retained Beneficial Interests in Securitized Financial Assets (FSP EITF 99-20-1). FSP EITF 99-20-1 changes the impairment model included within EITF 99-20 to be more consistent with the impairment model of SFAS No. 115. FSP EITF 99-20-1 achieves this by amending the impairment model in EITF 99-20 to remove its exclusive reliance on market participant estimates of future cash flows used in determining fair value. Changing the cash flows used to analyze other-than-temporary impairment from the market participant view to a holder's estimate of whether there has been a probable adverse change in estimated cash flows allows companies to apply reasonable judgment in assessing whether an other-than-temporary impairment has occurred. The adoption of FSP EITF 99-20-1 did not have a material impact on the consolidated financial statements because all of the investments in debt securities are classified as trading securities.

In April 2009, the FASB issued FSP FAS 157-4, Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly (FSP FAS 157-4). FSP FAS 157-4 amends SFAS 157 and provides additional guidance for estimating fair value in accordance with SFAS 157 when the volume and level of activity for the asset or liability have significantly decreased and also includes guidance on identifying circumstances that indicate a transaction is not orderly for fair value measurements. This FSP shall be applied prospectively with retrospective application not permitted. This FSP shall be effective for interim and annual periods ending after June 15, 2009, with early adoption permitted for periods ending after March 15, 2009. An entity early adopting this FSP must also early adopt FSP FAS 115-2 and FAS 124-2, Recognition and Presentation of Other-Than-Temporary Impairments (FSP FAS 115-2 and FAS 124-2). Additionally, if an entity elects to early adopt either FSP FAS 107-1 and APB 28-1, Interim Disclosures about Fair Value of Financial Instruments (FSP FAS 107-1 and APB 28-1) or FSP FAS 115-2 and FAS 124-2, it must also elect to early adopt this FSP. The Company is currently evaluating this new FSP but does not believe that it will have a significant impact on

the determination or reporting of the financial results.

In April 2009, the FASB issued FSP FAS 115-2 and FAS 124-2. This FSP amends SFAS 115, Accounting for Certain Investments in Debt and Equity Securities, SFAS 124, Accounting for Certain Investments Held by Not-for-Profit Organizations, and EITF Issue No. 99-20, Recognition of Interest Income and Impairment on Purchased Beneficial Interests and Beneficial Interests That Continue to Be Held by a Transferor in Securitized Financial Assets, to make the other-than-temporary impairments guidance more operational and to improve the presentation of other-than-temporary impairments in the financial statements. This FSP will replace the existing requirement that the entity's management assert it has both the intent and ability to hold an impaired debt security until recovery with a requirement that management assert it does not have the intent to sell the security, and it is

GOLD LION HOLDING LTD.**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS****FOR THE THREE MONTHS ENDED MARCH 31, 2009 & 2008****NOTE 1 - ORGANIZATION AND PROPOSED BUSINESS OPERATIONS (continued)*****Recent Accounting Pronouncements (continued)***

more likely than not it will not have to sell the security before recovery of its cost basis. This FSP provides increased disclosure about the credit and noncredit components of impaired debt securities that are not expected to be sold and also requires increased and more frequent disclosures regarding expected cash flows, credit losses, and an aging of securities with unrealized losses. Although this FSP does not result in a change in the carrying amount of debt securities, it does require that the portion of an other-than-temporary impairment not related to a credit loss for a held-to-maturity security be recognized in a new category of other comprehensive income and be amortized over the remaining life of the debt security as an increase in the carrying value of the security. This FSP shall be effective for interim and annual periods ending after June 15, 2009, with early adoption permitted for periods ending after March 15, 2009. An entity may early adopt this FSP only if it also elects to early adopt FSP FAS 157-4. Also, if an entity elects to early adopt either FSP FAS 157-4 or FSP FAS 107-1 and APB 28-1, the entity also is required to early adopt this FSP. We are currently evaluating this new FSP but do not believe that it will have a significant impact on the determination or reporting of our financial results.

NOTE 2 - MERGER AND ACQUISITION

The Company acquired 60% equity in JS Leimone on November 30, 2007. As of November 30, 2007, the net assets of JS Leimone were Nil. The agreed purchase consideration was \$10,273 which was higher than 60% of total net assets of JS Leimone and resulted in goodwill of \$10,273. On January 1, 2008, the Company invested \$4,971,056 (HK\$38,800,000) into JS Leimone. After this investment, the net assets of JS Leimone were \$4,976,051 and the Company owned 80% of JS Leimone. The fair value of the 80% of equity interest of JS Leimone Electronic Co., Ltd on January 1, 2008 was \$3,981,085. The agreed purchase consideration was \$4,971,012 (HK\$38,800,000) which was higher than 80% of total net assets of JS Leimone and resulted in goodwill of \$989,927. The Company acquired the remaining 20% of equity of JS Leimone on November 30, 2008. As of November 30, 2008, the net assets of JS Leimone were \$5,001,783 and therefore 20% of total assets of JS Leimone were \$1,000,357. The agreed purchase consideration was \$103,214 which was lower than 20% of total net assets of JS Leimone and resulted in negative goodwill of \$897,143. Therefore, the total goodwill resulted from the acquisition of JS Leimone was \$103,057. As of March 31, 2009 and December 31, 2008, goodwill amounted to \$103,057 and \$103,057 respectively. There was no impairment of goodwill for 2008.

The following table summarizes goodwill resulting from the acquisition of JS Leimone:

November 30, 2007	\$	10,273
January 1, 2008		989,927

November 30, 2008

(897,143)

Total goodwill

\$

103,057

GOLD LION HOLDING LTD.**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS****FOR THE THREE MONTHS ENDED MARCH 31, 2009 & 2008****NOTE 2 - MERGER AND ACQUISITION (continued)**

The following table summarizes the fair values of the assets acquired and liabilities assumed from JS Leimone as of the dates of acquisition. The total consideration for the acquisition exceeded the fair value of the net assets acquired by \$103,057.

	November 30, 2007	January 1, 2008	November 30, 2008
Cash	\$ 39,231	\$ 5,010,704	\$ 79,411
Accounts receivable			18,475
Other receivables			(4,750)
Advance to suppliers			4,665,134
Inventories			246,854
Due from related parties			45,431
Other assets			217,569
Fixed assets			1,708,102
Accounts payable			(388,235)
Advance from customers			(115,716)
Salary payable		(21,401)	(52,961)
Taxes payable			(5,138)
Other Payable			(1,111,614)
Due to related parties	(39,231)	(39,648)	
Affect from foreign currency translation		200	(258,357)
Purchase price		4,949,855	5,001,783

NOTE 3 - RESTRICTED CASH

Restricted cash as of March 31, 2009 and December 31, 2008, was \$11,978,497 and \$8,753,757 respectively. Restricted cash was deposits in banks representing collateral for the banks to issue banker's acceptances. Restricted cash may not be recovered when the secured notes payable cannot be paid.

NOTE 4 - ACCOUNTS RECEIVABLE

As of March 31, 2009 and December 31, 2008, the Company's accounts receivable consisted of the following:

	2009	2008
Accounts receivable	\$ 5,445,321	\$ 12,383,724
Less: Allowance for doubtful accounts	(56,818)	(16,910)
Accountants receivable, net	\$ 5,388,503	\$ 12,366,814

GOLD LION HOLDING LTD.**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS****FOR THE THREE MONTHS ENDED MARCH 31, 2009 & 2008****NOTE 5 - INVENTORIES**

Inventories, by major categories, as of March 31, 2009 and December 31, 2008 were as follows:

	2009	2008
Raw materials	\$ 2,506,531	\$ 3,669,226
Work in progress	14,094	17,672
Low value consumables	3,891	5,591
Consigned goods	1,175,882	
Finished goods	323,383	418,020
		4,096,227
Less: Allowance for obsolete inventories	(677,320)	(368,463)
Inventories, net	\$ 3,346,461	\$ 3,742,046

NOTE 6 - ADVANCE TO SUPPLIERS

As of March 31, 2009 and December 31, 2008, the Company's advance to suppliers consisted of the following:

	2009	2008
Suzhou Moben Communication Technology Ltd.	\$ 206,373	\$ 200,039
Shenzhen Yingqiongxing Trading Company	456,425	455,852
Beijing Xingwang Time Commercial Trading Co., Ltd.	3,877,801	7,737,737
CEC CoreCast Corporation Limited	17,885,025	7,305,206
Beijing Orsus Xelent Technologies Inc.	4,261,736	6,000,625
Derong	1,313,984	1,312,336
CEC Telecom Co., Ltd.	297,709	377,085
Tianjin Liantuo Electronic Technology Co., Ltd.	382,728	382,247
T.L.Y. (Hong Kong) Limited		104,840
Beijing HYT Technology & Trade Co., Ltd.,	6,776,616	
Others	390,706	399,346
Total advance to suppliers, net	\$ 35,849,103	\$ 24,275,313

NOTE 7 - OTHER RECEIVABLES

As of March 31, 2009 and December 31, 2008, the Company's other receivables and prepaid expenses consisted of the following:

	2009		2008
Advance to employees	\$ 107,660	\$	177,068
Loan to third parties	360,699		476,963
Deposit for rental of equipment lease	73,040		43,769
Receivable for disposal of long-term assets			297,628
Others	116,698		83,605
Prepaid expenses	16,430		40,848
Total other receivables, net	\$ 674,527	\$	1,119,881

The loan to third parties bears no interest.

The deposit for rental of equipment lease will be recovered in one year.

GOLD LION HOLDING LTD.**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS****FOR THE THREE MONTHS ENDED MARCH 31, 2009 & 2008****NOTE 8 - PROPERTY, PLANT AND EQUIPMENT**

Property, plant and equipment as of March 31, 2009 and December 31, 2008 consisted of the following:

	2009		2008	
Cost:				
Machinery and Equipment	\$	8,496,912	\$	8,479,599
Electronic Equipment		1,599,677		1,581,014
Transportation Equipment		169,447		169,235
Workshop reconstruction		58,680		58,606
Assembling line reconstruction		119,323		119,173
Total at cost		10,444,039		10,407,627
Less: Accumulated depreciation		(3,751,932)		(3,352,735)
Total property, plant and equipment, net	\$	6,692,107	\$	7,054,892

Depreciation for the three months ended March 31, 2009 and 2008 was \$394,928 and \$242,781 respectively.

NOTE 9 - LONG-TERM INVESTMENTS

As of March 31, 2009 and December 31, 2008, the Company's long-term investments consisted of the following:

	2009		2008	
Tianjin Tong Guang Microelectronics Co., Ltd.	9%	65,736	9%	65,653

Tianjin Tong Guang Microelectronics Co., Ltd. was established on April 19, 2006 with total registered capital of \$622,549 (RMB 5,000,000). Tianjin Tong Guang Microelectronics Co., Ltd.'s principal activities are development, manufacturing and sale of electronic information products and related technical consulting services.

GOLD LION HOLDING LTD.**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS****FOR THE THREE MONTHS ENDED MARCH 31, 2009 & 2008****NOTE 10 - SHORT-TERM LOANS**

Short-term loans represent amounts due to various financial institutions which are normally due within one year. As of March 31, 2009 and December 31, 2008, the Company's short term loans consisted of the followings:

	2009	2008
Loan from Bank of Communications Tianjin Branch, due from April 25, 2008 to March 25, 2009 with interest at 8.217%, guaranteed by TCBGCL, the common shareholder of TCB Digital, paid on March 25, 2009	\$	\$ 4,376,878
Loan from Bank of Communications Tianjin Branch, due from May 26, 2008 to April 25, 2009 with interest at 8.217%, guaranteed by TCBGCL, the common shareholder of TCB Digital, paid on April 25, 2009	2,921,585	2,917,919
Loan from Bank of Communications Tianjin Branch, due from June 25, 2008 to June 13, 2009 with interest at 8.217%, guaranteed by TCBGCL, the common shareholder of TCB Digital, paid on June 13, 2009	2,921,585	2,917,919
Loan from Bank of Communications Tianjin Branch, due from July 15, 2008 to May 25, 2009 with interest at 8.217%, guaranteed by TCBGCL, the common shareholder of TCB Digital, paid on May 25, 2009	2,921,585	2,917,919
Loan from Bank of Communications Tianjin Branch, due from September 17, 2008 to September 16, 2009 with interest at 7.92%, secured by the Company's fixed assets	2,775,505	2,772,023
Loan from Bank of Communications Tianjin Branch, due from November 17, 2008 to November 16, 2009 with interest at 7.326%, secured by the Company's fixed assets	1,241,673	1,240,116
Loan from Northern International Trust & Investment Co., LTD, due from December 23, 2008 to October 23, 2009 with interest at 8.7000%, guaranteed by small and medium enterprises credit guaranty center.	1,752,951	1,750,751

Loan from Bank of Communications Tianjin Branch, due from
March 3, 2009 to March 2, 2010 with interest at 5.841%,
guaranteed by TCBGCL, the common shareholder of TCB Digital

4,382,377

Total short-term loans

\$ **18,917,261** \$ **18,893,525**

GOLD LION HOLDING LTD.**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS****FOR THE THREE MONTHS ENDED MARCH 31, 2009 & 2008****NOTE 11 - NOTES PAYABLE**

These notes were payable in 3 or 6 months and bear no interest. The balance of notes payable as of March 31, 2009 and December 31, 2008 consisted of the following which all were bank's acceptances:

	2009	2008
Notes payable to Beijing Orsus Xelent Technology & Trading Company Limited, honored by the Bank of Communications Tianjin Shenyi Street Branch, from September 11, 2008 to March 11, 2009, secured by \$729,480 of cash in bank, paid on March 11, 2009	\$	\$ 1,458,960
Notes payable to CEC CoreCast Corporation Limited, honored by the Bank of Communications Tianjin Shenyi Street Branch, from September 10, 2008 to March 10, 2009, secured by \$2,188,439 of cash in bank, paid on March 10, 2009		4,376,878
Notes payable to CEC CoreCast Corporation Limited, honored by the Bank of Communications Tianjin Shenyi Street Branch, from September 16, 2008 to March 16, 2009, secured by \$2,188,439 of cash in bank, paid on March 16, 2009		4,376,878
Notes payable to CEC CoreCast Corporation Limited, honored by the Bank of Communications Tianjin Shenyi Street Branch, from September 17, 2008 to March 17, 2009, secured by \$583,584 of cash in bank, paid on March 17, 2009		1,167,168
Notes payable to CEC CoreCast Corporation Limited, honored by the Bank of Communications Tianjin Shenyi Street Branch, from September 22, 2008 to March 22, 2009, secured by \$875,376 of cash in bank, paid on March 22, 2009		1,750,751
Notes payable to CEC CoreCast Corporation Limited, honored by the Bank of Communications Tianjin Shenyi Street Branch, from September 09, 2008 to March 09, 2009, secured by \$1,458,959 of cash in bank, paid on March 9, 2009		2,917,919
	584,317	583,584

Notes payable to Beijing Orsus Xelent Technology & Trading Company Limited, honored by the Bank of Communications Tianjin Shenyi Street Branch, from October 17, 2008 to April 17, 2009, secured by \$292,159 of cash in bank, paid on April 17, 2009(Unaudited)

Notes payable to Beijing Orsus Xelent Technology & Trading Company Limited, honored by the Bank of Communications Tianjin Shenyi Street Branch, from December 18, 2008 to June 18, 2009, secured by \$438,238 of cash in bank

876,475

875,376

Notes payable to Beijing Orsus Xelent Technology & Trading Company Limited, honored by the Bank of Communications Tianjin Shenyi Street Branch, from March 13, 2009 to September 13, 2009, secured by \$584,317 of cash in bank

1,168,634

Notes payable to Beijing Orsus Xelent Technology & Trading Company Limited, honored by the Bank of Communications Tianjin Shenyi Street Branch, from March 18, 2009 to September 18, 2009, secured by \$146,079 of cash in bank

292,158

GOLD LION HOLDING LTD.**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS****FOR THE THREE MONTHS ENDED MARCH 31, 2009 & 2008****NOTE 11 - NOTES PAYABLE (continued)**

	2009	2008
Notes payable to CEC CoreCast Corporation Limited, honored by the Bank of Communications Tianjin Shenyi Street Branch, from January 15, 2009 to July 15, 2009, secured by \$2,191,189 of cash in bank	4,382,377	
Notes payable to CEC CoreCast Corporation Limited, honored by the Bank of Communications Tianjin Shenyi Street Branch, from February 12, 2009 to August 12, 2009, secured by \$2,191,189 of cash in bank	4,382,377	
Notes payable to CEC CoreCast Corporation Limited, honored by the Bank of Communications Tianjin Shenyi Street Branch, from March 10, 2009 to September 10, 2009, secured by \$1,460,793 of cash in bank	2,921,585	
Notes payable to CEC CoreCast Corporation Limited, honored by the Bank of Communications Tianjin Shenyi Street Branch, from March 16, 2009 to September 16, 2009, secured by \$3,213,743 of cash in bank	6,427,486	
Notes payable to CEC CoreCast Corporation Limited, honored by the Bank of Communications Tianjin Shenyi Street Branch, from March 17, 2009 to March 17, 2009, secured by \$584,317 of cash in bank	1,168,634	
Notes payable to CEC CoreCast Corporation Limited, honored by the Bank of Communications Tianjin Shenyi Street Branch, from March 23, 2009 to September 23, 2009, secured by \$876,478 of cash in bank	1,752,951	
Total notes payable	\$ 23,956,994	\$ 17,507,514

NOTE 12 - ACCRUED EXPENSES AND OTHER PAYABLES

As of March 31, 2009 and December 31, 2008, the accrued expenses and other liabilities of the Company were summarized as follows:

	2009	2008
Accrued machinery rent	\$ 1,159,644	\$ 1,158,189
Accrued plant rent	763,410	807,404
Accrued utility	658,975	608,480
Accrued others		46,451
Welfare & salary payable	52,272	53,702
Others	122,892	158,373
Total accrued expenses and other payables	\$ 2,757,193	\$ 2,832,599

GOLD LION HOLDING LTD.**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS****FOR THE THREE MONTHS ENDED MARCH 31, 2009 & 2008****NOTE 13 - LONG-TERM LOANS**

As of March 31, 2009 and December 31, 2008, the Company's long-term loans consisted of the followings:

	2009	2008
Loan from Nantong Zong Yi Investment Co., Ltd., due from January 29, 2008 to January 28, 2010. with interest at same period secured bank lending rate (7.56%) plus 0.756%, secured by the Company's fixed assets	\$ 730,396	\$ 729,480
Loan from Nantong Zong Yi Investment Co., Ltd., due from March 5, 2008 to March 4, 2010. with interest at same period secured bank lending rate (7.56%) plus 0.756%, secured by the Company's fixed assets	438,238	437,688
Total notes payable	\$ 1,168,634	\$ 1,167,168

NOTE 14 - DIVIDENDS PAYABLE

In June 2007, before the Company acquired 51.03% of TCB Digital, TCB Digital decided to distribute cash dividends to its original shareholders of \$1,074,068 (RMB7,862,700). The Company paid dividends of \$495,926 (RMB3,900,000) in July 2007 to its original shareholders. The balance of dividends payable was \$578,868 and \$578,142 as of March 31, 2009 and December 31, 2008 respectively, representing the dividend payable to TCBGCL amounting to RMB3,962,700. The Company has no plan to pay this amount in the first two quarters of 2009. The specific due date of the dividend will be negotiated between the current shareholders and original shareholders of the Company. The fluctuation of the balance of dividend payable represents the fluctuation of currency exchange rate.

NOTE 15 - RELATED PARTY BALANCES AND TRANSACTIONS*Due from related parties*

As of March 31, 2009 and December 31, 2008, due from related parties were:

	2009	2008
Due from related parties - short term		
Tianjin Tong Guang Group Electronics Science & Technology Co., Ltd.	\$ 1,155,996	\$ 673,380
Hebei Leimone	746,880	745,943
Shanghai Spreadbridge Information Technology Co., Ltd.	2,026,465	2,111,460
Beijing Leimone Shengtong Wireless Technology Co., Ltd.		561,699

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Gu Lei	511,277	575,710
Leimone (Tianjin) Industrial Co., Ltd.	616,425	582,096
Beijing Leimone Shengtong Cultural Development Co., Ltd.	29,216	14,590
TCBGCL	-	74,484
Tianjin Tong Guang Group Wanjie Import & Export Trading Co., Ltd.	3,235,801	
712	92,058	51,990
Zhejiang Leimone Electronics Co., Ltd.	686,371	678,489
Other		
Total due from related parties-short term	9,100,489	6,069,842
Due from related parties long term		
Beijing Leimone Shengtong Wireless Technology Co., Ltd.	247,604	247,294
Total due from related parties	\$ 9,348,093	\$ 6,317,136

GOLD LION HOLDING LTD.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED MARCH 31, 2009 & 2008

NOTE 15 - RELATED PARTY BALANCES AND TRANSCATIONS (continued)

Due from related parties (continued)

Tianjin Tong Guang Group Electronics Science & Technology Co., Ltd. (Electronics Science & Tech), an entity related to the Company through a common shareholder of TCB Digital, purchased products from the Company. For the three months ended March 31 2009 and 2008, the Company recorded net revenues of \$481,700 and \$277,188 from sales to Electronics Science & Tech respectively.

Hebei Leimone is controlled by Gu, the majority shareholder of the Company.

a.

Hebei Leimone sells certain handsets to the Company. For the three months ended March 31 2009 and 2008, the Company recorded total purchases from Hebei Leimone of nil and nil respectively. The balances due from Hebei Leimone represented advances to Hebei Leimone which were \$68,292 and \$68,206 respectively as of March 31, 2009 and December 31, 2008;

b.

The Company sells certain products and provides some technical services to Hebei Leimone. For the three months ended March 31 2009 and 2008, the Company recorded net revenues of \$219,088 and \$406,414 respectively from sales to Hebei Leimone; and as of March 31, 2009 and December 31, 2008, the balances of due from Hebei Leimone regarding such sales were \$437,558 and \$437,009 respectively;

c.

Additionally, Hebei Leimone borrowed money from the Company. The borrowings bear no interest and had a maturity of 12 months. As of March 31, 2009 and December 31, 2008, the balance of such loans was \$241,030 and \$240,728, among which \$43,823 is due on October 20, 2009 and \$197,207 is due on December 25, 2009.

Shanghai Spreadbridge Information Technology Co., Ltd. (Shanghai Spreadbridge) is controlled by Gu, the majority shareholder of the Company.

b.

Shanghai Spreadbridge borrows money from the Company. The borrowings bear no interest and had a maturity of 14 months. As of March 31, 2009 and December 31, 2008, the balances of loans were \$379,806 and \$393,919 respectively, of which \$393,919 was due on December 31, 2008 and \$14,590 was subsequently received on February 19, 2009;

c.

The Company sells certain products to Shanghai Spreadbridge. For the three months ended March 31 2009 and 2008, the Company recorded net revenues of nil and \$2,653,574 from sales to Shanghai Spreadbridge respectively. As of March 31, 2009 and December 31, 2008, the balances of due from Shanghai Spreadbridge related to such sales was \$1,249,986 and \$1,263,007 respectively;

d.

Additionally, Shanghai Spreadbridge sells raw materials to the Company. For the three months ended March 31 2009 and 2008, the Company recorded total purchases from Shanghai Spreadbridge of nil and nil respectively. The amount due from Shanghai Spreadbridge represented advances made and the amount was \$396,673 and \$454,534 as of March 31, 2009 and December 31, 2008 respectively.

Beijing Leimone Shengtong Wireless Technology Co., Ltd. (Beijing Leimone) was founded by Gu, the majority shareholder of the Company.

a.

Beijing Leimone borrows money from the Company. The borrowings bear no interest and had a maturity of 12 months or more. As of March 31, 2009 and December 31, 2008, the balance of such loans was \$247,604 and \$247,294 and is due on March 30, 2010.

b.

TCB Digital transferred a project to Beijing Leimone on June 25, 2008 and as of December 31, 2008, the balance related to this business was \$561,699, which was received on March 11, 2009.

GOLD LION HOLDING LTD.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED MARCH 31, 2009 & 2008

NOTE 15 - RELATED PARTY BALANCES AND TRANSCATIONS (continued)

Due from related parties (continued)

The majority shareholder of the Company Gu borrowed money from the Company, these borrowings bear no interest and had a two-year repayment term. As of March 31, 2009 and December 31, 2008, the balances of such loans were \$511,277 and \$575,710 respectively; and the amount outstanding as of March 31, 2009 is due on August 5, 2009.

The amount due from Leimone (Tianjin) Industrial Co., Ltd. (Tianjin Leimone) represented short term loans granted by the Company. Tianjin Leimone is controlled by Gu. The borrowing bears no interest and had a one-year repayment term. As of March 31, 2009 and December 31, 2008, the balance of loans was \$616,425 and \$551,458 among with bulk due on May 12, 2009, \$30,676 due on December 25, 2009 and \$33,598 due on March 9, 2010. Additionally, the Company made an advance payment to Tianjin Leimone on December 18, 2007; and as of March 31, 2009 and December 31, 2008, the balances of advance payments amounted to nil and \$14,649,850 respectively.

The amount due from Beijing Leimone Shengtong Cultural Development Co., Ltd. (Beijing Leimone Cultural) represented a short term loan granted by the Company. Beijing Leimone Cultural was controlled by Gu. The borrowing bears no interest and no maturity date.

The amount due from TCBGCL represented an advance payment. TCBGCL is a shareholder of TCB Digital.

Tianjin Tong Guang Wanjie Import & Export Trading Co., Ltd.(Wanjie), an entity related to the Company through a common shareholder of TCB Digital, sells products to the Company. The balances due from Wanjie represented advances which were \$3,235,801 and nil respectively as of March 31, 2009 and December 31, 2008;

712 is a minority shareholder of TCB Digital. 712 purchases raw materials from the Company. For the three months ended March 31 2009 and 2008, the Company recorded total revenues from such sales to 712 of \$75,051 and nil respectively.

Zhejiang Leimone Electronics Co., Ltd. (Zhejiang Leimone) was controlled by Gu. Zhejiang Leimone acquired Personal Phone System Electronic Manufacturing Service from the Company in 2008. The acquisition cost was \$628,141 and had not been paid as at March 31, 2009. Additionally, the Company purchases raw materials from Zhejiang Leimone. The amount due from Zhejiang Leimone represented the advance payment of nil and \$30,845 and \$51,136 as of December 31, 2008.

Due to related parties

As of March 31, 2009 and December 31, 2008, due to related parties were:

	2009		2008
	(Unaudited)		
Hebei Leimone	\$ 233,727	\$	233,434

Zhejiang Leimone	37,049	37,002
Gu	4,984,763	4,879,889
Others	8,805	10,844
Total due to related parties	\$ 5,264,344	\$ 5,161,169

The Company borrowed money from Hebei Leimone. The borrowing bears no interest and had a two-year repayment term. As of March 31, 2009 and December 31, 2008, the balances of such loans amounted to \$233,727 and \$233,434 respectively; and the outstanding amount as of March 31, 2009 is due on November 21, 2009.

GOLD LION HOLDING LTD.**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS****FOR THE THREE MONTHS ENDED MARCH 31, 2009 & 2008****NOTE 15 - RELATED PARTY BALANCES AND TRANSCATIONS (continued)***Due to related parties (continued)*

Zhejiang Leimone transferred some fixed assets to the Company which amounted to \$37,002 which the Company has not yet paid as at March 31, 2009.

Gu provides fund to the Company with no interest and repayment term. As of March 31, 2009 and December 31, 2008, the balances of funds provided by Gu was \$4,984,763 and \$4,879,889 respectively.

NOTE 16 - MINORITY INTERESTS

Minority interests on the consolidated statement of income and comprehensive income of \$16,914 and \$(4,737) for the three months ended March 31, 2009 and 2008 respectively represents the minority shareholders proportionate share of the net (income)/loss of the Company.

NOTE 17 - INCOME TAX

TCB Digital and JS Leimone are governed by the Income Tax Law of the PRC concerning the private-run enterprises, which are generally subject to tax at a statutory rate of 25% (33% before 2008) on income reported in the statutory financial statements after appropriate tax adjustments.

JS Leimone is exempt from income tax in PRC for two years starting from the first profitable year or the year 2008, whichever is earlier, and is subject to a 50% discount on normal income tax rate for the following three years.

TCB Digital had operating profit (loss) of approximately (\$65,567) and \$29,027 for the three months ended March 31, 2009 and 2008, respectively, while JS Leimone had operating profit (loss) of approximately \$36,153 and \$(29,619) for the three months ended March 31, 2009 and 2008, respectively, while Profit Harvest had operating profit of approximately \$1,080,051 and nil for the three months ended March 31, 2009 and 2008, respectively. The additional deducted expenses in 2008 was the additional 50% of R&D expenses deducted before income tax.

The following table summarizes the temporary differences which result in deferred tax assets and liabilities as of March 31, 2009 and December 31, 2008:

	2009	2008
Deferred tax assets:		
Inventory impairment	169,300	92,116
Buy-back reverse	232,046	290,550
Bad debt allowance	9,972	
Expenses deductible in next year	171,385	171,490

Accrued rental deductible in next year	822	
Understated cost and expenses	63,857	58,679
Carryforward operating loss	23,115	
Total deferred tax assets	670,527	612,835
Deferred tax liabilities		
Understated sales	(11,902)	(11,879)
Net deferred tax assets	658,625	600,956

GOLD LION HOLDING LTD.**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS****FOR THE THREE MONTHS ENDED MARCH 31, 2009 & 2008****NOTE 17 - INCOME TAX**

The following table reconciles the U.S. statutory rates to the Company's effective tax rate for the three months ended March 31, 2009 and 2008:

	2009	2008
US statutory rates	(34%)	(34%)
Tax rate difference	17.74%	17.5%
Valuation allowance	(1.39%)	(6.1%)
Effect of tax holiday	(0.86%)	16.6%
Additional deducted expenses	0.0%	0.0%
 Tax per financial statements	 (14.0%)	 (6.0%)

NOTE 18 - STATUTORY RESERVES

The Company is required to make appropriations to reserve funds, comprising the statutory surplus reserve, statutory public welfare fund and discretionary surplus reserve, based on after-tax net income determined in accordance with generally accepted accounting principles of the PRC (the "PRC GAAP"). Appropriations to the statutory surplus reserve should be at least 10% of the after tax net income determined in accordance with the PRC GAAP until the reserve equals 50% of the entities' registered capital or members' equity. Appropriations to the statutory public welfare fund are at least 5% of the after tax net income determined in accordance with PRC GAAP. Commencing on January 1, 2006, new PRC regulations waived the requirement for appropriating retained earnings to a welfare fund. For the three months ended March 31, 2009 and 2008, the Company did not appropriate statutory surplus reserve. As of March 31, 2009 and December 31, 2008, the Company's statutory surplus reserve amounted to \$569,193 for both periods.

GOLD LION HOLDING LTD.**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS****FOR THE THREE MONTHS ENDED MARCH 31, 2009 & 2008****NOTE 19 - CONCENTRATION DISCLOSURE**

The following table set forth the Company's major customers whose purchases from the Company represent over 10% of the Company's sales for the three months ended March 31, 2009 and 2008:

2009			2008		
Customers	Sales revenue	% of total revenue	Customers	Sales revenue	% of total revenue
CLP Guangtong Beijing Science and Technology Co., Ltd.	\$ 9,211,255	32%	Beijing Orsus Xelent Technology & Trading Co., Limited.	\$ 2,788,470	25%
Shenzhen Pengxiang Huateng Electronic Technology Co., Ltd	4,724,633	16%	Shanghai Spreadbridge Information Technology Co., Ltd.	2,268,012	20%
Kingbong International (HK) Group Co., Ltd	3,184,821	11%	Beijing Beny Wave Science And Technology Co., Ltd.	2,026,037	18%
			WINCOS Technology (HK) Co.,Ltd.	1,632,881	14%
Total	\$ 17,120,709	59%	Total	\$ 8,715,400	77%

The following table set forth the Company's major suppliers whose sales to the Company represent over 10% of the Company's purchases for the three months ended March 31, 2009 and 2008:

2009			2008		
Suppliers	Purchases	% of total purchase	Suppliers	Purchases	% of total purchase
CEC CoreCast Corporation Limited	\$ 10,463,270	38%	Tianjin Tong Guang Group Electronics Science & Technology	\$ 4,696,708	29%

H o n g K o n g Westdragon Co., Ltd				Co., Ltd.		
				Beijing Xingwang Shidai Tech & Trading Co., Ltd.		
	3,529,528	13%			3,609,414	23%
Total	\$			Sichuan Moba Industrial Co., Ltd.		
	13,992,798	51%			3,553,670	22%
Total	\$			Total	\$	
					11,859,792	74%

GOLD LION HOLDING LTD.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED MARCH 31, 2009 & 2008

NOTE 20 - OPERATING RISK

(a)

Industry risk

The industry in which we compete is a rapidly evolving, highly competitive and fragmented market driven by consumer preferences and quickly evolving technology. Increased competition may result in price reductions, reduced gross margin and loss of market share. Failure to compete successfully against current or future competitors could have a material adverse effect on the Company's business, operating results and financial condition.

(b)

Product risk of obsolescence

From the second half of year 2007, the Company began to involve in the agent business of some famous high-end smart phones. Because of the restructure of China Unicom, one type of smart phones could not be sold as expected and inventory impairment loss arose. Such uncertain and unpredictable events could take significant effect on the Company's profits in the future.

(c)

Exchange risk

The Company can not guarantee the Renminbi and US dollars exchange rate will remain steady, therefore the Company could post the same profit for two comparable periods and post higher or lower profit depending on exchange rate of Renminbi and US dollars. The exchange rate could fluctuate depending on changes in the political and economic environments without notice.

(d)

Political risk

Currently, PRC is in a period of growth and is openly promoting business development in order to bring more business into PRC. Additionally PRC currently allows a Chinese corporation to be owned by a United States corporation. If the laws or regulations relating to ownership of a Chinese corporation are changed by the PRC government, the Company's ability to operate the PRC subsidiaries could be affected.

(e)

Interest risk

The Company is exposed to interest rate risk arising from short-term variable rate borrowings from time to time. The Company's future interest expense will fluctuate in line with any change in borrowing rates. The Company does not have any derivative financial instruments as of December 31, 2008 and 2007 and believes its exposure to interest rate risk is not material.

NOTE 21 - COMMITMENT

Operating lease commitment

The Company has operating leases and the lessor of the premises for TCB Digital is TCBGCL, a common shareholder of TCB Digital. Pursuant to these leases which rates of rent are all at Rmb 8 per square meter per month for both production facilities and dormitory space, the commitment of the Company is as follows:

As of March 31, 2009

2009 April - December	\$	150,698
2010		200,930
2011		200,930
2012		117,209
Total minimum lease payments	\$	669,767

**UNAUDITED PRO FORMA CONDENSED COMBINED
FINANCIAL DATA OF ZOOM**

Unaudited Pro Forma Condensed Combined Balance Sheet As of December 31, 2008

As of December 31, 2008

	Historical			Pro-forma	
	Zoom	Gold Lion	Adjustment	Combined	Spin-out (1) Combined
	(in thousands, except per share data)				
Current assets					
Cash and cash equivalents	\$ 1,205	\$ 813	\$	\$ 2,018	\$ (1,205) \$ 813
Restricted cash		8,754		8,754	8,754
Accounts receivable	1,163	12,367		13,530	(1,163) 12,367
Other receivables, net	234	1,120		1,354	(234) 1,120
Advance to suppliers		24,275		24,275	24,275
Inventories, net	2,903	3,742		6,645	(2,903) 3,742
Due from related parties		6,070		6,070	6,070
Total current assets	5,505	57,141		62,646	(5,505) 57,141
Property, plant and equipment, net	103	7,055		7,158	(103) 7,055
Long-term investments	960	66		1,026	(960) 66
Due from related parties-long term		247		247	247
Deferred tax assets		613		613	613
Goodwill		103		103	103
TOTAL ASSETS	\$ 6,568	\$ 65,225	\$	\$ 71,793	\$ (6,568) \$ 65,225
LIABILITIES AND STOCKHOLDERS EQUITY					
Current liabilities					
Short-term loans	\$	\$ 18,894	\$	\$ 18,894	\$ 18,894
Notes payable		17,508		17,508	17,508
Accounts payable	1,211	3,581		4,792	(1,211) 3,581
Advance from customers		3,785		3,785	3,785

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Dividends payable		578		578		578
Taxes payable		775		775		775
Accrued expenses and other payables	399	2,833		3,232	(399)	2,833
Due to related parties		5,161		5,161		5,161
Deferred tax liabilities		12		12		12
Total current liabilities	1,610	53,127		54,737	(1,610)	53,127
Long-term loans		1,167		1,167		1,167
TOTAL LIABILITIES	1,610	54,294		55,904	(1,610)	54,294
MINORITY INTERESTS		6,489		6,489		6,489
STOCKHOLDERS EQUITY						
Common shares, issued and outstanding; par value	94		211 (2)	305		305
Additional paid-in capital	31,786	3,553	(211)	35,128		35,128
Statutory surplus reserve		569		569		569
Accumulated other comprehensive income	345	244		589		589
Accumulated retained earning	(27,260)	76		(27,184)	(4,958)	(32,142)
Treasury stock	(7)			(7)		(7)
TOTAL STOCKHOLDERS EQUITY	4,958	4,442		9,400	(4,958)	4,442
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	\$ 6,568	\$ 65,225	\$	\$ 71,793	\$ (6,568)	\$ 65,225

Unaudited Pro Forma Condensed Combined Balance Sheet As of March 31, 2009

As of March 31, 2009						
	Historical					Pro-Forma
	Zoom	Gold Lion	Adjustments	Combined	Spin-out	Combined
	(in thousands, except per share data)					
Current assets						
Cash and cash equivalents	\$ 981	\$ 3,273	\$	\$ 4,254	\$ (981)	\$ 3,273
Restricted cash		11,978		11,978		11,978
Notes receivable						
Accounts receivable	999	5,389		6,388	(999)	5,389
Other receivables, net	212	675		887	(212)	675
Advance to suppliers		35,850		35,850		35,850
Inventories, net	2,522	3,346		5,868	(2,522)	3,346
Prepaid expenses						
Due from inter-company						
Due from related parties		9,100		9,100		9,100
Total current assets	4,714	69,611		74,325	(4,714)	69,611
Property, plant and equipment, net	89	6,691		6,780	(89)	6,691
Long-term investments	960	66		1,026	(960)	66
Due from related parties-long term		248		248		248
Deferred tax assets		659		659		659
Goodwill		103		103		103
TOTAL ASSETS	\$ 5,763	\$ 77,378	\$	\$ 83,141	\$ (5,763)	\$ 77,378
LIABILITIES AND STOCKHOLDERS EQUITY						
Current liabilities						

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Short-term loans	\$	\$	18,917	\$	\$	18,917	\$	\$	18,917
Notes payable			23,957			23,957			23,957
Accounts payable	1,247		3,108			4,355	(1,247)		3,108
Advance from customers			9,029			9,029			9,029
Dividends payable			579			579			579
Taxes payable			747			747			747
Accrued expenses and other payables	489		2,757			3,246	(489)		2,757
Due to related parties			5,264			5,264			5,264
Deferred tax liabilities									
Total current liabilities	1,736		64,358			66,094	(1,736)		64,358
Long-term loans			1,169			1,169			1,169
TOTAL LIABILITIES	1,736		65,527			67,263	(1,736)		65,527
STOCKHOLDERS EQUITY									
Common shares, issued and outstanding; par value	94			211		305			305
Additional paid-in capital	31,808		3,554	(211)		35,151			35,151
Statutory surplus reserve			569			569			569
Accumulated other comprehensive income	337		260			597			597
Accumulated retained earning	(28,205)		996			(27,209)	(4,027)		(31,236)
Treasury stock	(7)					(7)			(7)
TOTAL STOCKHOLDERS EQUITY	4,027		5,379			9,406	(4,027)		5,379
Noncontrolling Interest			6,472			6,472			6,472
TOTAL LIABILITIES AND	\$ 5,763	\$	77,378	\$	\$	83,141	\$ (5,764)	\$	77,378

STOCKHOLDERS
EQUITY

76

**Unaudited Pro Forma Condensed Combined Statement of Operations For the Twelve Months Ended
December 31, 2008**

	Twelve Months Ended December 31, 2008					
	Historical					Pro-forma
	Zoom	Gold Lion	Adjustments	Combined	Spin-out	Combined
	(in thousands, except per share data)					
Net revenue	\$ 14,459	\$ 80,612	\$	\$ 95,071	\$ (14,459)	\$ 80,612
Cost of sales	(11,467)	(72,411)		(83,878)	11,467	(72,411)
Gross profit	2,992	8,201		11,193	(2,992)	8,201
Operating expenses:						
Sales and marketing expenses	(2,932)	(267)		(3,199)	2,932	(267)
General and administrative expenses	(2,280)	(1,686)		(3,966)	2,280	(1,686)
Research and development expenses	(1,722)	(871)		(2,593)	1,722	(871)
Income (loss) from operations	(3,942)	5,377		1,435	3,942	5,377
Interest expense		(1,599)		(1,599)		(1,599)
Other income (expenses)	(205)	232		27	205	232
Income (loss) before income taxes and minority interests	(4,147)	4,010		(137)	4,147	4,010
Minority interest		(331)		(331)		(331)
Income tax expenses	(13)	(612)		(625)	13	(612)
Income (loss) from continuing operations (2)	\$ (4,160)	\$ 3,067	\$	\$ (1,093)	\$ 4,160	\$ 3,067
Net income (loss)	\$ (2.23)		\$	\$ (0.18)		\$ 0.50

**from continuing
operations per share
- basic and diluted**

Weighted average
shares outstanding:

Basic and diluted*	1,869	4,225	6,094	6,094
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*

Zoom has a de minimis number of stock option shares that are in the money. Gold Lion does not have any stock options. There is no material difference between basic and diluted net income per share.

Unaudited Pro Forma Condensed Combined Statement of Operations for the Three Months Ended March 31, 2009

	Three Months Ended March 31, 2009					
	Historical					Pro-forma
	Zoom	Gold Lion	Adjustments	Combined	Spin-out	Combined
	(in thousands, except per share data)					
Net revenue	\$ 2,348	\$ 28,817	\$	\$ 31,165	\$ (2,348)	\$ 28,817
Cost of sales	(1,892)	(26,132)		(28,024)	1,892	(26,132)
Gross profit	456	2,685		3,141	(456)	2,685
Operating expenses:						
Sales and marketing expenses	(487)	(1,048)		(1,535)	487	(1,048)
General and administrative expenses	(598)	(788)		(1,386)	598	(788)
Research and development expenses	(363)			(363)	363	
Income (loss) from operations	(992)	849		(143)	992	849
Interest expense		(321)		(321)		(321)
Other income (expenses)	47	523		570	(47)	523
Income before income taxes and minority interests	(945)	1,051		106	945	1,051
Minority interest		17		17		17
Income tax expenses		(148)		(148)		(148)
Income from continuing operations (2)	\$ (945)	\$ 920	\$	\$ (25)	\$ 945	\$ 920
Net income (loss) per share - basic and	\$ (0.49)		\$	\$ (0.00)		\$ 0.15

diluted

Weighted average
shares outstanding:

Basic and diluted*	1,931	4,225	6,156	6,156
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*

Zoom has a de minimis number of stock option shares that are in the money. Gold Lion does not have any stock options. There is no material difference between basic and diluted net income per share.

NOTES TO UNAUDITED PRO FORMA CONDENSED

CONSOLIDATED FINANCIAL STATEMENTS

(1)

Description of Transaction

On January 28, 2009, Zoom and Gold Lion entered into a reverse merger agreement in which Zoom will merge with Gold Lion, a foreign investment enterprise organized under the laws of the PRC, that engages in the manufacturing, research and development, and sales of electronic components for 3rd generation mobile phones, wireless communication circuitry, GPS equipment, and related software products. A proposal to approve: (a) the acquisition by Zoom by the issuance of 4,225,219 shares of Zoom common stock (aggregate value based on per share price as of June 17, 2009: \$5,957,558.79) for 100% of Gold Lion, which is a holding company that owns (i) 100% of Jiangsu Leimone Electronics Co., Ltd., or Jiangsu Leimone, a foreign investment enterprise organized under the laws of the People's Republic of China, or PRC, which owns 51.03% of Tianjin Tong Guang Group Digital Communication Co., Ltd., or TCB Digital, a company organized under the laws of the PRC, and (ii) 100% of Profit Harvest Corporation Ltd., or Profit Harvest, a company organized under the laws of Hong Kong, and (b) the future acquisition by Zoom by the issuance of an additional 2,402,576 shares of Zoom common stock of additional shares of TCB Digital such that Zoom would own up to 80% of the outstanding shares of TCB Digital; subject to an upward adjustment that could provide for a maximum of 9,126,963 shares of Zoom common stock being issued for the acquisition of both Gold Lion and the additional 28.97% interest in TCB Digital. The acquisition is made pursuant to the Share Exchange Agreement, dated January 28, 2009, as amended on May 12, 2009, between Zoom, Gold Lion, TCB Digital, Zoom Telephonics, Inc., a wholly owned subsidiary of Zoom, and the Gold Lion shareholders. The completion of the proposed acquisition will result in the change of control of Zoom under the NASDAQ Stock Market Rules.

In this reverse merger the legal acquirer is Zoom and the accounting acquirer is Gold Lion. For purposes of preparing the unaudited pro forma condensed consolidated balance sheet and statements of operations, we have assumed the more conservative investment, therefore the issuance of the least amount of shares by Zoom, which will result in the issuance of 4,225,219 shares (aggregate value based on per share price as of June 17, 2009: \$5,957,558.79) to acquire 100% of Gold Lion and Jiangsu Leimone and 51.03% of TCB Digital.

Prior to the reverse merger, the Zoom Telephonics operating company of Zoom Technologies will be separated from Zoom Technologies to become an independent company. The remaining Zoom Technologies entity to be merged with Gold Lion will be a Nasdaq-listed holding company with no operating entities. The remaining assets and liabilities of Zoom, if any, will be recorded at the acquisition date, at their respective fair values, and consolidated with the historical values of Gold Lion.

This information has been derived from the audited financial statements of Zoom and Gold Lion as of and for the year ended December 31, 2008 and the unaudited financial statements of Zoom and Gold Lion as of and for the quarter ended March 31, 2009. The financial statements of Zoom Technologies are included in the Zoom 2008 10-K which was filed with the S.E.C. on March 12, 2009 and the Zoom Q1 2009 10-Q which was filed with the S.E.C. on May 15, 2009. The financial statements of Gold Lion are included elsewhere in this proxy. The pro forma adjustments are based on available information and assumptions that are believed to be reasonable. The unaudited pro forma condensed financial information does not purport to represent the results of operations that would have occurred had such transactions been consummated on the dates indicated or the financial position for any future date or period. Zoom and Gold Lion do not assume any responsibility for the accuracy or completeness of the information provided

by the other party. This information should be read together with the audited financial statements of Zoom included in the Form 10-K and the unaudited financial statements of Zoom including in the Form Q1 2009 10-Q, referred to above and Gold Lion audited financial statements and related notes included elsewhere in this proxy statement.

(2)

Gold Lion Discontinued Operations

On May 6, 2008, Gold Lion entered into a project transfer agreement under which it will transfer the digital project department to Tianjin 712 Communication & Broadcasting Co., Ltd. Such an agreement was implemented before June 30, 2008. For the period before June 30, 2008, the statements of operation of Gold Lion reported the results of operations of the digital project department as discontinued operations. The digital project department was sold at its net book value, which amounted to \$1,669,674. Consistent with Article 11 of Regulation S-X, for the purposes of the unaudited pro-forma condensed consolidated balance sheet and statements of operations, only the financial results of the continuing operations are shown.

**NOTES TO UNAUDITED PRO FORMA CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

(3)

Pro Forma Adjustments

Adjustments are related to the following:

(1)

The spin-out of Zoom Telephonics from Zoom Technologies, Inc.

The basis for this adjustment is that the operating entity, Zoom Telephonics, which contains 100% of the transactions, assets, and liabilities of Zoom Technologies, will be separated from Zoom Technologies coincident with the acquisition transaction. The removal of 100% of the Zoom Technologies sales, costs and expenses, assets, and liabilities is shown in the Spin-out column on the Pro-Forma.

(2)

Equity adjustments

The equity adjustments reflect the issuance of 4,225,219 shares of Zoom common stock (aggregate value based on per share price as of June 17, 2009: \$5,957,558.79) for 100% of the equity of Gold Lion.

THE ZOOM SPECIAL MEETING

We are furnishing this proxy statement to our stockholders as part of the solicitation of proxies by our board of directors for use at the special meeting in connection with the proposed acquisition of Gold Lion. This document provides you with the information you need to know to be able to vote or instruct your vote to be cast at the special meeting.

Date, Time and Place. Zoom will hold the special meeting at [] Eastern daylight time on [], 2009 at Zoom's offices located at 207 South Street, Boston, Massachusetts 02111, to consider and vote upon each of the proposals.

Purpose. At the special meeting, holders of our common stock will be asked to approve:

1.

The Acquisition Proposal. A proposal to approve: (a) the acquisition by Zoom by the issuance of 4,225,219 shares of Zoom common stock (aggregate value based on per share price as of June 17, 2009: \$5,957,558.79) for 100% of Gold Lion, and (b) the future acquisition by Zoom by the issuance of an additional 2,402,576 shares of Zoom common stock of additional shares of TCB Digital such that Zoom would own up to 80% of the outstanding shares of TCB Digital; subject to an upward adjustment that could provide for a maximum of 9,126,963 shares of Zoom common stock being issued for the acquisition of both Gold Lion and the additional 28.97% interest in TCB Digital. The completion of the proposed acquisition will result in the change of control of Zoom under the NASDAQ Stock Market Rules.

2.

The Name Change Proposal. To approve the amendment to our certificate of incorporation to change our name from and after the closing of the acquisition to Leimone United, Inc.

3.

The Adjournment Proposal. To approve any adjournment of the special meeting for the purpose of soliciting additional proxies.

Our board of directors has unanimously determined that the acquisition and the other proposals are fair to and in the best interests of Zoom and its stockholders, approved and declared each of them advisable, adopted resolutions approving the acquisition and setting forth the terms thereof, and recommends that our stockholders vote **FOR** (a) the Acquisition Proposal, (b) the Name Change Proposal and (c) the Adjournment Proposal.

The special meeting has been called only to consider approval of the above proposals. Under Delaware law and our bylaws, no other business may be transacted at the special meeting.

Record Date; Who Is Entitled to Vote. The record date for the special meeting is [], 2009. Record holders of our common stock at the close of business on the record date are entitled to vote or have their votes cast at the special meeting. On the record date, there were [] outstanding shares of common stock. Each share of common stock is entitled to one vote per proposal at the special meeting.

Vote Required. Approval of the Acquisition Proposal and the Adjournment Proposal requires the affirmative vote of the holders of a majority of our common stock, present in person at the meeting or represented by a proxy and entitled to vote thereon. Approval of the Name Change Proposal requires the affirmative vote of a majority of the outstanding shares of common stock.

All of our executive officers and directors have agreed to vote the shares held by them in favor of the Acquisition Proposal. As of the date of this proxy statement, our executive officers and directors held an aggregate of 268,586 shares of our common stock, or 14% of our outstanding shares of common stock.

Abstentions; Broker Non-Votes. A broker non-vote (which is described in the next paragraph) will have no effect on the Acquisition Proposal or the Adjournment Proposal vote, but an abstention will have the effect of a vote against such proposals. With respect to the Name Change Proposal, an abstention or a broker non-vote will have the same effect as a vote against the proposal.

A broker non-vote occurs when a broker submits a proxy card with respect to shares held in a fiduciary capacity (typically referred to as being held in street name) but declines to vote on a particular matter because the broker has not received voting instructions from the beneficial owner and does not have discretionary authority to vote on the proposal. Under the rules that govern brokers who are voting with respect to shares held in street name, brokers have the discretion to vote such shares on routine matters, but not on non-routine matters. The matters

currently planned to be considered by the stockholders are not routine matters. As a result, brokers can only vote the shares if they have instructions to do so.

Voting Your Shares. Each share of common stock that you own in your name entitles you to one vote per proposal. Your proxy card shows the number of shares you own.

There are three ways for holders of record to have their shares represented and voted at the special meeting:

By signing and returning the enclosed proxy card. If you duly sign and return a proxy card, your proxy, whose names are listed on the proxy card, will vote your shares as you instruct on the card. If you sign and return the proxy card, but do not give instructions on how to vote your shares, your shares will be voted as recommended by our board of directors, which is FOR approval of each proposal.

By telephone or on the internet. You can submit a proxy to vote your shares by following the telephone or internet voting instructions included with your proxy card. If you do, you should not return the proxy card.

You can attend the special meeting and vote in person. We will give you a ballot when you arrive at the special meeting. However, if your shares are held in the street name of your broker, bank or another nominee, you must get a proxy from the broker, bank or other nominee. That is the only way we can be sure that the broker, bank or nominee has not already voted your shares.

Questions About Voting. If you have any questions about how to vote or direct a vote in respect of your common stock, you may call [] at []. You may also want to consult your financial and other advisors about the vote.

Revoking Your Proxy and Changing Your Vote. If you give a proxy, you may revoke it or change your voting instructions at any time before it is exercised by:

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if you have already sent in a proxy, sending another proxy card with a later date;

.

if you voted by telephone, calling the same number and following the instructions;

.

if you voted by internet, you must contact your broker, which will in turn contact Broadridge, our brokerage service provider, to revoke your proxy;

.

notifying Zoom in writing before the special meeting that you have revoked your proxy; or

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attending the special meeting, revoking your proxy and voting in person.

If your shares are held in street name, consult your broker for instructions on how to revoke your proxy or change your vote.

Solicitation Costs. We are soliciting proxies on behalf of our board of directors. We will bear all costs and expenses associated with printing and mailing this proxy statement, as well as all fees paid to the SEC. This solicitation is being made by mail, but also may be made in person or by telephone or other electronic means. We and our respective directors, officers, employees and consultants may also solicit proxies in person or by mail, telephone or other electronic means. In addition, Gold Lion shareholders, officers and directors may solicit proxies in person or by mail, telephone or other electronic means on our behalf. These persons will not receive any additional compensation for these solicitation activities.

We have not hired a firm to assist in the proxy solicitation process but may do so if it deems this assistance necessary. We will pay all fees and expenses related to the retention of any proxy solicitation firm.

We will ask banks, brokers and other institutions, nominees and fiduciaries to forward our proxy materials to their principals and to obtain their authority to execute proxies and voting instructions. We will reimburse them for their reasonable expenses.

Stock Ownership. Information concerning the holdings of certain Zoom stockholders is set forth under Beneficial Ownership of Securities.

THE ACQUISITION PROPOSAL

General Description of the Acquisition

The following discussion of the principal terms of the share exchange agreement, as amended, is subject to, and is qualified in its entirety by reference to, the share exchange agreement. A copy of the share exchange agreement, as amended, is attached as Annexes A and A-1 to this proxy statement and is incorporated by reference into this proxy statement.

The share exchange agreement provides for an acquisition transaction in which Zoom would acquire from the Gold Lion shareholders 100% of Gold Lion's outstanding capital stock in exchange for 4,225,219 shares of Zoom common stock (aggregate value based on per share price as of June 17, 2009: \$5,957,558.79). Gold Lion is a holding company that owns (i) 100% of Jiangsu Leimone, which in turn owns 51.03% of the outstanding capital stock of TCB Digital, and (ii) 100% of Profit Harvest. Further, Zoom has agreed with Mr. Gu, the holder of an option to acquire an additional 28.97% of the outstanding capital stock of TCB Digital, to provide him with the option to exchange the additional 28.97% TCB Digital interest for the issuance by Zoom of an additional 2,402,576 shares of Zoom common stock.

The number of shares issuable to the Gold Lion shareholders for Gold Lion would increase to 5,818,439 shares of Zoom common stock, and the number of shares issuable for the additional 28.97% interest in TCB Digital would increase to 3,308,524 shares of Zoom common, if either: (a) as of the date the Zoom stockholders approve the acquisition, Zoom's common stock is not listed on the NASDAQ Capital Market or (b) the NASDAQ Capital Market has not approved Zoom's listing application for the post-transaction entity within 30 days after the closing of the share exchange agreement. Upon the execution of the share exchange agreement, Gold Lion was entitled to and Zoom issued 90,000 shares of common stock as consideration for the execution of the share exchange agreement.

The share exchange agreement also provides Zoom with purchase options to acquire from Mr. Gu five other companies that are wholly owned or majority owned by Gu, or the Leimone Companies, with the option price of each company based on the higher of a minimum price or a multiple of that company's net income.

Background of the Acquisition

The terms of the share exchange agreement are the result of arm's-length negotiations between representatives of Zoom and Gold Lion. The following is a brief discussion of the background of these negotiations, the share exchange agreement and related transactions.

The terms of the merger agreement are the result of arm's-length negotiations between representatives of Zoom, Leo Gu, and advisors to Leo Gu. Leo Gu is the Chief Executive Officer of the Leimone Group, and the largest shareholder of Gold Lion, TCB Digital, and a number of other Leimone Group companies.

On November 26, 2007 Zoom signed an investment banking agreement with Hina, a China-based investment banker. Hina then proceeded to explore strategic alternatives in China for Zoom. Hina identified 74 companies in China with a possible strategic fit for Zoom. After Hina conducted preliminary research on these companies to determine fit, Hina contacted 28 companies. Zoom exchanged preliminary information with 16 of these companies, and had further preliminary discussions with five of these companies. After these preliminary discussions, the Leimone Group was

the only entity with which Zoom had mutual interest in expanded discussions. During its discussions with the Leimone Group, Zoom had discussions with three other Asian companies, two based in China and one based in Korea, about a possible strategic transaction. Hina assisted with the these contacts as well. Zoom management reviewed each of the three situations, and in each case, decided that the prospects were not good enough to warrant the time and resources necessary to pursue them.

On January 23, 2008 Zoom was introduced to the Leimone Group by Hina during a telephone conversation that included Weichou Su of Hina, Leo Gu and Kit Choy of the Leimone Group, and Mr. Manning of Zoom. Kit Choy is a senior advisor to Leo Gu and a director of Gold Lion. During that January 23 call and in subsequent conversations, Zoom and the Leimone Group exchanged information and discussed a possible merger. Mr. Manning first discussed the Leimone Group with Zoom's board of directors on February 11, 2008, with further discussions with the board of directors occurring throughout the remainder of 2008 and January 2009. Zoom's board supported exploration of a possible transaction with Leimone Group.

On February 14, 2008 Mr. Gu and Mr. Choy visited Zoom's headquarters in Boston. They provided information about TCB Digital and the other Leimone Group companies to Zoom's senior staff, and Zoom provided information about itself to Mr. Gu and Mr. Choy.

In subsequent months, the parties continued to explore the possibility of and the preliminary terms surrounding a possible merger.

On March 23, 2008, Mr. Manning and Paul Prohodski, Zoom's director of Manufacturing, Quality Control, and Customer Support, met at Hina's Beijing offices with Hina and with Mr. Patrick Ko of FirsTrust Group, an investment banker for Leimone. The parties continued to explore a potential merger between the companies. On March 24, 2008, Mr. Manning and Mr. Prohodski toured the TCB Digital facility in Tianjin, including the manufacturing facility, and met with the Mr. Gu, Mr. Choy, and the senior staff of TCB Digital. On March 25, 2008 Mr. Prohodski toured the facilities of Spreadbridge, one of the Leimone Group companies, and met with their senior management. On March 25, 2008 Mr. Manning met at Hina's offices with Mr. Gu, Mr. Choy, and representatives of Hina and FirsTrust. In that meeting the parties discussed the potential merger of Zoom and TCB Digital, as well as the potential future acquisitions by Zoom of other companies owned by Mr. Gu by granting Zoom options to acquire such additional companies. Zoom believed this approach would provide a clear path to a highly integrated company, with the flexibility for Zoom's board to decide whether it should exercise its option for any particular company.

In subsequent months the parties continued to explore a possible transaction. Zoom's board of directors met several times during this period, and Mr. Manning continued to update Zoom's board on the potential transaction.

In May 2008 the parties outlined a possible merger transaction in which 80% of TCB Digital would be owned by Zoom in exchange for 60% of Zoom on a post-combination basis. This preliminary outline contemplated options on six other companies controlled by Leo Gu, as described above. The option period was typically about eight months, and varied based on the expected sales curve of each company. The parties agreed on a minimum price for each company to prevent an option at too low a purchase price if earnings were low, and also agreed on a multiple that was viewed as a discount off the typical multiple for companies in the optioned company's industry. That multiple was mutually agreed with the help of research done by Hina and FirsTrust Group.

Mr. Gu informed Zoom's representatives that it was important to the Gold Lion shareholders that Zoom attempt to remain on the Nasdaq Stock Market after the transaction. The parties agreed that the combination was likely to be viewed as a change of control by Nasdaq, which would require the combined company to meet Nasdaq's initial listing requirements.

On July 5, 2008 Mr. Manning met at Hina's Beijing offices with Mr. Gu, Mr. Choy, and representatives of Hina and FirsTrust to review the transaction.

During the negotiations, Zoom continued to report losses from its operations that the parties believed may jeopardize the chances of the post-combination entity to remain on the Nasdaq Stock Market. On November 11, 2008 Mr. Manning proposed to Gold Lion that Zoom acquire Gold Lion and that Zoom Telephonics, the operating subsidiary of Zoom, be spun off from Zoom at the time of the combination. In connection with the spin off, the parties discussed entering into a licensing agreement that would allow the companies to work together and to benefit from the combination, notwithstanding the separation of the companies. The purpose of the structure was, in part: (a) to allow Zoom Telephonics' management team, which is based in the United States, to focus on the current USA-headquartered business; (b) to allow Zoom Telephonics to provide its employees stock-based incentives linked solely to the operations of Zoom Telephonics, as opposed to the overall post-acquisition China-based operations, which would be

primarily Gold Lion's operations; and (c) to allow Zoom Telephonics to pursue financing arrangements based solely on the merits of its business, as opposed to the overall post-acquisition Zoom operations. Furthermore, by separating the two entities, Zoom believed that it was more likely that post-acquisition Zoom would meet the initial listing requirements of the Nasdaq Stock Market, although the parties acknowledged that there was no assurance that such listing would be achieved.

The parties each discussed the spin off structure with their professional advisors, and the parties agreed to pursue an agreement based on the spin off structure. Zoom management initially proposed that the TCB Digital shareholders receive 60% of the post-combination Zoom based on Zoom acquiring 80% of TCB Digital. Leimone proposed that it receive 90% of the post-combination entity, which proposal Zoom rejected. After several discussions, in November 2008, Leimone proposed that based on Zoom acquiring 80% of TCB Digital the TCB Digital shareholders receive 78% of the post-combination entity, with a proportionate reduction to the extent that

Zoom acquire only the 51% interest in TCB Digital. On November 28, 2008, the parties agreed to the foregoing. In December 2008 the parties further agreed that Zoom would issue additional shares of Zoom common stock to the TCB Digital shareholders if Zoom did not stay on the Nasdaq Stock Market upon completion of the transaction such that, based on Zoom acquiring 80% of TCB Digital, the TCB Digital shareholders receive 83% of the post-combination entity if Zoom did not stay on the Nasdaq Stock Market upon completion of the transaction.

During December 2008 and January 2009, the parties exchanged various drafts of the share exchange agreement and completed their due diligence. On January 28, 2009, Zoom announced that it had entered into a definitive share exchange agreement to acquire up to 80% of TCB Digital through the purchase of Jiangsu Leimone, which held 51.03% of TCB Digital and through the potential purchase from Mr. Gu of an additional 28.97% of TCB Digital.

In order to encompass Profit Harvest which is a sales and marketing entity for the group, on May 12, 2009, the parties agreed to restructure the transaction such that Zoom would acquire Gold Lion, which owns 100% of Profit Harvest and also 100% of Jiangsu Leimone.

Interests of Zoom Officers and Directors in the Acquisition

When you consider the unanimous recommendation of our board of directors in favor of adoption of the Acquisition Proposal, you should keep in mind that our executive officers and members of our board of directors have interests in the transaction that are different from, or in addition to, your interests as a stockholder. These interests include, among other things:

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As discussed in the Summary Option Modifications, all of our options, including those held by our executive officers and directors, will be modified such that the vesting provisions provided in such options that requires the continued service of the holder to Zoom or its subsidiaries to vest shall thereafter continue to vest in accordance with the vesting schedule included in the option without the need for the holder to continue to provide service to Zoom or its subsidiaries. This means that our officers and directors will retain the rights associated with their options, even though they will no longer be required to provide services to Zoom.

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Upon completion of the spin-off, we anticipate that each of our current executive officers and directors will hold similar positions in Zoom Telephonics. Further, it is likely that Zoom Telephonics will issue its employees and directors new options to purchase Zoom Telephonics common stock upon completion of the spin-off.

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Upon completion of the acquisition, Peter Kramer, Bernard Furman, Ronald Woods and Joseph Donovan will resign as directors of Zoom. After the acquisition, Messrs. Kramer, Furman, Woods and Donovan have agreed to cooperate with the combined company's management in its transition, including the provision of any historical information about Zoom that the combined company may need in connection with future capital raising transactions. These individuals will not receive any cash compensation for their services to the combined company, but will each receive an option to acquire 7,500 shares of the combined company at an exercise price equal to the closing price of Zoom's common stock on the closing date of the acquisition.

Zoom's Reasons for the Acquisition and Recommendation of the Zoom Board

Zoom's board of directors unanimously concluded that the share exchange agreement is in the best interests of Zoom's stockholders. The Zoom board of directors did not obtain a fairness opinion on which to base its assessment.

In determining the acquisition consideration for the transaction, Zoom's Board focused on two primary values for Zoom shareholders, the value of their stock in the combined company and the value of their stock in the spun-off company.

In considering the combined companies, Zoom's Board believed that the most important China asset in the transaction was TCB Digital. TCB Digital's earnings for 2008 were estimated by their management to be approximately \$3 million, and growth was expected for 2009.

If Zoom stayed on Nasdaq at the time of the merger, Zoom's pre-transaction shareholders would get 30.67% of the combined company, which would own 51.03% of TCB Digital. After looking at roughly comparable public companies we decided that a conservative earnings multiple for this type of company was 6. This meant that the value for the current shareholders would be at least (\$3 million x 6 x 51.03% x 30.67%), which is \$2.82 million or \$1.51 per share.

If an option was exercised whereby the combined company owned 80% of TCB Digital and if Zoom stayed on Nasdaq, Zoom's pre-transaction shareholders would get 22% of the combined company. Again using a conservative earnings multiple of 6, Zoom estimated this value to be at least (\$3 million x 6 x 80% x 22%), which is \$3.17 million or \$1.69 per share.

Thus Zoom viewed the value of the acquisition to Zoom's shareholders to be at least \$2.82 million or \$1.51 per share if Zoom stayed on Nasdaq. If Zoom did not stay on Nasdaq and TCB Digital met certain criteria, then Zoom's current shareholders would get further diluted, resulting in an estimated worst case value of the transaction as (\$3 million x 6 x 51.03% x 24%), which is \$2.20 million or \$1.18 per share.

Zoom then looked at the fact that the spun-off company would retain most assets and liabilities, while giving up its Nasdaq listing and licensing certain trademark rights. Zoom's pre-transaction shareholders would own 100% of this spun-off company, further increasing the value of this transaction to them. Zoom believes the spun-off company would also have an opportunity for better access to China markets due to its business relationship with the post-acquisition company, Leimone United.

Zoom's Board also noted that Zoom stock had traded under \$1 from October 10, 2008 through January 16, 2009, although its stock price had risen prior to the execution of the share exchange agreement on January 28, 2009.

As described below, Zoom's board of directors considered both the potential advantages and potential disadvantages of the Gold Lion acquisition.

Potential Advantages of the Gold Lion Acquisition

In considering and deciding to enter into the share exchange agreement, Zoom's board of directors gave considerable weight to the positive factors discussed below, and they also considered the negative factors discussed under the heading Potential Disadvantages of the Gold Lion Acquisition.

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Zoom's stockholders receive an ownership interest in Gold Lion, while retaining their existing percentage ownership interest in the current business of Zoom through the spin-off of Zoom Telephonics as a separate, publicly-traded company.

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Zoom's stockholders receive an ownership interest in Gold Lion, which is currently a more profitable entity than Zoom, and which Zoom's management believes has future growth potential.

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Zoom Telephonics and Zoom will enter into a license agreement that Zoom's management believes will be beneficial to both entities.

Potential Disadvantages of the Gold Lion Acquisition

The Zoom board of directors evaluated potential disadvantages of entering into the share exchange agreement, as discussed below. They were not able to identify any factors associated specifically with the Gold Lion acquisition that outweighed the advantages of the Gold Lion acquisition.

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Zoom Telephonics will begin trading on the OTC Bulletin Board, as opposed to the NASDAQ Capital Market, which is the exchange on which Zoom's common stock is currently traded. The OTC Bulletin Board does not provide certain investor protections as compared to the NASDAQ Capital Market. For example, issuers traded on the NASDAQ Capital Market must meet strict corporate governance requirements, such as the requirement to maintain an independent board of directors, as well as independent audit, compensation and nominating committees.

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Although Zoom's common stock is currently traded on the NASDAQ Capital Market, it will need to re-apply to NASDAQ to retain its listing upon completion of the acquisition with Gold Lion. NASDAQ's approval will require that the post-acquisition entity meet NASDAQ's initial listing requirements. If the post-acquisition entity is unable to meet NASDAQ's initial listing requirements,

Zoom will no longer trade on the NASDAQ Capital Market and will trade on the OTC Bulletin Board. In addition, if the post-acquisition entity is unable to meet NASDAQ's initial listing requirements, Zoom will be required to issue the NASDAQ Additional Consideration Shares, which will reduce Zoom's stockholders ownership interest in Zoom.

As a company traded on the OTC Bulletin Board, Zoom Telephonics may have more difficulty raising capital or otherwise financing its operations.

Upon the completion of the acquisition, the shareholders of Gold Lion will own a majority of Zoom's outstanding common stock. As such, they will be in a position to control substantially all matters requiring approval by Zoom's stockholders, including the election of a majority of Zoom's directors and the approval of other business transactions.

The Zoom board of directors concluded that, after the Gold Lion acquisition and spin-off is complete, the overall advantages to Zoom's stockholders would overcome the disadvantages that the board of directors had identified in its analysis.

Fees and Expenses

All fees and expenses incurred in connection with the share exchange agreement will be paid by the party incurring such expenses whether or not the share exchange agreement is consummated. We anticipate that we will incur total transaction costs of approximately \$[]. Such costs do not include transaction costs of approximately \$[] anticipated to be incurred by Gold Lion. If the acquisition is completed, these Gold Lion costs would ultimately diminish the cash resources of the combined company after the acquisition.

Material Federal Income Tax Consequences of the Acquisition

The following section is a summary regarding material United States federal income tax consequences of the acquisition to holders of Zoom common stock. This discussion addresses only those Zoom security holders that hold their securities as a capital asset within the meaning of Section 1221 of the Internal Revenue Code of 1986, as amended (the Code), and does not address all the United States federal income tax consequences that may be relevant to particular holders in light of their individual circumstances or to holders that are subject to special rules, such as:

financial institutions;

investors in pass-through entities;

tax-exempt organizations;

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dealers in securities or currencies;

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traders in securities that elect to use a mark to market method of accounting;

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persons that hold Zoom common stock as part of a straddle, hedge, constructive sale or conversion transaction; and

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persons who are not citizens or residents of the United States

This summary of material federal income tax consequences is based upon the Code, applicable treasury regulations thereunder, published rulings and court decisions, all as currently in effect as of the date hereof, and all of which are subject to change, possibly with retroactive effect. Tax considerations under state, local and foreign laws, or federal laws other than those pertaining to the income tax, are not addressed.

Neither Zoom nor Gold Lion intends to request any ruling from the Internal Revenue Service as to the United States federal income tax consequences of the acquisition.

It is anticipated that the acquisition will qualify as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code and no gain or loss will be recognized by Zoom or Gold Lion as a result of the acquisition.

This discussion is intended to provide all material United States federal income tax consequences of the acquisition to Zoom and its stockholders who hold their stock as a capital asset. This discussion is not a complete analysis or description of all potential United States federal tax consequences of the acquisition to other holders who

are subject to special rules. It does not address any non-income tax or any foreign, state or local tax consequences of the acquisition. Accordingly, you are strongly urged to consult with your tax advisor to determine the particular United States federal, state, local or foreign income or other tax consequences to you of the acquisition.

Anticipated Accounting Treatment

The Gold Lion acquisition will be accounted for as a reverse merger, whereby Gold Lion will be the continuing entity for financial reporting purposes and will be deemed to be the acquirer of Zoom. The acquisition is being accounted for as a reverse merger because after the acquisition the former shareholders of Gold Lion will hold the majority of the outstanding shares of Zoom and will have the ability to initially appoint the majority of the members of the board of directors of Zoom.

In accordance with the applicable accounting guidance for accounting for the acquisition as a reverse merger, first Gold Lion will be deemed to have undergone a recapitalization, whereby its outstanding ordinary shares were converted into shares of Zoom common stock. Immediately thereafter Gold Lion, which is the continuing accounting entity, will have been deemed to have acquired the assets and assumed the liabilities of Zoom in exchange for the issuance of the Zoom shares. However, because of the spin-out of essentially all the assets and liabilities of Zoom to the Zoom shareholders, the proposed transaction will have no impact on the historical assets and liabilities of Gold Lion.

Regulatory Matters

The acquisition and the transactions contemplated by the share exchange agreement are not subject to any additional federal or state regulatory requirements or approvals, including the Hart-Scott-Rodino Antitrust Improvements Act of 1976, or HSR Act.

THE SHARE EXCHANGE AGREEMENT

The discussion in this proxy statement of the acquisition and the principal terms of the share exchange agreement described below are qualified in their entirety by reference to the copy of the share exchange agreement attached as Annex A, as amended in Annex A-1, hereto and incorporated herein by reference. The following description summarizes the material provisions of the share exchange agreement, which agreement we urge you to read carefully because it is the principal legal document that governs the acquisition.

The representations and warranties described below and included in the share exchange agreement were made by Zoom, Zoom Telephonics, TCB Digital and certain of the Gold Lion shareholders as of specific dates. The assertions embodied in these representations and warranties are subject to important qualifications and limitations agreed to by the parties in connection with negotiating the share exchange agreement. The representations and warranties may also be subject to a contractual standard of materiality that may be different from what may be viewed as material to stockholders, or may have been used for the purpose of allocating risk among the parties. The share exchange agreement is described in this proxy statement and included as Annex A, as amended in Annex A-1, only to provide you with information regarding its terms and conditions at the time it was entered into by the parties. Accordingly, you should read the representations and warranties in the share exchange agreement not in isolation but rather in conjunction with the other information contained in this document.

Basic Deal Terms

The share exchange agreement provides for an acquisition transaction in which Zoom would acquire from the Gold Lion shareholders 100% of Gold Lion's outstanding capital stock in exchange for 4,225,219 shares of Zoom common stock (aggregate value based on per share price as of June 17, 2009: \$5,957,558.79). Gold Lion is a holding company that owns (i) 100% of Jiangsu Leimone, which in turn owns 51.03% of the outstanding capital stock of TCB Digital, and (ii) 100% of Profit Harvest. Further, Zoom has agreed with Mr. Gu, the holder of an option to acquire an additional 28.97% of the outstanding capital stock of TCB Digital, to provide him with the option to exchange the additional 28.97% TCB Digital interest for the issuance by Zoom of an additional 2,402,576 shares of Zoom common stock.

The number of shares issuable to the Gold Lion shareholders for Gold Lion would increase to 5,818,439 shares of Zoom common stock, and the number of shares issuable for the additional 28.97% interest in TCB Digital would increase to 3,308,524 shares of Zoom common, if either: (a) as of the date the Zoom stockholders approve the acquisition, Zoom's common stock is not listed on the NASDAQ Capital Market or (b) the NASDAQ Capital Market has not approved Zoom's listing application for the post-transaction entity within 30 days after the closing of the share exchange agreement. We refer to the requirement to issue the additional shares as the NASDAQ Additional Consideration Shares. Upon the execution of the share exchange agreement, Gold Lion was entitled to and Zoom issued 90,000 shares of common stock as consideration for the execution of the share exchange agreement.

The share exchange agreement also provides Zoom with purchase options to acquire from Mr. Gu five other companies that are wholly owned or majority owned by Gu, or the Leimone Companies, with the option price of each company based on the higher of a minimum price or a multiple of that company's net income.

The following table sets forth the post-acquisition percentage ownership of Zoom by Zoom's current stockholders and by the Gold Lion shareholders under the various acquisition potential scenarios:

	Percentage of Zoom owned by Gold Lion shareholders	Percentage of Zoom owned by Zoom's current stockholders
Zoom acquires Gold Lion (and not the additional 28.97% interest in TCB Digital) and does not issue the NASDAQ Additional Consideration Shares	69.3%	30.7%
Zoom acquires Gold Lion and the additional 28.97% interest in TCB Digital, and does not issue the NASDAQ Additional Consideration Shares	78.0%	22%
Zoom acquires Gold Lion (and not the additional 28.97% interest in TCB Digital) and issues the NASDAQ Additional Consideration Shares	75.7%	24.3%
Zoom acquires Gold Lion and the additional 28.97% interest in TCB Digital, and issues the NASDAQ Additional Consideration Shares	83.0%	17.0%

Representations and Warranties

In the share exchange agreement, TCB Digital and Gold Lion make certain representations and warranties (subject to certain exceptions) relating to, among other things:

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good title to shares;

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capital structure;

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organization and standing;

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authority and enforceability;

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existence of subsidiaries;

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absence of conflicts;

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consents and approval required;

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financial statements accuracy;

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absence of certain changes or events;

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absence of undisclosed liabilities;

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absence of litigation;

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title to properties;

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title to intellectual property;

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taxes;

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employment and labor matters;

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transactions with affiliates and employees;

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insurance;

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material contracts;

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compliance with applicable laws;

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absence of foreign corrupt practices;

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compliance with money laundering laws;

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brokers fees;

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Office of Foreign Assets Control of the U.S. Treasury Department;

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additional People's Republic of China representations and warranties;

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environmental matters;

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internal accounting controls;

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possession of license and permits;

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absence of governmental inquiry;

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accuracy of records; and

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business relationships.

In the share exchange agreement, the Gold Lion shareholders make certain representations and warranties (subject to certain exceptions) relating to, among other things:

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good title to shares;

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authority and control; and

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status as an accredited investor.

In the share exchange agreement, Zoom and Zoom Telephonics make certain representations and warranties (subject to certain exceptions) relating to, among other things:

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capital structure;

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organization and standing;

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authority and enforceability;

.

absence of subsidiaries;

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absence of conflicts;

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consents and approval required;

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absence of certain changes or events;

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SEC documents;

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absence of litigation;

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employment matters;

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transactions with affiliates and employees;

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title to properties;

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insurance;

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material contracts;

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compliance with applicable laws;

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Office of Foreign Assets Control of the U.S. Treasury Department;

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Sarbanes Oxley;

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ownership of intellectual property;

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environmental matters;

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possession of license and permits;

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brokers fees;

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required votes;

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board approval;

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taxes;

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absence of foreign corrupt practices;

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compliance with money laundering laws;

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absence of governmental inquiry; and

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accuracy of records.

Conditions to Closing

TCB Digital and Gold Lion Conditions to Closing

The obligations of the TCB Digital and Gold Lion to enter into and complete the closing are subject, at the option of TCB Digital and Gold Lion, to the fulfillment on or prior to the closing date of, among other items, the following conditions by Zoom and Zoom Telephonics, any one or more of which may be waived by TCB Digital and Gold Lion:

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no action, suit or proceeding shall have been instituted before any court or governmental or regulatory body or instituted or threatened by any governmental authorities to restrain, modify or prevent the carrying out of the transactions or to seek damages or a discovery order in connection with such transactions, or which has or may have, in the reasonable opinion of TCB Digital and Gold Lion, a materially adverse effect on the assets, properties, business, operations or condition (financial or otherwise) of Zoom;

.
there shall not have been, alone or in the aggregate, any one or more occurrence, event, incident, action, failure to act, or transaction since September 30, 2008 which has had or is reasonably likely to cause a material adverse effect on Zoom;

.
the requirements of The Nasdaq Stock Market, Inc. and Delaware law, the share exchange agreement and the transactions contemplated thereby and by the transaction documents shall have been approved by a majority of the votes properly cast by Zoom's stockholders at a stockholders' meeting at which at least a quorum is present;
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Zoom and Zoom Telephonics shall have completed the spin-off in a manner that is reasonably satisfactory to TCB Digital and Gold Lion;
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no temporary restraining order, preliminary or permanent injunction or other order issued by any court of competent jurisdiction or other legal or regulatory restraint provision limiting or restricting Zoom's conduct or operation of the business of Zoom following the initiation of the transactions contemplated by the share exchange agreement shall be in effect, nor shall any proceeding brought by an administrative agency or commission or other governmental authority, domestic or foreign, seeking the foregoing be pending;
.

each of the executive officers and directors of Zoom shall have executed and delivered a lock-up and voting agreement and such agreements shall be in full force and effect on the closing date;
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each of Frank Manning and Peter Kramer shall have executed and delivered to a founder lock-up agreement and such agreements shall be in full force and effect on the closing date;
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Zoom shall have received resignations from all of the officers and directors of Zoom prior to the closing date;
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Zoom shall have received a separation agreement and general release from each person who is a party to an employment or consulting agreement with Zoom prior to the closing date; and
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TCB Digital and Gold Lion shall have received studies prepared by Zoom's tax advisors, along with work papers and explanations of procedures, with conclusions as to (i) the tax basis that Zoom has in the stock of Zoom Telephonics as of the closing date, and (ii) the current and accumulated earnings and profits of Zoom as of the closing date, a draft of which shall be provided to TCB Digital and Gold Lion within 30 days prior to the closing date for their review and comment, with finalized copies to be delivered as of the closing date.

Zoom's Conditions to Closing

The obligations of Zoom to enter into and complete the closing are subject, at the option of Zoom, to the fulfillment on or prior to the closing date of, among other items, the following conditions by TCB Digital and Gold Lion, any one or more of which may be waived by Zoom in writing:

.

no action, suit or proceeding shall have been instituted before any court or governmental or regulatory body or instituted or threatened by any governmental authorities, modify or prevent the carrying out of the transactions or to seek damages or a discovery order in connection with such transactions, or which has or may have, in the reasonable opinion of Zoom, a materially adverse effect on the assets, properties, business, operations or condition (financial or otherwise) of TCB Digital and Gold Lion;

.

there shall not have been, alone or in the aggregate, any one or more occurrence, event, incident, action, failure to act, or transaction since June 30, 2008 which has had or is reasonably likely to cause a material adverse effect on any of the TCB Digital or on the companies on which Zoom has an option to acquire;

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in accordance with the constituent documents of Zoom, the requirements of The Nasdaq Stock Market, Inc. and Delaware law, the share exchange agreement and the transactions contemplated thereby and by the transaction documents shall have been approved by a majority of the votes properly cast by Zoom's stockholders at a stockholders meeting at which at least a quorum is present; and

.

no temporary restraining order, preliminary or permanent injunction or other order issued by any court of competent jurisdiction or other legal or regulatory restraint provision limiting or restricting TCB Digital's conduct or operation of the business of TCB Digital following the initiation of the transactions contemplated by the share exchange agreement shall be in effect, nor shall any proceeding brought by an administrative agency or commission or other governmental authority, domestic or foreign, seeking the foregoing be pending.

If permitted under applicable law, either Zoom or TCB Digital and Gold Lion may waive any inaccuracies in the representations and warranties made to such party contained in the share exchange agreement and may waive compliance with any agreements or conditions for the benefit of itself or such party contained in the share exchange agreement.

Covenants of the Parties

In the share exchange agreement, TCB Digital and the Gold Lion shareholders have covenanted to the following:

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Gold Lion has agreed to deliver to Zoom (i) audited financial statements prepared in accordance with U.S. GAAP for each fiscal year, beginning with the year ended December 31, 2008, no later than March 31 following the end of such fiscal year, and (ii) unaudited interim financial statements prepared in accordance with U.S. GAAP for the first three quarters of each fiscal year, beginning with the quarter ending March 31, 2009, no later than 45 days following the end of such fiscal quarter;

.

If Zoom exercises its option with respect to any of the option companies, Mr. Gu shall cause such company to provide Zoom with financial statements as required by Zoom to complete any required SEC filings in connection with the exercise of such option in form and substance reasonably satisfactory to Zoom and as required by the SEC;

.

TCB Digital and Gold Lion have agreed to use their reasonable efforts to provide promptly to Zoom such information concerning its business affairs and financial statements as, in the reasonable judgment of Zoom or its counsel, may be required or appropriate for inclusion in the proxy statement, or in any amendments or supplements thereto, shall cause its counsel to cooperate with Zoom's counsel in the preparation of the proxy statement and shall request the cooperation of Gold Lion's auditors in the preparation of the proxy statement; and

Mr. Gu has agreed to deliver, no less than ten business days prior to closing, executed agreements in form reasonably acceptable to Zoom with each of the option companies providing Zoom with a right of first refusal to acquire any debt or equity securities to be issued or sold by such companies until the expiration of the relevant option period.

In the share exchange agreement, Zoom has covenanted to the following:

Zoom shall cause a meeting of its stockholders to be duly called and held as soon as reasonably practicable for the purpose of voting on the adoption and approval of the Gold Lion acquisition and related transactions;

Zoom has entered into lock-up and voting agreements with each of its executive officers and directors, pursuant to which each such person agrees until the closing not to sell, transfer, assign, pledge or hypothecate any shares of Zoom's common stock and to vote their shares in favor of the approval of the Gold Lion acquisition and related transactions;

Zoom shall enter into founder lock-up agreements with Frank Manning and Peter Kramer, pursuant to which they agree that during the period commencing on the date of closing and ending on and including the 365th day following the date of the closing, each person will not sell, transfer, assign, pledge or hypothecate, in any calendar month, greater than 3% of the shares of Zoom's common stock sold in the previous four calendar weeks; and

Zoom agrees to take all reasonable action necessary to maintain its common stock listing on the NASDAQ Capital Market. Zoom also agrees to fully cooperate with TCB Digital and their representatives in the process of applying to have Zoom's common stock listed on the NASDAQ Capital Market upon and following the closing.

Additional Agreements and Covenants

The parties have agreed that if Zoom sells any equity securities on or after the date of the share exchange agreement and before the closing, any consideration received from such sales (i) will not be distributed or otherwise transferred to Zoom Telephonics or any other person, (ii) will not be utilized in any way by Zoom Telephonics or any other person and (iii) will remain in Zoom after the closing.

The parties have agreed that for a period of at least one year after the closing, Zoom shall not sell, transfer or otherwise dispose of any equity interest or material asset of TCB Digital without the prior written consent of Mr. Gu.

Exclusivity; No Other Negotiation

The share exchange agreement contains detailed provisions prohibiting each of Zoom, TCB Digital, and the Gold Lion shareholders party to the share exchange agreement from seeking an alternative transaction. These covenants generally prohibit Zoom, TCB Digital and the Gold Lion shareholders party to the share exchange agreement, as well as their officers, directors, subsidiaries, employees, agents and representatives, from taking any action to solicit an alternative acquisition proposal.

Termination

Unless waived in writing, the transactions contemplated by the share exchange agreement may be terminated and/or abandoned at any time prior to the closing:

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by mutual written consent of the parties to the share exchange agreement;

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by any of the parties to the share exchange agreement, if the closing has not occurred by September 30, 2009 or such other date as may be mutually agreed to;

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by TCB Digital and Gold Lion if Zoom shall have breached any of its covenants in the share exchange agreement in any material respect, if the representations and warranties of Zoom contained in the share exchange agreement shall not be true and correct in all material respects, at the time made and as of the closing, or if Zoom amends or supplements its disclosure schedule to the share exchange agreement and such amendment or supplement discloses a material adverse effect;

by Zoom if TCB Digital and Gold Lion shall have breached any of their covenants in any material respect, if the representations and warranties of TCB Digital and Gold Lion contained in the share exchange agreement shall not be true and correct in all material respects, at the time made and as of the closing, or if TCB Digital and Gold Lion amend or supplement their disclosure schedule to the share exchange agreement and such amendment or supplement discloses a material adverse effect;

by either Zoom or TCB Digital and Gold Lion, if, at the Zoom stockholders' meeting (including any adjournments thereof), the share exchange agreement and the transactions contemplated thereby shall fail to be approved and adopted by Zoom's stockholders.

Effect of Termination; No Termination Fee

If the share exchange agreement is terminated in accordance with its termination provisions, then each party will be responsible for the payment of the expenses and fees incurred by it in connection with or related to the transactions contemplated thereby, all further obligations of the parties shall terminate, no party shall have any right against the other party thereto, and each party will bear its own costs and expenses.

Indemnification

The parties to the share exchange agreement have agreed to certain indemnification obligations provided that neither party will be entitled to indemnification unless the aggregate amount of damages to such party exceeds \$5,000, and then only to the extent such damages exceed \$5,000; provided that, with limited exceptions, the aggregate amount of damages payable by the indemnifying party to the indemnified party may not exceed \$3,000,000.

Conclusion of Zoom's Board of Directors

After careful consideration of all relevant factors, Zoom's board of directors unanimously determined that the Acquisition Proposal is in the best interests of Zoom and its stockholders. The board of directors has approved and declared the Acquisition Proposal advisable and recommends that you vote or give instructions to vote **FOR** the Acquisition Proposal.

The foregoing discussion of the information and factors considered by the Zoom board of directors is not meant to be exhaustive, but includes the material information and factors considered by the board of directors.

CERTAIN AGREEMENTS RELATING TO THE ACQUISITION

Lock-Up and Voting Agreements

Zoom has entered into lock-up and voting agreements with each of its executive officers and directors, pursuant to which each person agreed until the closing of the Gold Lion transaction or the termination of the share exchange agreement that they would not sell, transfer, assign, pledge or hypothecate any shares of Zoom's common stock and to vote their shares in favor of the Acquisition Proposal. There are limited exceptions to the foregoing restrictions, including, permitting the sale of shares upon the exercise of stock options to the extent necessary to pay the exercise price and taxes related to the exercise of the stock options.

The form of lock-up and voting agreement is attached as Annex C hereto. We encourage you to read the lock-up and voting agreement in its entirety.

Founder Lock-Up Agreement

Zoom will enter into founder lock-up agreements with Frank Manning and Peter Kramer, pursuant to which they will agree that during the period commencing on the date of closing and ending on and including the 365th day following the date of the closing, they will not sell, transfer, assign, pledge or hypothecate, in any calendar month, greater than 3% of the shares of Zoom's common stock sold in the previous four calendar weeks.

The form of founder lock-up agreement is attached as Annex D hereto. We encourage you to read the founder lock-up agreement in its entirety.

NAME CHANGE PROPOSAL

Zoom is asking you to approve amending our amended and restated certificate of incorporation to change Zoom's name from and after the closing of the acquisition to Leimone United, Inc., in order to reflect the nature of our business operations once the Gold Lion acquisition is completed.

The approval of the Name Change Proposal will require the affirmative vote of the holders of a majority of the outstanding shares of Zoom's common stock on the record date. Abstentions and broker non-votes will have the same effect of a vote against the Name Change Proposal.

If the Acquisition Proposal is not approved, the Name Change Proposal will not be presented at the meeting.

Conclusion of Zoom's Board of Directors. After careful consideration of all relevant factors, Zoom's board of directors determined that the Name Change Proposal is in the best interests of Zoom and its stockholders. The board of directors has approved and declared the Name Change Proposal advisable and recommends that you vote or give instructions to vote FOR the proposal.

ADJOURNMENT PROPOSAL

This proposal allows Zoom's board of directors to submit a proposal to adjourn the special meeting to a later date or dates, if necessary, to permit further solicitation of proxies in the event there are not sufficient votes at the time of the special meeting to approve the Acquisition Proposal.

If this proposal is not approved by Zoom's stockholders, Zoom's board of directors may not be able to adjourn the special meeting to a later date in the event there are not sufficient votes at the time of the special meeting to approve the Acquisition Proposal.

Approval of the Adjournment Proposal requires the affirmative vote of the holders of Zoom's common stock, present in person or represented by proxy at the special meeting and entitled to vote thereon. Abstentions will have the effect of a vote against this proposal, but broker non-votes will have no effect on the approval of the proposal.

Conclusion of Zoom's Board of Directors. After careful consideration of all relevant factors, Zoom's board of directors determined that the Adjournment Proposal of the special meeting for the purpose of soliciting additional proxies is in the best interests of Zoom and its stockholders. The board of directors has approved and declared the Adjournment Proposal advisable and recommends that you vote or give instructions to vote **FOR** the proposal.

INFORMATION ABOUT GOLD LION

Overview

TCB Digital, a subsidiary of Gold Lion, is a well established high technology enterprise engaging in electronic and telecommunication product design, development, and manufacturing capability and process. TCB Digital started its business in 1999 and was originally set up as an Electronic Manufacturing Service (EMS) factory for mobile phone vendors. TCB Digital was Motorola's first independent outsourcing manufacturing vendor responsible for producing Motorola mobile phones in China. Moreover, TCB Digital was the first EMS factory in China receiving Motorola's International Quality Product and Qualification certificate. Currently TCB Digital is headquartered in Tianjin, China. TCB Digital has two main business operations, one providing Electronic Manufacturing Service for OEM (Original Equipment Manufacturer) customers and the other designing and producing mobile phone products.

TCB Digital offers high quality and comprehensive EMS to both domestic and global customers including Samsung, Tianyu, CCT, Palm, Danaher, Spreadtrum and SK Telecom. Major products manufactured by TCB Digital include mobile phones, wireless telecommunication modules, digital cameras, cable TV set-up boxes, and GPS equipment. In addition, TCB Digital develops various state-of-art feature mobile phones and Smartphones based on TD-SCDMA, GSM, WCDMA and CDMA technologies. TCB Digital markets its mobile phone products through retail distributors in China and also supply major operator customers such as China Mobile (CMCC), China UNICOM, and China Telecom with various operator customized 2.5G or 3G mobile phones.

Competitive Strengths

TCB Digital believes its competitive strengths include:

Experienced Management Team & Strong Technology Experts

TCB Digital believes it has a well established and efficient human resource strategy. Under this strategy, TCB Digital is able to develop and maintain a good management team, strong technical professionals, and highly skilled manufacturing operators. TCB Digital believes the combination of TCB Digital's internal development program and its hiring program has been able to provide it adequate and stable staffing for various levels of technical and managerial requirements. TCB Digital has an experienced management team with expertise in manufacturing, product development, and marketing. Many managers have working experience and training in leading firms in the industry such as Motorola, BenQ, Samsung, Pemstar, Mitsum, and Foxcomm. With respect to the manufacturing, TCB Digital believes it has been able to develop and maintain a highly efficient manufacturing operator team with strong discipline. Furthermore, TCB Digital believes it has a strong product research and development team that has demonstrated talent in developing state-of-art mobile devices that can meet market needs.

Location Advantage

TCB Digital is located in Tianjin, China, which is located in the middle of Bo Hai Electronic Development Base. The China central government has recently established the Bo Hai Economic Zone which has been divided into several regions with specific development directions. Bo Hai Electronic Development Base is one of these newly identified regions, which has a well-established transportation system and strong industrial foundation.

Advanced manufacturing facility & Process

TCB Digital has 10 SMT (Surface Mounting Technology) production lines, 10 assembly and testing lines, and over \$2 million worth of advanced testing instruments to meet customers' different levels of technical requirements. TCB Digital's SMT production lines can produce over 500,000 PCBA (PC board assemblies) per month or about 6 million PCBA annually. In addition, TCB Digital's assembly line production capacity is about 800K units per month or around 9.6 million annually.

Excellent quality control system & workflow

TCB Digital has been implementing high-quality quality control systems and workflow systems to help ensure that it provides high-quality products to its customers. TCB Digital has received ISO 9000, ISO 14000, and QSH 18000 quality-related certificates.

Strong Marketing Capability

TCB Digital has a strong sales and marketing team that allows it to market and promote its mobile phones and related products in both China and markets outside China.

Strategy

TCB Digital's strategy is to strengthen its position as an innovative mobile phone producer and as an Electronic Manufacturing Service provider to customers in China and overseas.

Strengthen design and development capabilities in mobile phones

One of TCB Digital's main business strategies is to focus on developing mobile phones based on GSM, CDMA, and TD-SCDMA core technologies for both China and overseas markets. TCB Digital is able to design, develop, and manufacture innovative GSM, CDMA and TD-SCDMA mobile phones by leveraging its own resources and facilities. To meet the changing needs of its customers and to maintain the competitive advantage of its products, TCB Digital intends to continue to improve and strengthen its development and design capabilities. TCB Digital plans to continue investing resources to maintain an experienced and skilled design team to preserve competitiveness within a frequently changing and challenging industry landscape.

Enhance strong customer relationships into new opportunities.

TCB Digital will continue to focus on refining its EMS processes, maintaining high quality control processes, adding new manufacturing technology, and enhancing its highly efficient operations team. In addition, TCB Digital will continue to monitor market movement, including customers' requirements, adjusting its business model to better cope with these changes while maintaining profit margins. TCB Digital will attempt to increase its future revenues and profits by enhancing its strong customer relationships and expanding the range of services it offers to its customers. TCB Digital believes that growing with its clients will enable it to promote its reputation and expand its geographic presence.

Further expand market and sales channel

Currently TCB Digital has mobile phone distributors and after-sales service centers at the national level, provincial level and municipal level in 27 provinces in China. Those distributors are capable of covering approximately 5% of all local distributors and 10% of all retail stores in China. As the market potential in tier 3 and tier 4 cities and towns, with population from 2,000,000 down to 600,000, in China has been growing significantly, TCB Digital intends to invest in further expansion of its marketing and sales channels in these smaller cities and rural areas.

Products and Technology

Products

Gold Lion's TCB Digital subsidiary has developed and produced GSM and CDMA mobile phones, wireless data modules and GPS equipment since 2004, and Gold Lion's JS Leimone subsidiary has produced this type of electronic equipment since 2008. TCB Digital has successfully customized and assembled two models of Smartphones for Palm

Inc. for the China market. One model was customized, with applications developed by TCB Digital under Palm's development and supervision guidelines, specifically for China Mobile Communications Corporation (CMCC); and this model has successfully entered into CMCC's sales channels. In 2007, TCB Digital collaborated with SK-Telecom and jointly developed a dual mode GSM-CDMA Smartphone for China UNICOM. This dual mode GSM-CDMA Smartphone was designed and manufactured by TCB Digital and marketed under the SK-Telecom brand name.

In 2008, TCB Digital successfully developed and launched four models of 2.5G GSM mobile phones for the China market. These GSM mobile phones have customary voice features plus data service functions such as web browsing, short messaging, multimedia messaging, multimedia player, games and more. TCB Digital has also developed a 2.5G GSM mobile phone that embeds China's CMMB standard for mobile digital TV, and this phone uses Google's Android operating system.

Technology

TCB Digital is located in Tianjin City. TCB Digital manufactures digital communication and consumer electronic products with 10 SMT (Surface Mount Technology) lines and 10 assembly and test lines. Jiangsu Leimone is located in the city of Nantong, Jiangsu Province. Jiangsu Leimone has 2 SMT lines and 2 assembly and test lines. TCB Digital produced approximately 5.3 million sets of products, including single and multiple PCBAs and also including fully packaged products, in 2006, about 5.5 million units in 2007, and 5.2 million units in 2008. TCB Digital periodically upgrades its SMT facilities to further improve efficiency and quality. In 2008, its first year of production, Jiangsu Leimone produced 0.8 million units of products.

DIGITAL COMMUNICATION**Products by Segment as % of Sales**

	2006	2007	2008
EMS of mobile phones	90.3 %	49.98 %	44.43 %
Mobile phone sales	3.64 %	26.94 %	43.12 %
PCBAs & others	2.32 %	19.27 %	12.45 %
Own brand product sales	3.74 %	3.81 %	0 %
Total	100 %	100 %	100 %

Note: Gold Lion acquired 51.03% of TCB Digital as of July 1, 2007. The above figures represent 100% of the activities of TCB Digital including periods prior to Gold Lion's acquisition.

Major Customers of TCB Digital**Customer****Customer Profile**

Beijing Tianyu	A well-known domestic brand. Established strategic partnership in May 2006, mainly to provide mobile phone manufacturing services. Sales for the years 2008 and 2007 were Rmb 32.2m and 74.6m respectively.
Other brands incl. Wincos, Aoxin, Xingwang, Yilitong, etc.	EMS for these various brands amounted to Rmb 271.8m in 2008 and Rmb 121.6m in 2007.
Tianjin Tong Guang Electronic Technology Co. Ltd.	A company, related to TCB Digital through a common shareholder, in the business of TV set top cable boxes. Sales for the years 2008 and 2007 were Rmb 81.7m and 16.6m respectively.
Beijing China Electronic Guang Tong Technology (CCT)	Established strategic partnership in December 2003, mainly to provide mobile phone manufacturing services. Sales for the years 2008 and 2007 were Rmb 44.0m and nil respectively.

Spreadtrum	Established strategic partnership in March 2007, mainly for manufacturing of wireless modules. Sales for the years 2008 and 2007 were Rmb 29.4m and 2.6m respectively
SK and Palm	We jointly developed Smartphones with these two brands for the China market. Sales in the years 2008 and 2007 totaled Rmb 26.6m and 39.3m respectively.
Samsung	Established strategic partnership in April 2006, mainly to provide digital camera PCBAs. Sales for the years 2008 and 2007 were Rmb 12.0m and 10.4m respectively.
Danaher Motion	Established Strategic Partnership in March 2007, mainly for manufacturing various automobile driving controllers for Danaher global companies. Sales for the years 2008 and 2007 were Rmb 5.5m and 2.8m respectively

Suppliers

TCB Digital has the following main suppliers:

Beijing Xingwang Shidai Tech & Trading Co., Ltd. Founded in 2002, this company focuses on mobile phone components, electronic products, and telecommunication products.

China Electronic Appliance Corporation (CEAC). Founded in 1964, CEAC has over 40 subsidiaries and is one of the biggest electronic components suppliers in China.

MTC (Material Trading Center) of Motorola Singapore. MTC was founded in 2003 and is a supplier of various manufacturing components and materials to EMS providers.

Orsus Xelent Technologies. Orsus Xelent focuses on mobile phone and related hardware and software product development.

SiChun Moba Enterprise. Moba focuses on mobile phone and telecommunication product development and distribution.

TechFaith Wireless Inc. TechFaith is an originally developed product provider for research and development of mobile phone solutions

Tianjin Tong Guang Group Electronics Science & Technology Co., Ltd. This company, related to our TCB Digital subsidiary through a common shareholder, develops digital TV and cable TV set top boxes, and is also a supplier of components to TCB Digital.

Tianjing Guosen Group Co., Ltd. This company has been in the wireless industry since 1993. It offers various technologies and electronic components to mobile phone manufacturers.

Westing Green (Tianjin) Plastic Co., Ltd. (WGP) This company is a subsidiary of Taiwan based Green Point Group (GPG). WGP is a leading supplier of plastic components for manufacturing mobile phones, MP3, Walkie-talkies, automobile electronic devices and other consumer electronic products.

A cost based analysis of our major suppliers from 2006 to 2008 is as follows:

Supplier	Percentage of Purchases		
	2006	2007	2008
MTC (Material Trading Center) of Motorola Singapore	59 %		
Westing Green (Tianjin) Plastic Co., Ltd. (WGP)	8 %		
Tianjin Guosen Group Co., Ltd.	6 %		
China Electronic Appliance Corporation (CEAC)		10 %	
Beijing Xingwang Shidai Tech & Trading Co., Ltd.		26 %	15.96 %
Orsus Xelent Technologies		11 %	13.49 %
TechFaith Wireless Inc.		10 %	
Tianjin Tong Guang Group Electronics Science & Technology Co., Ltd.		8 %	8.77 %
Spreadtrum Communications (Shanghai) Co., Ltd.			3.17 %
CLP Guangtong Beijing Science and Technology Co., Ltd.			7.5 %
Wincos Technology (HK) Co., Ltd.			3.58 %
Xi Long			4.47 %
Jie Ying Electronics			2.38
Tai Ke Yuan of Hong Kong			1.93
An Fu Li			1.26
Total	73 %	65 %	62.51 %

Note: Gold Lion acquired 51.03% of TCB Digital as of July 1, 2007. The above figures represent 100% of the activities of TCB Digital including periods prior to Gold Lion's acquisition.

Profit Harvest

Profit Harvest is a wholly own subsidiary of Gold Lion that functions as a sales and marketing arm for TCB Digital. The major customers of Profit Harvest for the year 2008 were:

Customer over 5% of sales	As percentage of Sales of Profit Harvest in the year 2008
Gold Profit Communication and Commerce Ltd.	16.48%
Jet On Company Ltd.	14.14%
UK Kingbond International (HK) Group Co. Ltd.	11.25%
Pengxiang Huateng Electronics Co., Ltd.	8.23%

Hong Kong Mingyan Digital Co., Ltd.	6.58%
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Sub-total of customers over 5% of sales	56.68%
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Sale and Marketing

Mobile Phone Business

TCB Digital markets its mobile phone products via two different strategies. One approach is to develop and manufacture mobile phones for mobile phone OEM customers. In this approach, based on a customer's requirements and specifications TCB Digital develops, manufactures and ships the finished mobile product to the customer under the customer's brand. TCB Digital has developed several strategic mobile phone OEM customers in China including SK Telecom, CECT, Daxian, and Orsus Xelent.

TCB Digital's second approach is to sell its mobile phones under its Leimone brand name. For sales of its Leimone-branded mobile phone handsets, TCB Digital has distributors and after-sales service centers at the national level, provincial level and municipal level in 31 locations in China. Those distributors cover approximately 5% of all local distributors and 10% of all retail stores in China.

The market potential in tier 3 and tier 4 cities (population from 2,000,000 down to 600,000) in China has been growing significantly. TCB Digital has adjusted its distribution strategy to directly sell products not only to distributors at the provincial level, but also to agents at the municipal level in some provinces. TCB Digital believes these municipal agents are better adapted than the provincial distributors to extend their distribution networks into tier 3 and tier 4 markets.

TCB Digital has commenced the export of mobile phones to overseas markets by setting up a sales office in Hong Kong to promote sales of mobile phones in those countries. TCB Digital is also actively participating in bids held by China Mobile, China Telecom and China Unicom in order to directly sell a large volume of mobile phones to these large mobile operators.

EMS Business

TCB Digital started providing EMS services to electronic product and mobile phone product OEM customers in 1999. Over the past 9 years, TCB Digital has been successfully providing EMS to many domestic and global customers. TCB Digital believes it has a well-established sales and support network throughout the country that provides effective and comprehensive after-sales services.

Competition

The market for mobile phone product is intensely competitive. Most of TCB Digital's competition comes from Chinese mobile phone manufacturers. TCB Digital believes that its competitive advantages include its experience in the telecommunications terminal area, its extensive distribution network, its powerful in-house and external research and development capacity, and its reputation. For the EMS business area, competition is from other EMS providers based in Northern China. TCB Digital believes that its competitive advantage include its quality control and wide range of customized services.

Employees

Currently TCB Digital has approximately 1,200 total employees, mostly based in Tianjin city, including approximately 700 EMS manufacturing operators, 100 sales executives, 80 research and development engineers, 90 after-sales service technicians, and other support staff and management personnel. JS Leimone currently has approximately 200 persons in Nantong, Jiangsu Province.

Industry

Mobile phone user growth analysis

According to the International Telecom Union (ITU), the number of mobile phone subscribers worldwide exceeded 4.1 billion at the end of 2008, up from 1 billion in 2002. Developing nations remain to be the fastest growing markets, and the mobile phone penetration rate reached 50 worldwide. The number of mobile phone subscribers in China has reached 400 million by the end of 2008.

Mobile phone production landscape in 2008

According to China's Ministry of Industry and Information Technology (MIIT), China produced over 279 million mobile phones in the first half of 2008, and such production volume represented an increase of 21.2% over the first half of 2007. The strong demand from China's domestic market was the driving force behind the growth in production volume. In China, mobile phones are being developed and manufactured in three major areas: the Beijing-Tianjin area in Northern China, the Yangzi River Delta in the middle of China, and the Pearl River Delta in Southern China. These three areas have developed a substantial international competitive advantage in the mobile phone industry. A large number of mobile phone design houses, mobile phone manufacturers, and mobile phone components and accessory manufacturers are active in China. According to MIIT, the number of China based mobile phone manufacturers has increased by 66.7% to 115 companies at the end of 2007, with production capacity reaching 600 million sets annually.

Foreign Manufactures

In China market, foreign brand mobile phone manufacturers are still dominating the industry although their volume steadily declined in recent years. In the first half of 2008, according to MIIT, the top five mobile phone manufacturers by volume were: Nokia, Samsung, Motorola, LG and Sony-Ericsson. Their combined amount was 70.97% of the total mobile phone production volume in China. This number decreased by 7.3% as compared to the first half of 2007. Among these five companies, Samsung and Sony-Ericsson had significant growth in volume while Motorola experienced a rapid decline.

Domestic Manufacturers

There are over 100 domestic mobile phone manufacturers in China. However, most of them are small and generally can only compete in niche markets. According to a report from the China Center for Information Industry Development (CCID), mobile phone production volume from Nokia, Samsung, and Sony-Ericsson is 59.32% of the total mobile phone production volume in China in 2007. TCB Digital believes most domestic manufacturers lack competitiveness and these companies focus on short term product development, resulting in relatively slow growth. In the first half of 2008, according to CCID, less than 30% of the total China mobile phone production volume came from domestic mobile phone manufacturers while the number of these manufacturers counted for 85% of the total number of mobile phone manufacturers in China.

China Domestic Mobile Phone Sales in first half of 2008

According to CCID's report, the total sales volume of mobile phones in China was 96.40 million sets in the first half of 2008, up 17.52% as compared to the same period in 2007. The major contribution to the growth came from the increasing number of new mobile phone users and mobile phone replacement consumers. According to a report from MIIT, as of June 2008 China's mobile phone service subscriber accounts reached 601 million, representing an increase of 53.45 million in the first half of 2008.

In China, Nokia is ranked as the number one brand in terms of GSM mobile phone sales volume. Nokia continues to broaden its distribution network while making effective adjustments to pricing, further solidifies its control of the low end mobile phone market, and continues to remain the dominant player in the marketplace. In general, the combined sales volume of Nokia, Samsung and Motorola account for about 2/3 of the total China mobile phone sales volume. Nokia's market share is 41.02% in 2008 while other brands are far behind it. At the same time, several China domestic mobile phone vendors such as K-Touch have successfully penetrated the county level and rural area GSM mobile phone markets, and their market share is gradually increasing.

With respect to the CDMA handset market, China domestic brands have slightly more than 50% of the total CDMA handset market in 2008. ZTE, Samsung, and Huawei are the top three CDMA mobile phone brands in China. Samsung and Huawei together represent over 25% share of the total domestic CDMA handset market. ZTE and Huawei have been focusing on the CDMA handset market, which is not viewed as a major market by foreign brands. Both ZTE and Huawei have accumulated tremendous experience in the development and technology of CDMA handsets.

Mobile Phone Export in First Half of 2008

According to CCID's report, China exported 182 million sets of mobile phones in the first half of 2008, up 22.74% as compared to the first half of 2007. Export volume was 65.1% of the total production volume in China in the first half

of 2008. China is still the largest mobile phone exporter.

Most exported mobile phones are under the foreign vendors' brand name such as Nokia, Motorola and so forth. In the first half of 2008, the combined mobile phone export volume from Nokia, Samsung, Motorola, LG and Sony-Ericsson exceeded 70% of the total China mobile phone export volume. Most China domestic mobile phone manufacturing companies are OEM manufacturers for major foreign brands. There are many China domestic mobile phone brands trying to be exported to other countries, and only a few of them have significant export volume. Big domestic mobile phone export volume mainly came from vendors like Huawei, ZTE, TCL and Haier. Other domestic mobile phone manufacturers' export volumes are quite small. High-quality product requirements, good after-sales service requirements, and the importance of recognized brands are the major reasons preventing a rapid growth in the exporting of China domestically manufactured mobile phones.

Year 2009 Forecast

According to iCandata, China has produced 79.67 million mobile phones in the first 2 months of 2009, representing a decreased of 11.25m units as compared to the same period in 2008. Global mobile phone production volume in 2009 will decrease by 8.3% as compared to 2008.

Properties

TCB Digital leases properties with a total area of approximately 18,678 square meters in Tianjin City, China. TCB Digital believes that its existing facilities and equipment are well maintained and in good operating condition, and are sufficient to meet its needs for the foreseeable future. Jiangsu Leimone currently leases properties with a total area of approximately 1,300 square meters in Nantong, Jiangsu Province, and plans to increase to 2,300 square meters of production facilities within the year of 2009.

GOLD LION'S MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion contains forward-looking statements. Forward looking statements are identified by words and phrases such as "anticipate", "intend", "expect", and words and phrases of similar import. We caution investors that forward-looking statements are only predictions based on our current expectations about future events and are not guarantees of future performance. Actual results, performance or achievements could differ materially from those expressed or implied by the forward-looking statements due to risks, uncertainties and assumptions that are difficult to predict. We encourage you to read those risk factors carefully along with the other information provided in this proxy statement and in our other filings with the SEC before deciding to invest in our stock or to maintain or change your investment. We undertake no obligation to revise or update any forward-looking statement for any reason, except as required by law.

You should read this Management's Discussion and Analysis in conjunction with the Consolidated Financial Statements and Related Notes.

Overview

Gold Lion was founded by Mr. Gu Lei in September 2002 in the British Virgin Islands, and Gu was the sole owner of one issued and outstanding share of common stock. Through a resolution of Gold Lion on November 26, 2008, Gold Lion issued 705 shares to Gu and 294 shares to Mr. Du Songtao, resulting in a total of 1,000 issued and outstanding shares of common stock. Pursuant to a pledge agreement dated November 26, 2008, Du pledged his 294 shares to Mr. Cao Wei, with all rights to such shares including voting rights. Consequently, Gu and Cao jointly control 100% of Gold Lion.

On August 2, 2007, Gu founded Profit Harvest in Hong Kong, and in December 2008, 100% ownership of Profit Harvest was transferred to Gold Lion. Profit Harvest is engaged in sale of mobile phone products and components to retailers and other wholesalers.

Pursuant to a capital injection agreement (the "Agreement") by and among Tianjin Communication and Broadcasting Group Co., Ltd. ("TCBGCL"), TCBGCL Labour Union, Hebei Leimone Science and Technology Co., Ltd. ("Hebei Leimone"), Tianjin 712 Communication and Broadcasting Co., Ltd. ("712"), Beijing Depu Investment Co., Ltd. and other natural person shareholders on May 8, 2007 and a resolution of the shareholder's meeting on June 30, 2007, Hebei Leimone, a company controlled by Gu, acquired 25.1333% of TCB Digital from TCBGCL Labour Union and various natural person shareholders for cash consideration of RMB9,000,000. Pursuant to this Agreement, Hebei Leimone and Beijing Depu Investment Co., Ltd., a company controlled by Cao, were to invest additional RMB15,928,700 and RMB10,377,600 respectively in TCB Digital, bringing the total investment from Hebei Leimone and Beijing Depu Investment Co., Ltd. to \$4,679,111 (RMB35,306,300). After this additional investment was made as of June 30, 2007, Hebei Leimone and Beijing Depu held a 36.03% and 15% equity interest respectively of TCB Digital, amounting to a total of 51.03% ownership in TCB Digital. Pursuant to an agreement dated June 30, 2007, Cao irrevocably pledged his 15% equity interest in TCB Digital to Gu in exchange for a 29.4% stake in Gu's company. TCB Digital is mainly engaged in research & development, processing, manufacturing, servicing and marketing of mobile handsets, electronic products and communication equipment.

On November 30, 2007, Gold Lion and GD Industrial Company signed a share transfer agreement pursuant to which GD Industrial Company transferred 60% equity of Nantong Zong Yi Kechuang Digital Camera Technology Co., Ltd.

for cash consideration of \$10,273 to Gold Lion. In July 2008, the company's name was changed to Jiangsu Leimone Electronic Co., Ltd., or Jiangsu Leimone. In January 2008, Gold Lion invested \$5,074,226 (HK\$38,800,000) in Jiangsu Leimone to increase Gold Lion's ownership in Jiangsu Leimone to 80%. Pursuant to the share transfer agreement by and between Gold Lion and Nantong Zong Yi Investment Co., Ltd. dated November 26, 2008, Gold Lion acquired the remaining 20% equity interest of Jiangsu Leimone from Nantong Zong Yi Investment Co., Ltd. for cash consideration of \$103,214 (HK\$800,000). After this transaction, Gold Lion obtained 100% ownership of Jiangsu Leimone. Jiangsu Leimone is engaged in the R&D and production of electronic assemblies, 3G mobile handsets, wireless communication modules, GPS receivers and computer software.

Pursuant to the share transfer agreement by and among Hebei Leimone, Beijing Depu Investment Co., Ltd and Jiangsu Leimone dated December 15, 2008, Hebei Leimone and Beijing Depu Investment Co., Ltd. transferred their 51.03% equity interest of TCB Digital to Jiangsu Leimone on December 30, 2008.

Plan of Operation

During the next twelve months, Gold Lion expects to take the following steps in connection with the development of its business and the implementation of our plan of operations:

.

Gold Lion intends to continue with its marketing strategies to deliver its products and services in China;

.

Gold Lion will gradually shift its focus to the 2.5G-3G mobile communications business;

.

Gold Lion will develop high-end smart mobile phones in cooperation with international mobile communications companies, such as Palm Co., SK Telecom, and others.

Critical Accounting Policies and Estimates

The preparation of Gold Lion's consolidated financial statements in conformity with accounting principles generally accepted in the United States requires it to make estimates and judgments that affect its reported assets, liabilities, revenues, and expenses, and the disclosure of contingent assets and liabilities. Gold Lion based its estimates and judgments on historical experience and on various other assumptions that it believes to be reasonable under the circumstances. Future events, however, may differ markedly from current expectations and assumptions. While there are a number of significant accounting policies affecting Gold Lion's consolidated financial statements; Gold Lion believes the following critical accounting policies involve the most complex, difficult and subjective estimates and judgments: allowance for doubtful accounts; income taxes; asset impairment.

Revenue Recognition

In accordance with generally accepted accounting principles ("GAAP") in the United States, revenue is recognized only when the price is fixed or determinable, persuasive evidence of an arrangement exists, the service is performed, and collection of the resulting receivable is reasonably assured. Noted below are brief descriptions of the product or service revenues that Gold Lion recognizes in the financial statements contained herein.

Sale of goods

Revenue is recognized at the date of shipment to customers when a formal arrangement exists, the price is fixed or determinable, the delivery is completed, no other significant obligations of Gold Lion exists and collectability is reasonably assured. Payments received before all of the relevant criteria for revenue recognition are satisfied are recorded as advances from customers.

Allowance for doubtful accounts

Gold Lion maintains an allowance for doubtful accounts to reduce amounts to their estimated realizable value. A considerable amount of judgment is required when Gold Lion assesses the realization of accounts receivables, including assessing the probability of collection and the current credit-worthiness of each customer. If the financial condition of customers were to deteriorate, resulting in an impairment of their ability to make payments, an additional provision for doubtful accounts could be required. Gold Lion initially records a provision for doubtful accounts based on its historical experience, and then adjust this provision at the end of each reporting period based on a detailed assessment of its accounts receivable and allowance for doubtful accounts. In estimating the provision for doubtful accounts, Gold Lion considers: (i) the aging of the accounts receivable; (ii) trends within and ratios involving the age of the accounts receivable; (iii) the customer mix in each of the aging categories and the nature of the receivable; (iv) its historical provision for doubtful accounts; (v) the credit worthiness of the customer; and (vi) the economic conditions of the customer's industry as well as general economic conditions, among other factors.

Income taxes

Gold Lion accounts for income taxes in accordance with SFAS No. 109, "Accounting for Income Taxes". Under this method, deferred income taxes are recognized for the estimated tax consequences in future years of differences between the tax bases of assets and liabilities and their financial reporting amounts and each year-end based on enacted tax laws and statutory rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established to reduce deferred tax assets to the amount expected to be realized when, in management's opinion; it is more likely than not that some portion of the deferred tax assets will

not be realized. The provision for income taxes represents current taxes payable net of the change during the period in deferred tax assets and liabilities. Gold Lion adopted FIN 48, Accounting for Uncertainty in Tax Positions.

Asset Impairment

Gold Lion periodically evaluates the carrying value of other long-lived assets, including, but not limited to, property and equipment and intangible assets, when events and circumstances warrant such a review. The carrying value of a long-lived asset is considered impaired when the anticipated undiscounted cash flows from such asset is less than its carrying value. In that event, a loss is recognized based on the amount by which the carrying value exceeds the fair value of the long-lived asset. Fair value is determined primarily using the anticipated cash flows discounted at a rate commensurate with the risk involved. Significant estimates are utilized to calculate expected future cash flows utilized in impairment analyses. Gold Lion also utilizes judgment to determine other factors within fair value analyses, including the applicable discount rate.

Results of Operations for the year ended December 31, 2008 & 2007

GOLD LION HOLDING LTD

CONSOLIDATED STATEMENTS OF INCOME AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2008 AND 2007

	2008	2007	Increase / (Decrease)	%
Net revenue	\$ 80,611,981	42,496,458	\$ 38,115,523	90 %
Cost of sales	(72,410,992)	(37,789,130)	34,621,862	92 %
Gross profit	8,200,989	4,707,328	3,493,661	74 %
Selling, general and administrative expenses	(1,952,961)	(716,791)	1,236,170	172 %
Research and development expense	(871,238)	(1,957,194)	(1,085,956)	(55 %)
Other income/(expenses)-net	(1,367,555)	(316,416)	1,051,139	332 %
Profit before income taxes and minority interest	4,009,235	1,716,927	2,292,308	134 %

Income tax expense	(611,586)	(120,949	490,637	406 %
Minority interest	(330,721)	(626,576)		
Net income from continuing business	3,066,928	969,402	2,097,526	216 %
Discontinued operations				
Gain/(loss) from discontinued operations	(246,654)	(214,117)	32,537	15 %
Net income attributable to stockholders	2,820,274	755,285	2,064,989	273 %
Other comprehensive income	8,708	234,917		
Comprehensive income	\$ 2,828,982	990,202	\$ 1,838,780	186 %

Other key indicators (Percent of Net Sales)	Year Ended December 31		Change
	2008	2007	
Cost of sales	89.8 %	88.9 %	0.9 %
Selling, general and administrative expenses	2.4 %	1.7 %	0.7 %

Revenues

Gold Lion's revenues were \$80,611,981 for 2008, representing an increase of 90% or \$38,115,523 as compared to \$42,496,458 in the corresponding period in 2007. The increase of revenues as compared to the same period last year was mainly due to Jiangsu Leimone Electronics Co., Ltd. and Profit Harvest being combined into Gold Lion in the year 2008.

Cost of sales

For 2008, Gold Lion's cost of sales was \$72,410,992 or 89.8% of revenues. The ratio of cost of sales to revenues increased by 0.9% from that of the previous year.

Selling, general and administrative expenses

Sales and marketing expenses mainly represent salaries of sales personnel, and marketing and transportation costs.

General and administrative expenses primarily consisted of compensation for personnel, depreciation, travel expenses, rental, materials expenses related to ordinary administration, and fees for professional services.

For 2008, selling, general and administrative expenses were \$1,952,961, or 2.4% of revenues, which was an increase of 172% from \$716,791 or 1.7% of revenues for the corresponding period in 2007. This increase was mainly due to the increase in sales activities.

Research and development expense

Gold Lion's R&D expenses were \$871,238 or 1.1% of total revenues for 2008, which represent a 55% decrease from \$1,957,194 or 4.6% of total revenues in 2007. The decrease was due to decreased spending in research and development of advanced mobile modules.

Other income/(expenses)-net

Gold Lion's other expenses-net were \$1,367,555 for 2008, which represents a 332% increase from other expenses-net of \$316,416 in 2007. Other expenses mainly consisted of interest expense that the company incurred for its loans in 2008.

Net income

For 2008, Gold Lion's net income was \$2,820,274 or a net profit margin of 3.50%, representing an increase of \$2,064,989 or 273% from \$755,285 or 1.78% net profit margin in 2007. The increase in net income is mainly due to the addition of new business units and better control on costs including reduced R&D activities in 2008.

Other comprehensive income

For 2008, Gold Lion's other comprehensive income was \$8,708, representing a decrease of \$226,209 from \$234,917 in the same period of 2007. Other comprehensive income resulted from foreign currency exchange changes particularly the Renminbi's appreciation against the U.S. dollar. If this trend persists, Gold Lion may continue to report such a gain, but other comprehensive income may be negative if the trend reverses.

Liquidity and Capital Resources

Gold Lion generally finances its operations from cash flow generated internally and short-term loans from domestic banks. As of December 31, 2008, Gold Lion had cash and cash equivalents of \$812,769. This represented a decrease of \$3,167,815 from \$3,980,584 as of December 31, 2007.

The net cash used in operating activities in 2008 was \$8,454,879 as compared to the net cash used in operating activities for 2007 of \$19,442,480. The net cash outflow from operating activities in 2008 was mainly due to the increase in advance to suppliers of \$16,037,819, accounts payable of \$1,543,164 and related parties