

## INDUSTRY OVERVIEW AND REGULATORY OVERVIEW

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### INDUSTRY OVERVIEW

Certain data and statistics relied on in this section have been derived and/or extracted from various governments official sources, the CCW Report, prepared by CCW and CEIC's website. The CCW Report and data obtained from CEIC's website are available to the public and can be purchased and/or subscribed to by the general public after payment of the required fee and were not commissioned by the Group. The information obtained from CCM World's website is freely available to the public.

### ABOUT CCW

According to the information available from CCW's own website, CCW is a market research and consulting company founded in 2002 and is a subsidiary of the China ComputerWorld Media Group, a sino-foreign joint venture established between International Data Group, US and the Institute of Electronic Science and Technology (under the Ministry of Information Industry, the PRC). With the support from the China ComputerWorld Group and relevant government departments in the PRC, CCW has become a strong competitor in the PRC in the industry in which it operates.

CCW's headquarters are in Beijing, with various branches located in the PRC at Shanghai, Guangzhou, Shenzhen, Chengdu, Shenyang and Xi'an.

CCW's research team consists of over 70 experts and analysts, each with profound knowledge in one or more specific professional areas. CCW develops its own unique research system based on hundreds of case studies which are verified by experts in the relevant industry to guarantee the reliability and accuracy of the information and its sources.

### ABOUT CEIC

CEIC was founded in 29 June 1993. According to CEIC's website ([www.ceicdata.com](http://www.ceicdata.com)), it provides its clients with a number of databases with economic, country and sector information on a subscription basis. CEIC implements measures to ensure accuracy and completeness of its data. It builds databases in response to market study by its data specialists and researchers. It also cultivates and leverages relationships and direct data distribution arrangements with national and regional statistical agencies and industrial data issuing organizations of each country covered.

### ABOUT CCM WORLD

CCM World was founded in 2002. According to CCM World's website ([www.ccmw.net](http://www.ccmw.net)), it is an independent market research and development organisation supported by the PRC government and focuses on conducting market research on CRM service, service centre and electronic marketing channels that its clients are most concerned about.

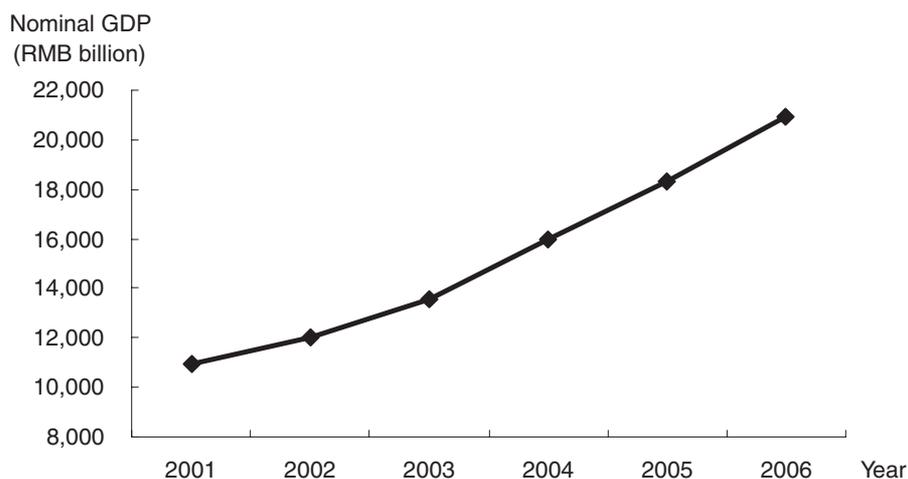
### OVERVIEW OF THE TELECOMMUNICATIONS INDUSTRY IN THE PRC

#### Economy of the PRC

The PRC economy has grown significantly since the introduction of economic reforms in the late 1970s. According to the National Bureau of Statistics of China, the PRC recorded gross domestic product (“GDP”) of approximately RMB 20,940.7 billion in 2006. Compared to the GDP of approximately RMB 10,965.5 billion in 2001, the GDP of the PRC achieved a compound annual growth rate (“CAGR”) of approximately 13.8% during the period from 2001 to 2006.

The graph below sets out the growth on nominal GDP of the PRC in the periods from 2001 to 2006:

**Nominal GDP of the PRC, 2001-2006**



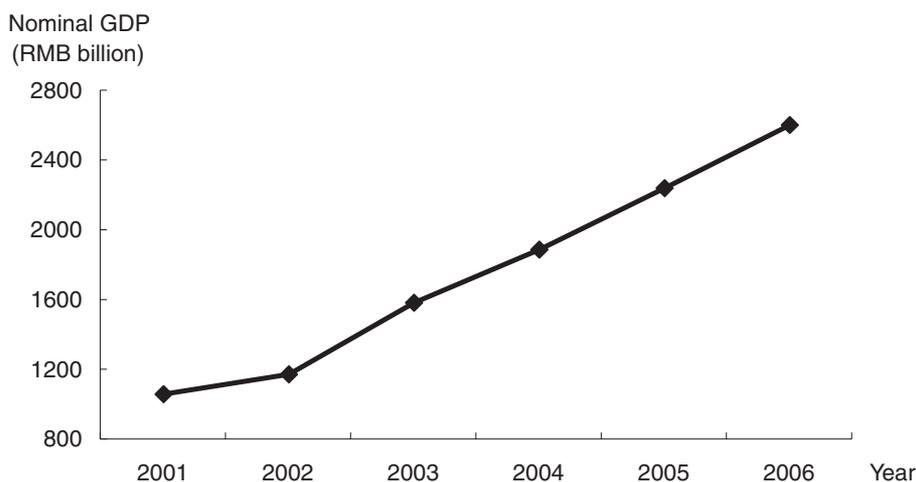
*Source: CEIC (2007)*

The CRM service centres and the major PRC customers of the Group are located in the Guangdong Province. In 2006, Guangdong Province achieved a GDP of approximately RMB 2,596.9 billion, compared with the GDP of approximately RMB 1,055.6 billion in 2001, attaining a CAGR of approximately 19.7%. The CAGR of the GDP of Guangdong Province outpaced the CAGR of national nominal GDP of approximately 13.8% during the same period.

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The graph below shows the growth on nominal GDP of Guangdong Province during the period from 2001 to 2006:

### Nominal GDP of Guangdong Province, 2001-2006



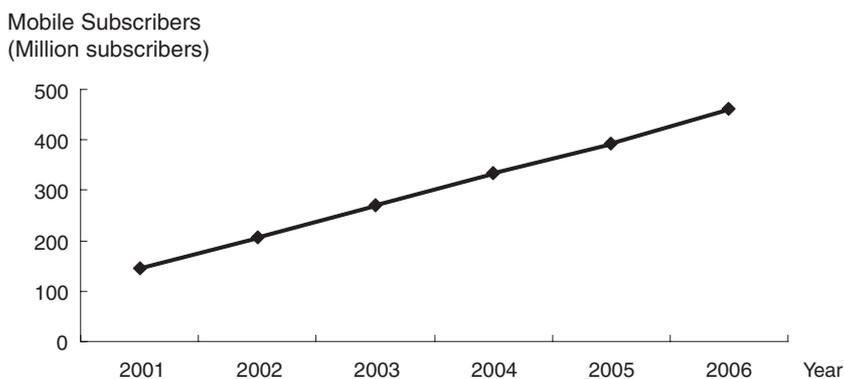
Source: CEIC (2007)

### PRC Telecommunications Industry

The rapid growth of the PRC economy has stimulated the nation's development of the telecommunications industry. According to the National Bureau of Statistics of China, the number of mobile subscribers in the PRC was approximately 145.2 million in 2001. The number rose steadily to 461.1 million in 2006, which was more than three times the number in 2001.

The graph below illustrates the growth on the number of mobile subscribers in the PRC during the period from 2001 to 2006:

### Number of Mobile Subscribers in the PRC, 2001-2006



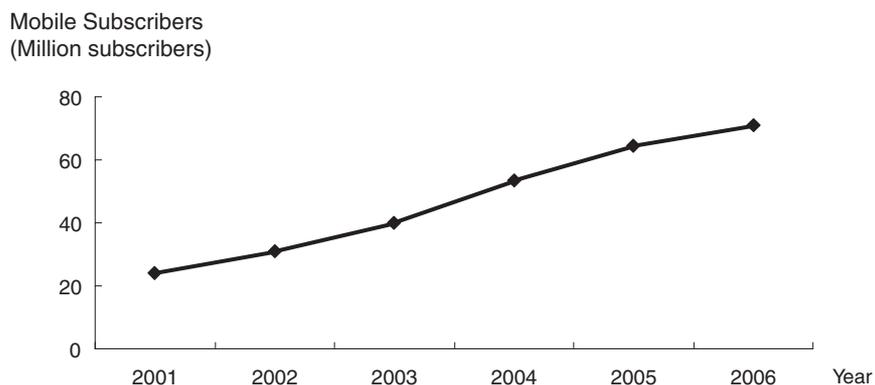
Source: National Bureau of Statistics of China (2006, 2007)

Guangdong Province's rapid economic growth has led to increasing number of mobile subscribers in this region, accounting for approximately 15.4% of the nation's total number of mobile subscribers in 2006. The number has risen from 24.2 million in 2001 to 71.2 million in 2006, achieving a CAGR of about 24.1% during this period.

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The graph below shows the growth on the number of mobile subscribers in Guangdong Province during the period from 2001 to 2006:

### Number of Mobile Subscribers in Guangdong Province, 2001-2006

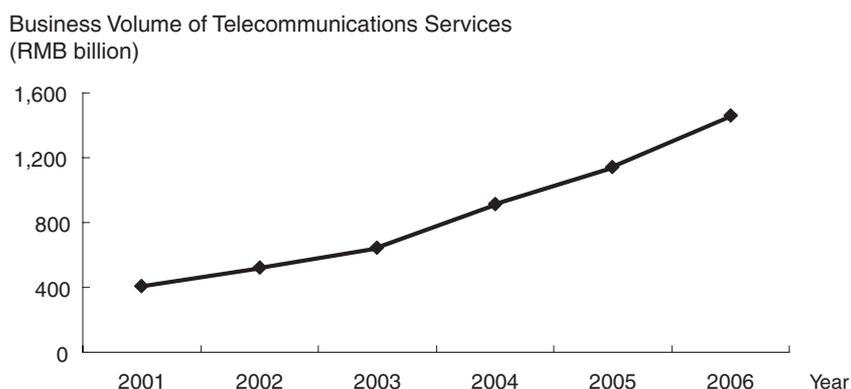


Source: Guangdong Communications Administration (2002-2007)

As a result of the rapid economic growth, expenditure on telecommunications services in the PRC also showed an upward trend, with a total business volume of telecommunications services of approximately RMB1,459.2 billion in 2006. Compared with the spending of RMB 409.9 billion in 2001, it has attained a CAGR of approximately 28.9% during the period from 2001 to 2006.

The graph below indicates the growth on the total business volume of telecommunications services in the PRC during the period from 2001 to 2006:

### Business Volume of Telecommunications Services in the PRC, 2001-2006



Source: National Bureau of Statistics of China (2006, 2007)

## OVERVIEW OF THE CALL CENTRE SERVICE INDUSTRY IN THE PRC

According to the CCW Report, call centre service is defined as a comprehensive information service system using the communication and computer networks to effectively provide quality, efficient and comprehensive services to customers.

## History and Development

The concept of call centre outsourcing service was introduced into the PRC in the mid-1990s. Prior to 1998, telecommunications service providers were the major participants in the PRC call centre industry. Towards the end of the 1990s, companies from other industries (including but not limited to banking, securities and insurance) recognised the importance of call centre service and began utilizing call centre service in their business operations. Foreign information technology companies and prestigious local enterprises rushed into the PRC call centre service market and seating capacity of call centres increased rapidly. During the period between 2002 and mid-2006, established call centres started to operate and generate turnover at a stable pace, leading to a competitive market.

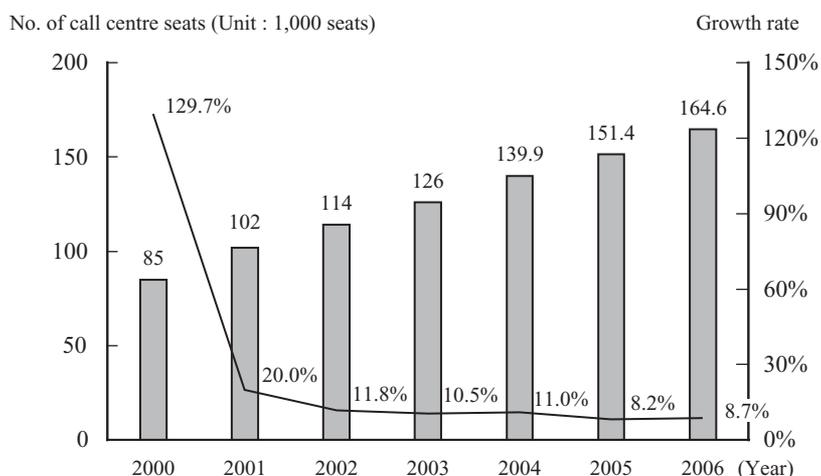
The PRC call centre service industry entered the stage of robust growth in 2006. It is expected that the call centre service industry will benefit from upcoming international events including the Beijing Olympic Games in 2008 and development of which will accelerate during the period from 2006 to 2009.

## Increase in Call Centre Seats in the PRC

From 1998 to 2005, the number of call centre seats in the PRC increased significantly. According to the CCW Report, the total number of call centre seats in the PRC amounted to approximately 85,000 in 2000, representing a growth rate of approximately 130% when compared to the previous year; and in 2001, the number of call centre seats increased to approximately 102,000, representing a growth rate of approximately 20% when compared to the figure of 2000. For each of the three years from 2002 to 2004, the number of call centre seats increased steadily at a rate of over 10%.

The increase in call centre seats in the PRC slowed down in 2005 and 2006. In 2005, the call centre seats amounted to approximately 151,400, representing a growth rate of approximately 8.2% when compared to the previous year. In 2006, there were approximately 164,600 call centre seats in the PRC, representing an increase of approximately 8.7% when compared to 2005. Despite the comparatively lower growth rates in terms of call centre seats in 2005 and 2006, more industries opened their markets for call centre services, which in turn enhanced the future development of the call centre service industry in the PRC.

The diagram below illustrates the changes in the number of call centre seats in the PRC between 2000 and 2006:



Source : CCW Report (2007)

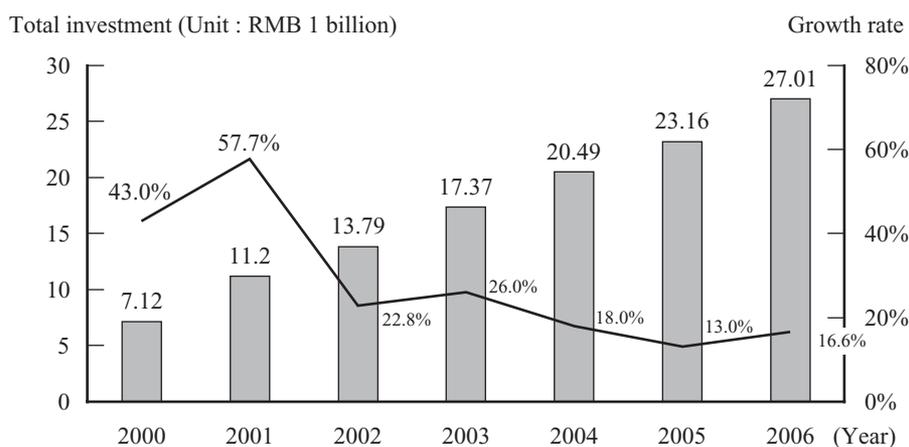
## Increase in Total Investment in the PRC Call Centre Service Industry

Investment in the PRC call centre service industry has continued to grow since 2000. According to the CCW Report, the total investment in the PRC call centre service industry amounted to approximately RMB7.12 billion in 2000, while in 2006 the figure had increased to approximately RMB27.01 billion.

According to the CCW Report, for each of the years of 2000 and 2001, the growth rate in the total investment in the PRC call centre service industry surpassed 40%. Since 2002, the development of the PRC call centre service industry stabilised. The growth rates in the total investment in each of 2002 to 2004 ranged between 18% and 26%.

In 2005, the growth rate in the total investment in the PRC call centre service industry further slowed down to approximately 13% for the reasons that (i) some call centres ceased to provide call centre service as a result of inadequacy of jobs; and (ii) there has been an increasing trend in outsourcing call centre service. In 2006, along with the increase in the number of large-scale call centres in the PRC, the amount of the investment in the PRC call centre service industry recorded an increase of approximately 16.6% to approximately RMB27.01 billion.

The diagram below illustrates the changes in the total investment in the PRC call centre service industry between 2000 and 2006:



Source : CCW Report (2007)

## Industry Distribution

The major industries involved in call centre services in the PRC include telecommunications, banking, insurance, finance, postal services and power industries, as well as other enterprises and governmental agencies, among which telecommunications service providers have long been ranked first, in terms of the number of seats engaged or amount invested.

According to the CCW Report, the number of call centre seats in the PRC in 2006 amounted to approximately 164,600, among which telecommunications service providers accounted for approximately 54.4% of the market share, followed by outsourcing companies with approximately 10.9%, other enterprises with approximately 8.4%, governmental agencies with approximately 7.1%, banks with approximately 5.2%, and insurance companies with approximately 3.7%. Compared with the figures for 2005, insurance companies recorded the highest growth rate of approximately 32.6%.

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The diagram below illustrates the industry distribution of the PRC call centre service industry in terms of number of call centre seats in 2005 and 2006:

Industry	Number of call centre seats		Approximate Growth Rate (2005 vs 2006) (%)	Percentage Share in 2006 (%)
	Year 2005 ('000)	Year 2006 ('000)		
Telecommunications	86.9	89.5	3.0%	54.4%
Banking	8.1	8.5	4.9%	5.2%
Insurance	4.6	6.1	32.6%	3.7%
Securities	0.9	1	11.1%	0.6%
Postal Service	2.9	3.3	13.8%	2.0%
Electricity	2.2	2.6	18.2%	1.6%
Government	9.9	11.7	18.2%	7.1%
Outsourcing	16.2	17.9	10.5%	10.9%
Other Enterprises	11.5	13.8	20.0%	8.4%
Others	8.2	10.2	24.4%	6.1%
Total	151.4	164.6	8.7%	100.0%

Source: CCW Report (2007)

In 2006, total investment made in the PRC call centre service industry amounted to RMB27.01 billion with an annual growth rate of approximately 16.6% when compared to 2005. Industry-wise, the total investments made by telecommunications service providers ranked first, accounting for approximately 41.4%. Banks' investment accounted for approximately 20.4%, outsourcing approximately 12.2%, other enterprises approximately 5.5%, insurance companies approximately 4.9%, and governmental agencies approximately 4.7%. Compared with the figures for 2005, investment made by insurance companies recorded the highest growth rate of approximately 39.6%, while investment made by the securities companies recorded the lowest growth rate of approximately 4.9%.

The table below illustrates the amounts invested into the PRC call centre service industry by various industries in 2005 and 2006.

Industry	Year 2005 (RMB million)	Year 2006 (RMB million)	Growth Rate (2005 vs 2006) (%)	Percentage share in 2006 (%)
Telecommunications	9,720	11,188	15.1%	41.4%
Banking	4,830	5,497	13.8%	20.4%
Insurance	950	1,326	39.6%	4.9%
Securities	103	108	4.9%	0.4%
Postal Service	167	191	14.4%	0.7%
Electricity	675	778	15.3%	2.9%
Government	1,110	1,267	14.1%	4.7%
Outsourcing	2,840	3,297	16.1%	12.2%
Consultation	510	601	17.8%	2.2%
Other Enterprises	1,190	1,488	25.0%	5.5%
Others	1,065	1,269	19.2%	4.7%
Total	23,160	27,010	16.6%	100.0%

Source: CCW Report (2007)

### Dramatic Growth in Outsourcing of Call Centre Service

Outsourcing is the transfer or delegation of a company's operations and routine management of a business to an external service provider. In the early days of the call centre service industry, many companies were not familiar with the concept of outsourcing and seldom co-operated with CRM outsourcing service providers due to the lack of confidence in such partnership. Thus the development in the call centre service industry was rather stagnant. However, in view of the gradual success of the CRM outsourcing service industry, companies are now willing to accept this new business concept and are marching into the CRM outsourcing business. The call centre service outsourcing industry grew dramatically, becoming a standard business practice for both small and large scale companies. According to CCM World<sup>1</sup>, 90% of the top 500 enterprises in the world are now carrying on their core businesses with the assistance of call centre service outsourcing service providers.

Some of the reasons for outsourcing include:

- Limiting capital expenditure and reducing operating costs

establishment of call centres involves a significant amount of investment. By outsourcing services to an external service provider, a company can avoid huge capital expenditure on infrastructure and facilities.

- saving manpower and training costs

the call centre industry is a labour-intensive and technology-orientated industry, which means that recruitment, training and internal management of call centres could be a big burden for many companies. By outsourcing to an external service provider, a company can save costs in manpower and training and improve efficiency.

- benefiting from the external service provider's expertise in solving problems for a variety of clients with similar requirements.

Outsourcing is encouraged by the government of the PRC. In September and October 2006, the Ministry of Commerce of the PRC promulgated four circulars in relation to service outsourcing, two of which are:

- (i) Circular of the Ministry of Commerce, the Ministry of Information Industry of the People's Republic of China, on Relevant Issues of Initiating the Accreditation Work on Cities of Service Outsourcing Base in China (商務部信息產業部關於開展“中國服務外包基地城市”認定工作有關問題的通知); and
- (ii) Circular of the Ministry of Commerce of the People's Republic of China, on Making Efforts to Accomplish the Work of Enterprises Accreditation and Market Exploitation of Service Outsourcing Program (商務部關於做好服務外包“千百十工程”企業認證和市場開拓有關工作的通知) (collectively, the “Circulars”).

According to the Circulars, during China's “Eleventh Five-Year Plan”, the Ministry of Commerce shall make efforts to build ten Chinese Cities of Service Outsourcing Base (承接服務外包的中國基地城市) with international competition capability, to procure one hundred multinational companies to outsource their services to China, and to cultivate one thousand Chinese outsourcing service enterprises with international accreditation. The State encourages and supports the outsourcing service enterprises to obtain international accreditations (including certificates of CMMI (Capability Maturity Model Integration), CMM (Capability Maturity Model), PCMM (Patient Client Management Model), information security management (ISO27001/BS7799), IT service management

<sup>1</sup> Source: [www.ccmw.net](http://www.ccmw.net), the website of CCM World

(ISO20000) and SAS 70 (State Auditing Standards No. 70), exploit the international market, continue the outsourcing service business and continuously promote service value. Outsourcing service enterprises refer to those having medium and long term service contracts providing service outsourcing business. After obtaining related international accreditation, outsourcing service enterprises may apply for the exploitation fund in accordance with the “Measures on Exploitation Fund” and regulations of the Circular. Service outsourcing enterprises are highly encouraged to exploit international market and provide outsourcing services to international non-PRC clients.

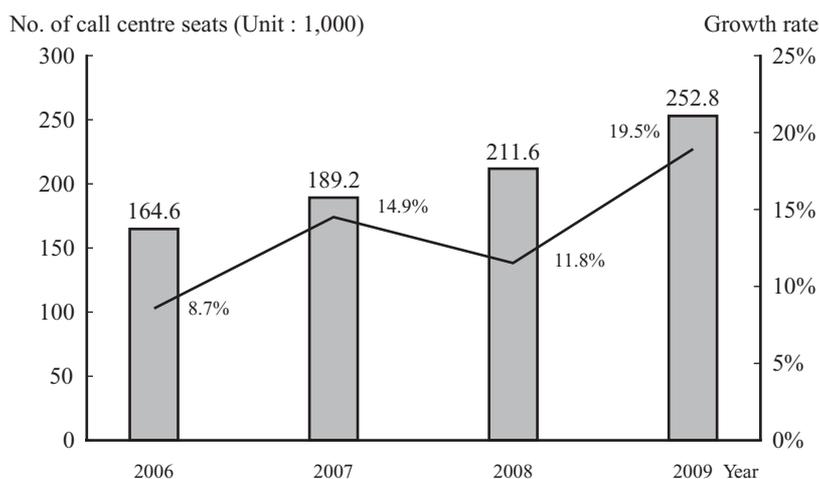
Since the Group has long been providing outsourcing services to non-PRC customers, the Directors believe that the policy mentioned above shall have a positive influence on the Group’s future development in the industry.

### 2007-2009 Forecast for the Development of the PRC Call Centre Service Industry

#### *Expected Increase of Call Centre Seats*

According to the CCW Report, it is expected that the PRC call centre service industry will benefit from upcoming international events including the Beijing Olympic Games in 2008 and development of which will accelerate during the period from 2006 to 2009. It is estimated that during the period from 2007 to 2009, the number of call centre seats in the PRC will increase to approximately 189,200, 211,600 and 252,800, representing an annual growth rate of approximately 14.9%, 11.8% and 19.5% respectively.

The chart below illustrates the forecast increase in the number of call centre seats in the PRC during the period from 2006 to 2009.



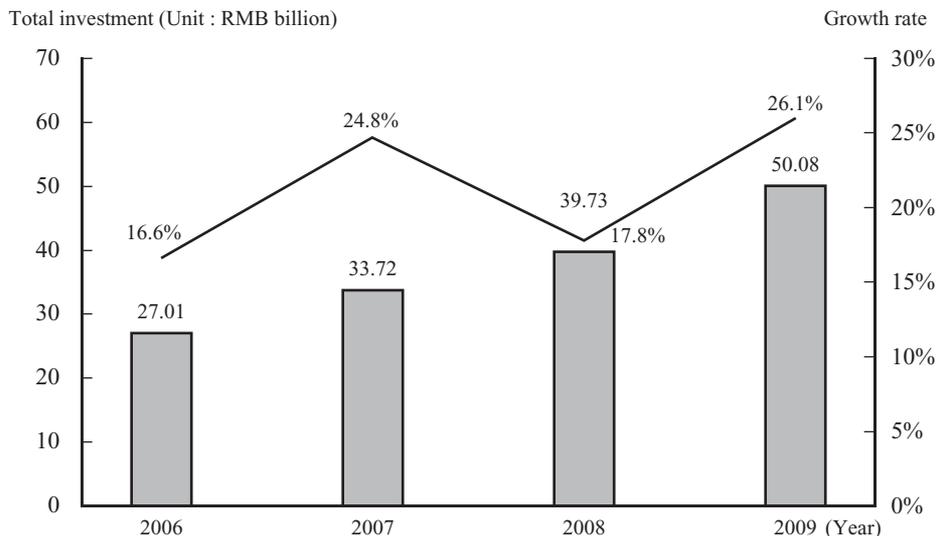
Source : CCW Report (2007)

#### *Expected Increase in Total Investment in the PRC Call Centre Service Industry*

According to the CCW Report, it is estimated that during the period from 2007 to 2009, the growth rate of investment in the PRC call centre service industry will exceed 20%. In particular, in 2007, the total investment in China’s call centre service industry will reach approximately RMB33.719 billion, representing an annual growth rate of approximately 24.8%. It is further estimated that in 2008 and 2009, the total investment amount in the PRC call centre service industry will reach approximately RMB39.727 billion and RMB50.083 billion respectively, representing an annual growth rate of approximately 17.8% and 26.1% respectively.

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The chart below illustrates the forecast growth in investment in the PRC call centre service industry during the period from 2006 to 2009.



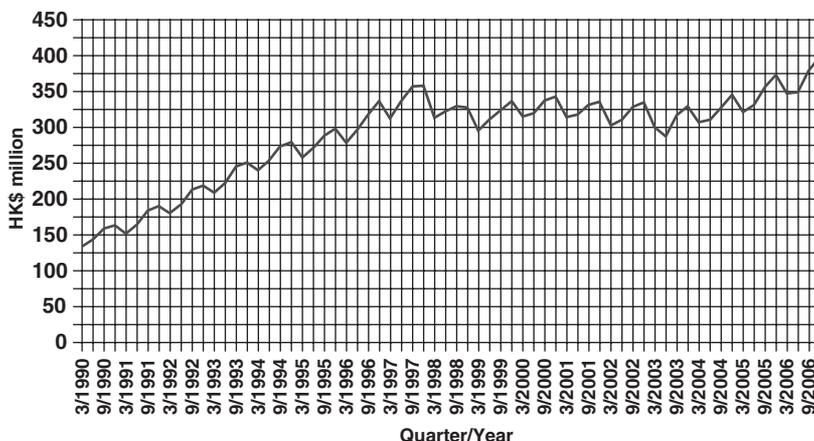
Source : CCW Report (2007)

## OVERVIEW OF THE TELECOMMUNICATIONS INDUSTRY IN HONG KONG

### Economy of Hong Kong

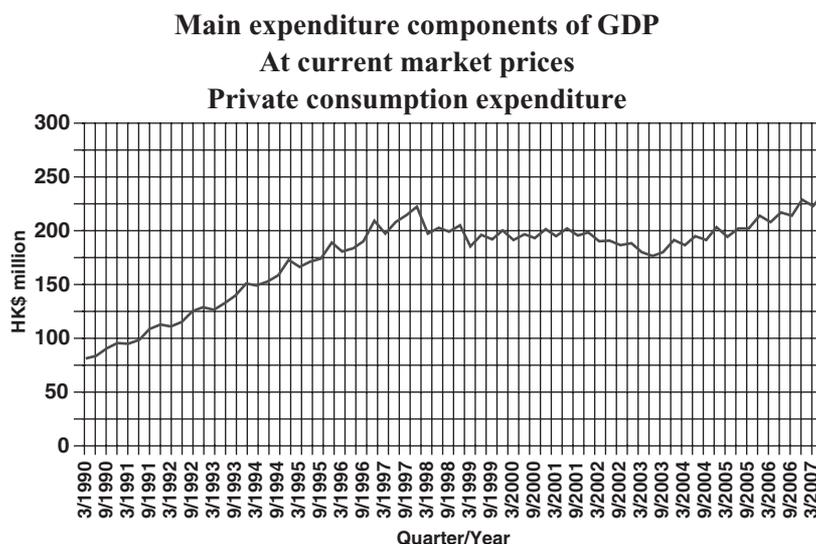
Economic activity in Hong Kong has experienced a steady growth during the Track Record Period, according to recent official statistics from the Census and Statistics Department. The chart below shows an increase in GDP in Hong Kong during the period from 1990 to 2006.

### Gross Domestic Product (GDP) At current market prices



Source: Census and Statistics Department, the Government of the HKSAR (2007)

As at the Latest Practicable Date, GDP by expenditure increased by approximately 7%<sup>2</sup> in real terms in the fourth quarter of 2006 over a year earlier, compared with approximately 6.7% increase in the third quarter of 2006. As a whole, GDP recorded a growth of approximately 6.8% over 2005. Private consumption expenditure also grew by approximately 5.8% in the fourth quarter of 2006 over 2005 and as a whole, increased by approximately 5.1% over 2005<sup>3</sup>. With increased expenditure, consumers are spending more on goods and services, which may benefit the development of the call centre service industry and the sectors that they serve. The chart below shows the increase in private consumption expenditure in Hong Kong during the period from 1990 to 2006.



Source: Census and Statistics Department, the Government of the HKSAR (2007)

Based on the above figures, the outlook for businesses in Hong Kong continues to look promising especially with the support of the thriving Mainland economy. It is expected that the Hong Kong economy will attain solid and broad-based growth of approximately 4.5% to approximately 5.5% in 2007.<sup>4</sup> If the forecast is realized, then prospects for businesses will continue to thrive in Hong Kong.

## Telecommunications Industry of Hong Kong

Hong Kong has an advanced telecommunications infrastructure enabling businesses and consumers in Hong Kong to enjoy sophisticated communications services. With continuing developments in the telecommunications industry, Hong Kong now has one of the highest penetration rates in mobile services and an increasing penetration rate in fixed line services. Hong Kong's telecommunications industry, among others, is one of the industries in Hong Kong that outsources its call centre services operations to external call centre service providers. As the telecommunications industry continues to prosper, this could have an impact on the development of call centre outsourcing service providers.

Some major developments in the telecommunications industry in Hong Kong include:

- the liberalization of the fixed line market in January 2003, and therefore more fixed line telecommunications operators were licensed to provide services, increasing competition in the market

<sup>2</sup> Census and Statistics Department, the Government of the HKSAR, data released on 23 March 2007

<sup>3</sup> Census and Statistics Department, the Government of the HKSAR, data released on 28 February 2007

<sup>4</sup> Economic Analysis Division, The Government of the Hong Kong SAR, 28 February 2007

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- the signing of the Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA)
- the launch of 3G service in Hong Kong by Hutchison 3G Hong Kong Limited in 2004
- the launch of 3G service in Hong Kong by Sunday 3G (Hong Kong) Limited in June 2005

There has been steady growth in the telecommunications industry over the past two years. According to the Hong Kong Government's statistics set out below, the development of Hong Kong telecommunications industry is strong, with a significant increase in the number of fixed line and mobile subscriber penetration rates.

	2005 ( <sup>'000</sup> )	2006 ( <sup>'000</sup> )
Total Hong Kong population <sup>5</sup> . . . . .	6,837.8	6,900.7
Fixed line penetration rate . . . . .	54.8% <sup>6</sup>	92% <sup>7</sup>
Mobile subscriber penetration rate . . . . .	120.2% <sup>8</sup>	136.9% <sup>9</sup>
2.5G and 3G mobile subscribers . . . . .	1,679.1 <sup>10</sup>	2,206.6 <sup>11</sup>

*Sources:*

- <sup>5</sup> *Census and Statistics Department, the Government of the Hong Kong Special Administrative Region, latest revision date 22.02.2007*
- <sup>6</sup> *Communications and Technology Branch, Commerce, Industry and Technology Bureau, the Government of the Hong Kong Special Administrative Region, latest revision date 15.11.2005*
- <sup>7</sup> *Office of the Telecommunications Authority, the Government of the Hong Kong Special Administrative Region, latest revision date 12.03.2007*
- <sup>8</sup> *Communications and Technology Branch, Commerce, Industry and Technology Bureau, the Government of the Hong Kong Special Administrative Region, latest revision date 15.11.2005*
- <sup>9</sup> *Office of the Telecommunications Authority, the Government of the Hong Kong Special Administrative Region, latest revision date 12.03.2007*
- <sup>10</sup> *Communications and Technology Branch, Commerce, Industry and Technology Bureau, the Government of the Hong Kong Special Administrative Region, latest revision date 15.11.2005*
- <sup>11</sup> *Office of the Telecommunications Authority, the Government of the Hong Kong Special Administrative Region, latest revision date 12.03.2007*

With such rates of penetration, telecommunications service providers are serving more mobile and fixed line subscribers, with the latest figures of mobile service subscribers reaching 8.9 million<sup>12</sup>, one of the highest penetration rates in the world.

The high mobile subscriber and fixed line penetration rates in Hong Kong show that the demand for mobile phones and fixed lines in Hong Kong continues to remain high. With increasing growth in the use of telecommunication services, the demand for call centre services is likely to increase. This would significantly impact on the Group's business and turnover as the Group's existing major customers are major telecommunications service providers. It is also anticipated that the call centre service industry would expand to other major telecommunications service providers which have not outsourced their call centre operations. The Directors are confident that the Group will be able to take such opportunities to expand its customer base and at the same time retain its existing customers.

The Directors believe that as Hong Kong's economy continues to grow, there are more people and households using mobile and fixed line services, as shown by recent statistics. If such rates continue to grow, the need for Hong Kong telecommunications service providers to outsource their call centre operations is likely to increase. There are no official government statistics in relation to the number of call centre outsourcing service providers in Hong Kong and their business activities, which may be an indicator that the service industry is shifting to the PRC, where operation and labour costs are low.

<sup>12</sup> *Source: The Hong Kong Trade Development Council, 4 December 2006*

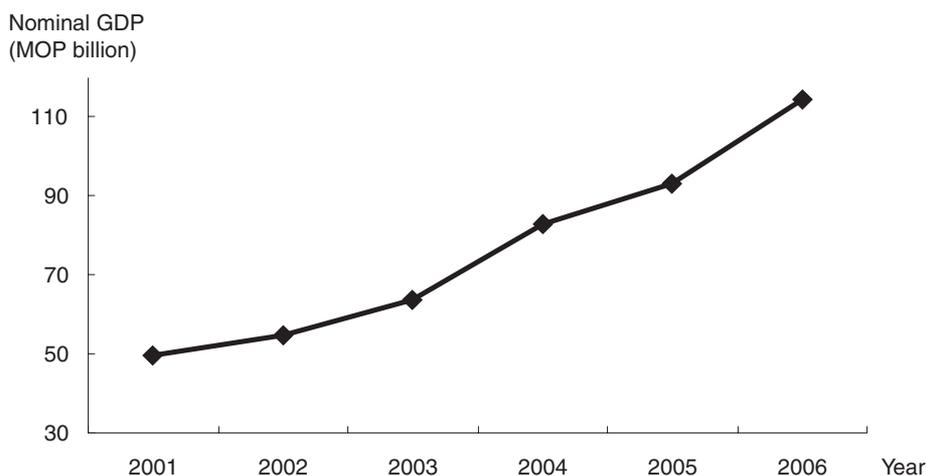
## OVERVIEW OF THE TELECOMMUNICATIONS INDUSTRY IN MACAU

### Economy of Macau

The Group's business in Macau constitutes an important driver for the Group's future growth. The Macau economy experienced a noticeable growth in the past few years. GDP of Macau was approximately MOP 114 billion in 2006, compared with GDP of approximately MOP 50 billion in 2001, achieving a CAGR of approximately 17.9%.

The graph below illustrates the growth in nominal GDP of Macau in the periods from 2001 to 2006.

**Nominal GDP in Macau, 2001-2006**



Source: CEIC (2007)

### Telecommunications industry of Macau

Upon the establishment of the Macau Special Administrative Region of the PRC in 1999, the Macau government began liberalising the telecommunications industry. In June 2000, the Macau government established a regulator, GDTTI, which is responsible for determining telecommunications regulations, policies and directives. GDTTI has since May 2006 been succeeded by the BTR.

The following table provides an overview of the telecommunications industry of Macau as at 31 December 2006.

Population . . . . .	513,400
Fixed-lines . . . . .	176,665
Mobile subscribers . . . . .	636,347
Mobile penetration (%) . . . . .	124%

Sources : Statistics and Census Services, Macau; BTR (2007)

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As at 31 December 2006, there were approximately 636,347 mobile subscribers in Macau, representing an increase of approximately 19.44% as compared to approximately 532,758 subscribers as of 31 December 2005. The number of fixed telephone lines in Macau increased by approximately 1.3% from approximately 174,400 as at 31 December 2005 to approximately 176,700 as at 31 December 2006. The following table illustrates the growth trend of the mobile and fixed telephone line telecommunications industry in Macau:

	As of 31 December 2005	As of 31 December 2006	Growth rate (%)
Mobile Subscribers .....	532,758	636,347	19.44%
Number of fixed telephone lines .....	174,389	176,665	1.31%

Sources : Statistics and Census Services, Macau; BTR (2007)

### REGULATORY FRAMEWORK GOVERNING THE INDUSTRY IN THE PRC

Pursuant to the Telecommunication Regulations of the PRC (中華人民共和國電信條例) promulgated and implemented by the State Council on 25 September 2000, telecommunications service providers must obtain telecommunications operator licenses issued by the information industry authority of the State Council or administrative authorities in charge of telecommunications in the respective provinces, autonomous regions and municipalities in accordance with their category of services. Pursuant to the Telecommunications Services Classification Catalogue (電信業務分類目錄) (the “Classification Catalogue”), telecommunications services include, among others, “call centre” services, which refer to the services in which the call centre is contracted by a company or institution to build information database by collection, processing and storage of data and using the call centre system connected to public switched telephone network or Internet and database technology so as to provide business consulting, information consulting and data query related to the company or institution through public communication networks such as fixed network, mobile network and Internet. Call centre services also include the use of the call centre’s operator hiring (話務員座席出租) service offered by call centres which provide telecommunication resources including but not limited to telephone numbers, telephone lines, operating systems and business development. In the course of the Group’s business operations, the Group does not own or use any allocated or exclusive telecommunications resources. As all of the Group’s customers are service providers (which include but not limited to telecommunications service providers), none of the Group’s customers are the end-users of the telecommunications services offered by the Group’s customers. In the provision of CRM services, the Group’s customers provide the Group with the information database and systems to enable the Group to perform the required CRM services.

The Group’s provision of CRM services, including the supply of physical seats (物理座席), is not the same as the operator hiring (話務員座席出租) service, a form of call centre service, as the Group only supplies the physical seats (物理座席) and the human resources needed for such seats whereas the operator hiring (話務員座席出租) service also includes the provision of telecommunication resources such as telephone numbers, telephone lines, operating systems and business development. The Company’s PRC legal advisers are of the opinion that general office equipment, office premises and computers as mentioned in some of the service agreements entered into between the Group and its customers do not fall under the category of telecommunication resources as described under the Classification Catalogue.

Therefore, the Group’s PRC legal adviser is of the opinion that the business operations of China Elite, which is, provision of CRM outsourcing services, does not fall into the ambit of

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telecommunications services under the Classification Catalogue. It is therefore unnecessary for China Elite to obtain any licence in order to comply with the applicable PRC laws and regulations.

China Elite, one of the Group's major subsidiaries, obtained the following approvals and licenses relating to its business operation:

- (1) The Certificate of Approval for the Establishment of Enterprises with Foreign Investment in the People's Republic of China (中華人民共和國 外商投資企業批准證書) numbered "Shang Wai Zi Yue Wai Zi Zheng Zi [2003] 0019" (商外資粵外資証字 [2003] 0019 號) from the Government of Guangzhou City, which is valid for 15 years;
- (2) The Business License (企業法人營業執照) numbered "Qi Du Yue Sui Zong Zi No. 006069" (企獨粵穗總字第 006069 號) from the Guangzhou Administration for Industry and Commerce, which will be expired on 18 July 2015;
- (3) The Certificate of Organization Bar Code in the People's Republic of China (中華人民共和國組織機構代碼證) numbered 72375580-2, the validity period of which is from 23 August 2004 to 23 August 2008;
- (4) The Certificate of Registration of Foreign Currencies for Enterprises with Foreign Investment (外商投資企業外匯登記證) numbered 440000020253 from the Guangdong Administration for Foreign Currencies dated 12 March 2002, which is valid for 15 years;
- (5) The Certificate of Registration of Finance for Enterprises with Foreign Investment (外商投資企業財政登記證) numbered 4401110497 from the Guangdong Finance Bureau dated 28 April 2006, which will be expired on 18 July 2015;
- (6) The Certificate of Registration of Tax (稅務登記證) numbered "Yue Guo Shui Zi 440111723755802" (粵國稅字 440111723755802 號) from the Guangzhou National Tax Bureau dated 16 November 2006, which is permanently valid;
- (7) The Certificate of Registration of Tax (稅務登記證) numbered "Yue Di Shui Zi 440111723755802" (粵地稅字 440111723755802 號) from the Guangzhou Local Tax Bureau dated 2 December 2006, which is permanently valid;

Pursuant to the "Notice of the United Yearly Check for Enterprises with Foreign Investment" (關於對外商投資企業實行聯合年檢的通知) published by various authorities in the PRC, China Elite, being a Foreign Investment Enterprise, is the subject of the united yearly check. On 29 June 2007, China Elite finished such yearly check, and the approvals and licenses it currently holds are all legal and valid.

The Group's PRC legal adviser confirms that (i) the Group has obtained all necessary approvals and licenses for the operation of its business; (ii) the approvals obtained are valid as at the Latest Practicable Date; and (iii) except for items 6 and 7 above, renewals are required for such approvals or licenses, but there are no foreseeable difficulties for the Group to renew such approvals upon expiry. In addition, the Directors confirmed that the Group has complied with all relevant PRC laws and regulations during the Track Record Period.

## REGULATORY FRAMEWORK GOVERNING THE INDUSTRY IN HONG KONG AND MACAU

### Hong Kong

The telecommunications industry in Hong Kong is governed by the Telecommunications Ordinance (Chapter 106 of the Laws of Hong Kong) and the Office of the Telecommunications

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Authority (OFTA) of Hong Kong. As at the Latest Practicable Date, there are no regulations pursuant to which the Group must obtain any approvals and/or licences to carry on its existing scope of business. However, as part of the Group's future business plans to expand its existing business, the Group may enter into dealership agreements with its existing and/or new customers to provide services other than CRM outsourcing services, as a dealer. In such circumstances, the Group must apply to OFTA for a radio dealers licence, pursuant to the Telecommunications Ordinance. In anticipation of provision of such services, Winet has already applied to OFTA for a radio dealers licence and was granted the radio dealers licence on 20 April 2007.

Under the radio dealers licence, Winet is entitled to possess and deal in the course of trade or business in apparatus or material for radiotelecommunications or any component parts thereof in its registered office at Rooms 3813-15, 38/F., Hong Kong Plaza, 188 Connaught Road West, Hong Kong.

In May 2007, the UEMO was enacted and shall come into force in two phases, with phase I commencing on 1 June 2007 and phase II on a date to be decided by the Secretary for Commerce, Industry and Technology of Hong Kong and the date of which will be notified and published in the government gazette.

The UEMO governs the sending of commercial electronic messages which, for the purposes of the UEMO, include a message in any form sent over a public telecommunications service (including among others, SMS, faxes or emails) to an electronic address and includes but is not limited to a text, voice, sound, image or video message; and a message combining text, voice, sound, image or video for the purpose of advertising, promoting or offering any goods, services, business opportunities or the organizations themselves. The UEMO also governs the use of address harvesting software i.e. software which is specifically designed or marketed for use for searching the Internet or a public telecommunications network and collecting electronic addresses such as telephone numbers or email addresses in connection with or to facilitate the sending of such commercial electronic messages. The UEMO does not apply to person-to-person telemarketing calls.

The Group's current business does not involve the sending of commercial electronic messages and the Group does not use any address harvesting software. Therefore, the Group's business activities are not covered by the scope of the UEMO. As confirmed by the Group's Hong Kong legal adviser, based on the Group's current business activities, the enactment of the UEMO will not impact on the Group's business.

### **Macau**

The telecommunications industry in Macau is governed by the Basic Telecommunications Law (Law No.14/2001 of Macau) and Bureau of Telecommunications Regulation in Macau (BTR). As at the Latest Practicable Date, there are no regulations pursuant to which the Group must obtain any approvals and/or licences to carry on its existing scope of business.