中國全通

CHINA ALL ACCESS

中國全通(控股)有限公司
CHINA ALL ACCESS (HOLDINGS) LIMITED

(incorporated in the Cayman Islands with limited liability)

Stock Code : 633

2010 ANNUAL REPORT

CONTENTS

CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Chan Yuen Ming
Mr. Shao Kwok Keung

Independent Non-Executive Directors

Mr. Pun Yan Chak
Mr. Wong Che Man Eddy *(FCPA)*
Mr. Lam Kin Hung Patrick

AUTHORISED REPRESENTATIVES

Mr. Chan Yuen Ming
Mr. Shao Kwok Keung

AUDIT COMMITTEE

Mr. Wong Che Man Eddy *(Chairman) (FCPA)*
Mr. Pun Yan Chak
Mr. Lam Kin Hung Patrick

REMUNERATION COMMITTEE

Mr. Pun Yan Chak *(Chairman)*
Mr. Wong Che Man Eddy *(FCPA)*
Mr. Shao Kwok Keung

NOMINATION COMMITTEE

Mr. Lam Kin Hung Patrick *(Chairman)*
Mr. Wong Che Man Eddy *(FCPA)*
Mr. Shao Kwok Keung

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 805, Greenfield Tower,
Concordia Plaza,
1 Science Museum Road,
Kowloon
Hong Kong

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

AUDITORS

KPMG
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

COMPLIANCE ADVISER

Guotai Junan Capital Limited
27/F, Low Block
Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

LEGAL ADVISERS

Chiu & Partners
40th Floor, Jardine House
1 Connaught Place
Central
Hong Kong

PRINCIPAL BANKERS

Bank of Communications Co Ltd., Hong Kong Branch
2/F, 563 Nathan Road
Kowloon
Hong Kong

SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Union Registrars Limited
18th Floor
Fook Lee Commercial Centre
Town Place, 33 Lockhart Road
Wanchai
Hong Kong

SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

Butterfield Fulcrum Group (Cayman) Limited
Butterfield House
68 Fort Street
P.O. Box 609
Grand Cayman KY1-1107
Cayman Islands

COMPANY WEBSITE

www.chinaallaccess.com

FINANCIAL SUMMARY

For the Year Ended 31 December 2010

A five year financial summary of the results and of the assets and liabilities of China All Access (Holdings) Limited ("CAAH" or the "Company") and its subsidiaries (collectively, the "Group") is set out below. This summary does not form part of the audited financial statements.

	Years ended 31 December				
	2010	2009	2008	2007	2006
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Results					
Revenue	**500,935**	324,314	187,074	127,052	53,870
Cost of sales	**(290,036)**	(180,381)	(104,085)	(76,381)	(32,079)
Gross profit	**210,899**	143,933	82,989	50,671	21,791
Other revenue	**3,629**	2,035	278	75	—
Other net income	**2,665**	154	527	16	—
Distribution expenses	**(6,321)**	(1,729)	—	—	—
Administration expenses	**(34,393)**	(29,016)	(7,144)	(3,668)	(2,164)
Profit from operations	**176,479**	115,377	76,650	47,094	19,627
Finance costs	**(390)**	(4,674)	(7,116)	(615)	—
Share of losses of associate	**(467)**	—	—	—	—
Profit before taxation	**175,622**	110,703	69,534	46,479	19,627
Income tax	**(22,646)**	(12,779)	(1,738)	—	(4,372)
Profit for the year	**152,976**	97,924	67,796	46,479	15,255
Earnings per share					
Basic (RMB)	**0.148**	0.117	0.090	0.062	0.019
Diluted (RMB)	**0.147**	0.116	0.079	0.060	0.019

FINANCIAL SUMMARY

For the Year Ended 31 December 2010

	As at 31 December				
	2010	2009	2008	2007	2006
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Assets and liabilities					
Total assets	**1,043,634**	774,701	353,894	86,446	16,488
Total liabilities	**(187,247)**	(56,234)	(212,215)	(109,786)	(89,674)
Total equity	**856,387**	718,467	141,679	(23,340)	(73,186)

CHAIRMAN'S STATEMENT

Chan Yuen Ming
Chairman

We achieved significant growth in our operating results in 2010. On behalf of the Board of Directors, I wish to thank our customers, suppliers, business associates and shareholders for their supports. I would also like to offer special thanks to our staff for their invaluable service and contribution throughout last year.

Dear Shareholders,

In year 2010, we maintained a high growth momentum. On one hand, it was due to the PRC government's substantial investment in raising the awareness of public security and in enhancing its contingency capacity for disasters. On the other hand, it was due to the increasing demand for public security triggered by major international and national events held in China in recent years. We have been stressing the goal of "Building a Safer City" in our development strategy. By dedicating ourselves to assisting the PRC government and public utility companies in handling emergency operations, implementing anti-terrorism measures, maintaining social stability and lessening disaster damages, as well as building the advanced Internet of Things (IoT), we contribute to China's prosperity and stability during this period of rapid development of the Chinese society.

Reviewing our business development in the year 2010, the Group has made significant progress in implementing our development agenda "Leveraging Products, Markets & Talents". Witnessing breakthroughs in sales in different new regions and new industries, we also started to explore the new mobile broadband technology which will enable us to broaden our customer base by introducing more innovative services in addition to our business development in the enterprise market.

LEVERAGING PRODUCTS

With our pursuit of the most advanced technology in the world, we also engaged in in-house research and development. Based on the specific work process of each industry, we customised our comprehensive communication solutions and products to suit the different needs of our customers across different industries. In August 2010, our traffic offence electronic ticketing and payment solution ("Jing Wu Tong") has been qualified as industry standard by the State Traffic Management Department. On top of being a recognition of the successful applications of our Jing Wu Tong in the past, its qualification as industry standard also provides a very favorable technology and policy support to the marketing promotion of our Jing Wu Tong and our other products and solutions throughout China.

LEVERAGING MARKETS

After the successful flotation of our Shares on the Hong Kong Stock Exchange, we have built a nationwide sales and marketing network. Covering more than 20 provinces and municipalities, our nationwide sales and marketing network provides a powerful driving force for sales growth. We achieved business breakthroughs in provinces including Shaanxi, Liaoning, Heilongjiang, Fujian and Hubei. Meanwhile, we expanded into new industries, such as first aid, petroleum production and water source monitoring. The Group also leveraged on important international events as showcase of our products and solutions. Shanghai Expo and Guangzhou Asian Games in 2010 and Shenzhen Summer Universiade which is currently under preparation have provided excellent marketing opportunities for us.

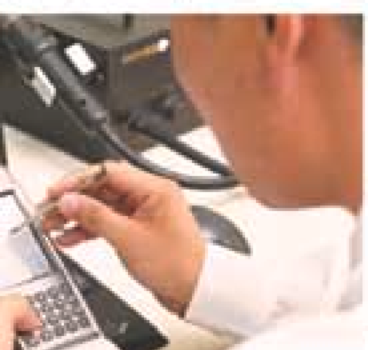
LEVERAGING TALENTS

We experienced very active expansion in 2010, resulting in more than 60 new staff coming on board. Most of them are experienced professionals holding master degrees or doctoral degrees. By providing comprehensive training system and competitive remuneration package to our staff, we expect our high caliber team will continue to strengthen its skill set in all aspects whilst the Group maintains growth at a rapid pace. Hence a win-win situation for both the Company and the staff can be achieved.

STRENGTHENING AND INNOVATIVE SOCIAL MANAGEMENT

According to the state's policy of strengthening and innovative social management set out on the Twelveth Five Year Plan, the government will increase public safety, strengthen safety and improve safety. The accident disasters, public health, food safety incident, social security incident prevention warning and emerging response system. These initiatives will become drivers of our tremendous growth in the next few years. We will continue to introduce advanced technology and innovative services to gear up our customers in overcoming all the challenges.

MANAGEMENT DISCUSSION AND ANALYSIS



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Wireless data communication application solutions and services

In 2010, our business in the provision of wireless data communication application solutions and services recorded very remarkable result. It represented approximately 52% of our total business volume. Its user-friendliness in network deployment and cost effectiveness for remote monitoring of wide area networks like fire alarm systems, telecom networks and public utility operations enable us to provide more projects to customers in different industries. Moreover, the Traffic Offence Electronic Ticketing and Payment Solution developed by us as the key products for traffic police's application was qualified as the industry standard. We expect it will be deployed nationwide in the coming few years.

Satellite communication application solutions and services

Demand for satellite communication application solutions and services was driven by the increasing requirement for public security. Applications of our products were highlighted in important events like Shanghai Expo 2010, Guangzhou Asian Games 2010 and Shenzhen Universiade to be held in 2011. With the provision of advanced technologies to the market, we have increased the interest of more prospective customers in different industries. In 2010, our business in the provision of satellite communication application solutions and services accounted for approximately 47% of our total business volume. Besides the geographical expansion of our market to cover more customers of the same industries in different provinces and the repeated orders from our existing customers, we also developed customers in several new industries, including public medical service, petroleum production and water source monitoring.

Call centre application solutions and services

Our call centre application solutions and services represented approximately 1% of our total business volume in 2010. In addition to the original business in Hebei, we signed up new customer in Guangxi. We will continue to search for new opportunities in different provinces and different industries.

Application of IPO proceeds

The net proceeds from the Company's initial public offering in September 2009 was approximately HK$403.47 million, after deduction of related expenses. Up to 31 December 2010, the Company has already applied approximately HK$104.98 million in accordance with the description of the use of proceeds in the prospectus of the Company dated 4 September 2009 (the "Prospectus"). The balance of approximately HK$298.49 million of the net proceeds will be also applied in line with the description in the Prospectus. The accounting treatment of the listing proceeds is disclosed in note 26(c) to the financial statements.

FINANCIAL REVIEW

Revenue

Revenue increased from approximately RMB324.31 million for the year ended 31 December 2009 to approximately RMB500.94 million for the year ended 31 December 2010 which represented an increase of approximately 54%.

The increase in revenue during the period under review as compared with the corresponding period last year was mainly attributable to the following factors:

- Provision of wireless data communication application solutions and services exhibited an increase in revenue from approximately RMB166.86 million for the year ended 31 December 2009 to approximately RMB262.80 million for the year ended 31 December 2010 which represented a growth of approximately 57%. The growth was mainly driven by the sales of more wireless data terminals and installation of more wireless data communication application projects for deployment in the areas of network monitoring and mobile office in different industries as well as the increase in our provision of application services to our customers.

- Provision of satellite communication application solutions and services exhibited an increase in revenue from approximately RMB153.16 million for the year ended December 2009 to approximately RMB233.61 million for the year ended 31 December 2010 which represented a growth of approximately 53%. The growth was mainly driven by the sales of more dynamic satellite communication solutions in connection with our increase in market penetration both in the industries which engaged us to provide these solutions before and in new industries.

Gross profit

Gross profit increased from approximately RMB143.93 million for the year ended 31 December 2009 to approximately RMB210.90 million for the year ended 31 December 2010 which represented a growth of approximately 47%. Meanwhile, the gross profit margin decreased from approximately 44% for the year ended 31 December 2009 to approximately 42% for the year ended 31 December 2010. The changes were mainly due to the following factors :

- Provision of wireless data communication application solutions and services generated gross profit of approximately RMB83.51 million and RMB117.06 million for the years ended 31 December 2009 and 31 December 2010 respectively, representing a growth of approximately 40%. On the other hand, the gross profit margins for the years ended 31 December 2009 and 31 December 2010 were approximately 51% and 45% respectively. The impact on the gross profit margin was mainly driven by our pursuit for growing the volume of this business.

- Provision of satellite communication application solutions and services generated gross profit of approximately RMB67.74 million and RMB93.32 million for the years ended 31 December 2009 and 31 December 2010 respectively, representing a growth of approximately 38%. On the other hand, the gross profit margins for the years ended 31 December 2009 and 31 December 2010 were approximately 44% and 40% respectively.

Administrative and distribution expenses

Administrative and distribution expenses increased from approximately RMB30.75 million for the year ended 31 December 2009 to approximately RMB40.71 million for the year ended 31 December 2010 which represented a growth of approximately 32%. The increase was due to expansion of our human resources and setting up of more offices in different provinces in the PRC to enlarge our sales and technical support network.

Finance costs

The finance costs decreased from approximately RMB4.67 million for the year ended 31 December 2009 to approximately RMB0.39 million for the year ended 31 December 2010 which represented a decline of approximately 92%. It was mainly due to the conversion of all convertible notes and fixed coupon borrowings upon the Company's initial public offering in September 2009.

Income tax

The income tax increased from approximately RMB12.78 million for the year ended 31 December 2009 to approximately RMB22.65 million for the year ended 31 December 2010 which represented an increase of approximately 77%. Effective tax rate in 2010 was 13%, as compared with 12% in 2009.

Profit for the year

Profit for the year increased from approximately RMB97.92 million for the year ended 31 December 2009 to approximately RMB152.98 million for the year ended 31 December 2010 which represented a growth of approximately 56%. It was mainly resulted from the net effect of 47% growth in gross profit offset by the increase in administrative and distribution expenses of 32%.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity, financial resources and capital structure

As at 31 December 2010, the Group had cash and cash equivalents of approximately RMB557.29 million (as at 31 December 2009: approximately RMB533.20 million) and interest-bearing borrowings of approximately RMB14.71 million (as at 31 December 2009: nil) respectively. The interest-bearing borrowings represented a mortgage loan raised to finance our purchase of our Hong Kong office and Guangzhou office.

The gearing ratio (calculated by dividing total interest-bearing borrowings by total assets) as at 31 December 2010 was approximately 1% (as at 31 December 2009 : nil). As at 31 December 2010, the Group had current assets of approximately RMB893.32 million (as at 31 December 2009: approximately RMB672.54 million) and current liabilities of approximately RMB165.01 million (as at 31 December 2009: approximately RMB47.34 million). The current ratio (which is calculated by dividing current assets by current liabilities) was approximately 5.41 as at 31 December 2010, which showed a decline as compared with the current ratio of approximately 14.21 as at 31 December 2009. Such decline was mainly due to the longer credit period provided by our suppliers to increase the efficiency of our working capital.

The Board's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, without incurring unacceptable losses or risking damage to the Group's reputation.

Foreign exchange exposure

The Group's sales and purchases were denominated in RMB. Therefore the Group is not exposed to significant foreign currency exchange risks and the Board does not expect future currency fluctuations to materially impact the Group's operations. The Group does not employ any financial instruments for hedging purposes.

Capital expenditure

During the year ended 31 December 2010, the Group's total capital expenditure amounted to approximately RMB54.87 million of which (1) approximately RMB21.10 million was used in the acquisition of 46% equity interest of China Satellite Mobile Multimedia Network Co., Ltd. ("CSM"); (2) approximately RMB25.73 million was used in the acquisition of office premises in Hong Kong and Guangzhou: and (3) approximately RMB8.04 million was used in the acquisition of other equipment.

Charge on assets

As at 31 December 2010, the Group's Hong Kong office and Guangzhou office premises with book value of approximately RMB15.89 million and RMB8.95 million were pledged to secure mortgage loans of approximately RMB10.53 million and RMB4.18 million, respectively.

Contingent liabilities

As at 31 December 2010, the Group had no material contingent liabilities.

HUMAN RESOURCES

As at 31 December 2010, the Group employed approximately 222 employees (as at 31 December 2009: approximately 127 employees). The Group offered to its employees competitive salary package, as well as contribution to defined contribution retirement plan. A share option scheme has also been adopted for employees of the Group and other eligible participants, the details of which are set out in the paragraph headed "Share Option Scheme" in the report of the Directors.

PROSPECTS

As new generation information technology has been included as one of the the seven pillar industries as set out in the PRC Government's Twelfth Five Year Plan, we expect the increasing public sector's expenditure on public safety and city integrated management will provide very favorable environment for our business development in the enterprise market. We will collaborate with some state level key customers by participating in their nationwide satellite communication network construction and providing on-going operating service to support their mission critical operations. In the aspect of product innovation, we will develop more advanced technology products so as to enhance our customers' mission execution capability. Meanwhile, we will continue to enter into new industries which can be complimented by applying our products in their operations. In the consumer market, we will also leverage on our joint venture company, CSM, to explore new mobile broadband technology. We expect the launch of this advanced technology will result in a new telecommunications network which can provide state-of-the-art service to develop more customers.

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

CHAN Yuen Ming, aged 55, is the Chairman and an executive Director of the Company. Mr. Chan has been with the Group since its establishment in 2006 and is the founder of the Group. Mr. Chan was appointed as an executive Director on 4 December 2007. He is responsible for the Group's overall business development and strategic planning. Since 1990s, he was a key member of the management teams of several communication corporations in the PRC, including Sky Communication Group Co., Ltd ("SkyComm") and its subsidiaries (collectively "SkyComm Group"). These corporations are principally engaged in mobile communication, satellite communication, internet, wireless data and call center businesses. Mr. Chan was the founder of SkyComm Group responsible for establishing the business of SkyComm Group in December 2000. During his time in SkyComm Group up to his resignation from all his positions in the SkyComm Group in December 2008, Mr. Chan was responsible for the overall business development, strategic planning and corporate management and supervision of daily operation of the SkyComm Group. Mr. Chan is currently a director of China All Access Group Limited ("CAA BVI"), All Access Global Limited ("CAA HK"), Hebei Noter Communication Technology Co. Ltd., Beijing All Access Noter Communication Technology Co., Ltd and Shanghai All Access Noter Communication Technology Co., Ltd., all being wholly-owned subsidiaries of the Company. He is also the director and the shareholder of Creative Sector Limited, the controlling shareholder (as defined in the Rules ("Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Stock Exchange")) of the Company.

SHAO Kwok Keung, aged 49, is the Chief Executive Officer and an executive Director of the Company since December 2007. Mr. Shao was appointed as an executive Director on 4 December 2007. Mr. Shao is a member of the Remuneration Committee and Nomination Committee of the Board. He is responsible for the corporate management of the Company. Mr. Shao graduated with an honours diploma from Hong Kong Baptist College in 1984 and a master degree in business administration from Warwick University, U.K., in 1994. He is a fellow of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants. Possessing more than 20 years of working experience in organizations across different industries, he has taken up finance and management positions in a CPA firm, a financial institution, a television station, satellite communication, telecommunications and consumer electronics product distribution and manufacturing companies. Prior to joining the Group, Mr. Shao was the group financial controller of IDT International Limited (Stock code: 00167), a company listed on the Main Board of the Stock Exchange. Mr. Shao is currently a director of CAA BVI and CAA HK, both being wholly-owned subsidiaries of the Company.

Independent non-executive Directors

PUN Yan Chak, aged 52, is an independent non-executive Director of the Company. He joined the Group on 19 August 2009 when he was appointed as an independent non-executive Director. Mr. Pun is the chairman of the Remuneration Committee and a member of the Audit Committee of the Board. Mr. Pun graduated from the Chinese University of Hong Kong with a bachelor's degree of Science (major in electronics, minor in general business management) in 1981. Upon graduation, he joined Hong Kong Telephone Company Limited (currently known as PCCW) as a Trainee Engineer and was promoted to Project Engineer and Engineer in September 1983 and September 1984 respectively. As an Engineer in the Datacom Engineering, Network Development Department of Hong Kong Telephone Company Limited, Mr. Pun was responsible for packet network capacity planning and development. Mr. Pun became a Chartered Engineer in October 1986. In 1989, Mr. Pun joined the Hong Kong Post Office as a Telecommunications Engineer. In1993, Mr. Pun joined the Office of the Telecommunications Authority ("OFTA") as a Telecommunications Engineer. In 2004, Mr. Pun left OFTA and started his consulting career.

WONG Che Man, Eddy, aged 51, is an independent non-executive Director of the Company. He joined the Group on 19 August 2009 when he was appointed as an independent non-executive Director. Mr. Wong is the Chairman of the Audit Committee and a member of the Remuneration Committee and Nomination Committee of the Board. Mr. Wong graduated with an honours diploma in accounting from Hong Kong Baptist College in 1984. Mr. Wong has over 20 years of experience in the auditing and accounting profession. He is the sole proprietor of Eddy Wong & Co., Certified Public Accountants, and is a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. He is also an independent non-executive director of Sun Hing Vision Group Holdings Limited (Stock code: 00125), which is listed on the Main Board of the Stock Exchange. From February 2006 to May 2007, Mr. Wong was also an independent non-executive director of China Financial Industry Investment Fund Limited (currently known as National Investment Fund Limited) (Stock code: 01227); from June 2004 to March 2009, he was an independent non-executive director of Smart Rich Energy Finance (Holdings) Limited (which is currently known as G-resources Group Ltd, and previously known as Credit Card DNA Security System (Holdings) Limited)(Stock code: 01051).

LAM Kin Hung, Patrick, aged 53, is an independent non-executive Director of the Company. He joined the Group on 19 August 2009 when he was appointed as an independent non-executive Director. Mr. Lam is the Chairman of the Nomination Committee and a member of the Audit Committee of the Board. Mr. Lam graduated from the University of London with an honoured Bachelor of Laws degree in 1988, from the University of Hong Kong with the postgraduate certificate in Laws in 1989, from the University of London with a Master of Laws degree in 1991 and from the City Polytechnic of Hong Kong (now known as the City University of Hong Kong) with a Postgraduate Diploma in Language and Law in 1991. He was admitted as a solicitor of the Supreme Court of Hong Kong and the Supreme Court of England and Wales in 1991, and was subsequently admitted as an Associate of the Chartered Institute of Arbitrators in 1993, and as a practitioner of the Supreme Court of Tasmania, Australia in 1994. He has been appointed as a China Appointed Attesting Officer since 2003. From 1996 to 2000, Mr. Lam had taken up part-time teaching positions in various tertiary institutions in China and Hong Kong, including the 西江大學 (University of Xijiang), the Open University of Hong Kong, Vocational Training Council and Sun Life of Canada (International) Limited, on subjects of law and building management. Mr. Law is a practicing solicitor and is currently the principal of Messrs. Patrick K.H.Lam & Co., a solicitor's firm in Hong Kong.

SENIOR MANAGEMENT

ZHU Ying Qun, aged 42, joined the Group and has been appointed as the head of Information Technology Business Department of the Group since 30 August 2006. He is responsible for the information technology business of the Group. Mr. Zhu graduated from 河北農業大學 (Hebei Agricultural University) in 1992 with a bachelor's degree in mechanical and electronic engineering. He has more than 10 years of experience relating to engineering and technology development in research and development centers, manufacturing and communication industries. Mr. Zhu joined the SkyComm Group in January 1997 and was appointed as the Head of the Information Technology Business Department of Hebei SkyComm in September 2004. Before joining the Group, Mr. Zhu was responsible for managing the call center application solution business of Hebei SkyComm, with management oversight of the marketing of the call center application solutions, project proposals and management, and provision of call center application services (technical support and maintenance).

XIU Zhi Bao, aged 41, joined the Group and has been appointed as the Head of the Planning and Finance Department of the Group since 30 August 2006. He is responsible for corporate planning and finance aspects of the Group. Mr. Xiu graduated from 杭州電子工業學院 (Hangzhou Electronics Industrial College) in 1992 with the bachelor's degree in economics. He has more than 10 years of experience relating to finance and planning management in the manufacturing and communication industries. Mr. Xiu joined the Skycomm Group in July 1996 and was appointed as the General Manager of the Planning and Finance Department of SkyComm in January 2006. Before joining the Group, Mr. Xiu was responsible for devising financial plan and annual budget of SkyComm and supervising the finance management of SkyComm.

YU Ping, aged 38, joined the Group and has been appointed as the Head of the Satellite Communication Technology Business Department of the Group since 30 August 2006. She is responsible for the satellite communication technology business of the Group. Ms. Yu graduated from 中共河北省委黨校黨政幹部函授學院 (China Communist Party Hebei Party Cadet College) in 1999. She has more than 10 years of experience relating to office administration and communication in the communications industry. Ms. Yu joined the SkyComm Group in January 1998 and was appointed as Assistant General Manager of the Mobile Terminal Business Department of Hebei SkyComm in November 2004. Before joining the Group, Ms. Yu was responsible for managing the mobile terminal business and wireless data communication technology businesses of Hebei SkyComm, with management oversight of the marketing of wireless data communication application solutions, project proposals and management, and provision of wireless data communication application services (technical support and maintenance).

ZHAO Hai Jun, aged 39, joined the Group and has been appointed as the Head of the Research and Development Department of the Group since 1 October 2008. He is responsible for the research and development aspects of the Group. Mr. Zhao graduated from 蘭州大學 (Lanzhou University) majoring in computer science and software application. He has more than 10 years of experience relating to software engineering and mobile terminal technology in the information and communications industries. Mr. Zhao joined the SkyComm Group in January 2001 and was appointed as Assistant General Manager of the Mobile Terminal Business Department of Hebei SkyComm in September 2004. Before joining the Group, Mr. Zhao was responsible for overseeing the mobile terminal business for use of SkyComm Group's telecommunication network and the research and development of application software and technology in Hebei SkyComm for use of SkyComm Group's telecommunication network.

FENG Rui Ju, aged 50, joined the Group and has been appointed as the Head of Wireless Data Communication Department of the Group since 1 October 2008. She is responsible for the wireless data communication technology business of the Group and in charge of the marketing of wireless data communication application solutions, project proposals and management, and provision of wireless data communication application services (technical support and maintenance). Ms. Feng graduated from 河北廣播電視大學 (Hebei Broadcasting Television University) in July 1982 majoring in electronics technology. She has more than 15 years of experience relating to marketing, business development and administration in the communications industry. Ms. Feng joined the SkyComm Group in January 1998 and was appointed as General Manager of the Satellite Communication Business Department of Hebei SkyComm in July 2006. Before joining the Group, Ms. Feng was responsible for supervising and coordinating the operation of Hebei SkyComm.

ZHAO Qing An, aged 39, joined the Group in April 2010 as Vice President – Technology and has been appointed as the Chief Technology Officer of the Company with effect from 31 August 2010. Mr. Zhao has been in charge of the Group's technical research and development functions, including leading the discussion with key suppliers of the Group in relation to the development plans for new products targeting the Chinese market and the development of new application solutions. He has over 12 years of experience in the field of research and development. Prior to joining the Group, Mr. Zhao had worked for the 中國鐵道科學研究院 (China Academy of Railway Sciences) in 1997 as a technical researcher and was subsequently promoted as assistant researcher in 1999. From March 2001 to March 2010, Mr. Zhao had been appointed as senior research and development manager in three multinational electronics corporations. He graduated in 1994 from the 西北工業大學 (Northwestern Polytechnical University) with a bachelor's degree in electromagnetic field and microwave technologies, and in 1997 and 2000 from the 西安電子科技大學 (Xidian University) with a master degree in electromagnetic field and microwave technologies and doctoral degree in traffic data engineering and manipulation respectively.

REPORT OF THE DIRECTORS

The board ("Board") of directors ("Directors") of China All Access (Holdings) Limited ("Company") is pleased to present the annual report together with the audited financial statements of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2010.

PRINCIPAL PLACE OF BUSINESS

The Company was incorporated in the Cayman Islands on 4 December 2007 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 33 of 1961, as consolidated and revised) of the Cayman Islands. It is domiciled in Hong Kong and has its registered office at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and principal place of business at Room 805, 8/F, Greenfield Tower, Concordia Plaza, 1 Science Museum Road, Tsimshatsui, Kowloon, Hong Kong.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and the principal activities of the Group are the provision of satellite communication application solutions and services, wireless data communication application solutions and services, and call centre application solutions and services. Other particulars of the subsidiaries are set out in note 16 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

The information in respect of the Group's sales and purchases attributable to the major customers and suppliers respectively during the financial year is as follows:

	Percentage of the Group's total	
	Sales	**Purchases**
The largest customer	9%	
Five largest customers in aggregate	37%	
The largest supplier		13%
Five largest suppliers in aggregate		59%

None of the Directors, their associates (as defined under the Listing Rules) or any shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had any interest in these major customers and suppliers.

FINANCIAL STATEMENTS

The profit of the Group for the year ended 31 December 2010 and the state of the Company's and the Group's affairs as at that date are set out in the financial statements on pages 33 to 122.

TRANSFER TO RESERVES

Profits attributable to shareholders of the Company ("Shareholders") before dividend of RMB153,211,000 (2009: RMB97,924,000) have been transferred to reserves. Details of movements in reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity and note 26(a) to the financial statements respectively.

The Company's reserves available for distribution to Shareholders as at 31 December 2010 were RMB423,018,000 (2009: RMB436,596,000).

Interim dividend of HK1.0 cent was paid during the year ended 31 December 2010 (2009: HK$ Nil). The Directors recommend the payment of a final dividend of HK5.0 cents per share (2009: HK1.0 cent) in respect of the year ended 31 December 2010, subject to the approval by Shareholders at the forthcoming annual general meeting of the Company.

FIXED ASSETS

During the year, the Group's total capital expenditures amounted to approximately RMB33.77 million (2009: RMB1.52 million), which was used for the acquisition of buildings and equipment. Details of these acquisitions and other movements in fixed assets are set out in note 13 to the financial statements.

BANK LOANS

Particulars of bank loans of the Group during the year are set out in note 22 to the financial statements.

SHARE CAPITAL

Details of the share capital of the Company are set out in note 26(c) to the financial statements. There was no movement during the year.

DIRECTORS

The Directors of the Company during the year under review and up to the date of this report were:

Executive Directors
Mr. Chan Yuen Ming, *Chairman*
Mr. Shao Kwok Keung, *Chief Executive Officer*
Mr. Gao Hou Ming, *Chief Technology Officer*
(resigned as Executive Director and Chief Technology Officer on 30 August 2010)
Independent non-executive Directors
Mr. Pun Yan Chak
Mr. Wong Che Man Eddy
Mr. Lam Kin Hung Patrick

REPORT OF THE DIRECTORS

In accordance with article 105(A) of the Company's articles of association, Mr. Pun Yan Chak and Mr. Wong Che Man Eddy will retire by rotation at the forthcoming annual general meeting of the Company and, being eligible, offer themselves for re-election.

DIRECTORS' SERVICE CONTRACTS

No Director proposed for re-election at the forthcoming annual general meeting of the Company has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

INTERESTS AND SHORT POSITIONS OF THE DIRECTORS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 December 2010, the interests and short positions of the Directors and chief executive of the Company in any of the Company's shares ("Shares"), underlying Shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), which had been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register kept by the Company, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules were as follows:

Name of Director	Entity in which interests are held	Capacity/ Nature of interest	Number and class of securities held *(Note 1)*	Approximate percentage of shareholding
Mr. Chan Yuen Ming ("Mr. Chan")	The Company	Interest of a controlled corporation *(Note 2)*	435,300,000 ordinary Shares (L)	41.96%
		Beneficial owner *(Note 3)*	1,000,000 ordinary Shares (L)	0.10%
Mr. Shao Kwok Keung	The Company	Beneficial owner *(Note 4)*	9,700,000 ordinary Shares (L)	0.93%

Notes:

1. The letter "L" denotes a long position in the Shares or shares of the relevant Group member.

2. These Shares were held by Creative Sector Limited, the entire issued share capital of which was owned by Mr. Chan. Mr. Chan was deemed to be interested in all the Shares in which Creative Sector Limited was interested by virtue of the SFO.

3. The long position of Mr. Chan in these 1,000,000 Shares comprised the 1,000,000 options granted to him by the Company under the Share Option Scheme (as defined below) on 20 September 2010. These options remained outstanding as at 31 December 2010 and are exercisable at any time during the period from 20 June 2011 to 19 September 2011.

4. The long position of Mr. Shao Kwok Keung in these 9,700,000 Shares comprised the 9,700,000 options granted to him by the Company under the Share Option Scheme on 20 September 2010. These options remained outstanding as at 31 December 2010 and are exercisable at any time during the period from 20 June 2011 to 19 September 2011.

Save as disclosed above, as at 31 December 2010, none of the Directors or chief executives of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which would be required, pursuant to Section 352 of the SFO, to be entered in the register kept by the Company, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2010, so far as is known to the Directors, the following persons (other than the Directors or chief executives of the Company), who had interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company and the Stock Exchange in accordance with the provision of Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register kept by the Company, were as follows:

Name of Shareholder	Entity in which interests are held	Capacity/ Nature of interest	Number and class of securities held *(Note 1)*	Approximate percentage of shareholding
Creative Sector Limited	The Company	Beneficial owner	435,300,000 ordinary Shares (L)	41.96%
Atlantis Investment Management (Hong Kong) Limited	The Company	Investment manager	134,460,000 ordinary Shares (L)	12.96%
Atlantis Investment Management Limited	The Company	Investment manager	134,460,000 ordinary Shares (L)	12.96%
Ms. Liu Yang	The Company	Interest of a controlled corporation *(Note 2)*	134,460,000 ordinary Shares (L)	12.96%
Chengwei CAA Holdings Limited ("Chengwei")	The Company	Beneficial owner	106,200,000 ordinary Shares (L)	10.24%
Chengwei Ventures Evergreen Fund, L.P.	The Company	Interest of a controlled corporation *(Note 3)*	106,200,000 ordinary Shares (L)	10.24%
Chengwei Ventures Evergreen Management, LLC	The Company	Investment manager *(Note 4)*	106,200,000 ordinary Shares (L)	10.24%
EXL Holdings, LLC	The Company	Interest of a controlled corporation *(Note 5)*	106,200,000 ordinary Shares (L)	10.24%

Name of Shareholder	Entity in which interests are held	Capacity/ Nature of interest	Number and class of securities held *(Note 1)*	Approximate percentage of shareholding
Mr. Li Eric Xun	The Company	Interest of a controlled corporation *(Note 5)*	106,200,000 ordinary Shares (L)	10.24%
Ms. Li Yijing Zhu	The Company	Interest of spouse *(Note 6)*	106,200,000 ordinary Shares (L)	10.24%

Notes:

(1) The letter "L" denotes a person's long position in our Shares or shares of the relevant Group member.

(2) Ms. Liu Yang held approximately 90% of the issued share capital in Atlantis Investment Management (Hong Kong) Limited and therefore Ms. Liu Yang was deemed to be interested in all Shares in which Atlantis Investment Management (Hong Kong) Limited was interested by virtue of the SFO. Ms. Liu Yang held approximately 40% of the issued share capital in Atlantis Investment Management Limited and therefore Ms. Liu Yang was deemed to be interested in all Shares in which Atlantis Investment Management Limited was interested by virtue of the SFO.

(3) Chengwei Ventures Evergreen Fund, L.P. held approximately 89.28% of the issued share capital in Chengwei and therefore Chengwei Ventures Evergreen Fund, L.P. was deemed to be interested in all the Shares in which Chengwei was interested by virtue of the SFO.

(4) Chengwei Ventures Evergreen Fund, L.P. was an investment fund managed by Chengwei Ventures Evergreen Management, LLC and therefore Chengwei Ventures Evergreen Management, LLC was deemed to be interested in all the Shares in which Chengwei Ventures Evergreen Fund, L.P. was interested by virtue of the SFO.

(5) EXL Holdings, LLC, which was owned as to 50% by Mr. Li Eric Xun, held approximately 37% of the issued share capital in Chengwei Ventures Evergreen Management, LLC. Therefore, EXL Holdings, LLC was deemed to be interested in all the Shares in which Chengwei Ventures Evergreen Management, LLC was interested by virtue of the SFO, and Mr. Li Eric Xun was deemed to be interested in all the Shares in which EXL Holdings, LLC was interested by virtue of the SFO.

(6) Ms. Li Yijing Zhu was the wife of Mr. Li Eric Xun, and therefore Ms. Li Yijing Zhu was deemed to be interested in all the Shares in which Mr. Li Eric Xun was interested by virtue of the SFO.

Save as disclosed herein, as at 31 December 2010, our Directors were not aware of any person (who is not a Director or chief executive of the Company) who had an interest or short position in the Shares or the underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under provisions of Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register kept by the Company.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2010.

MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

In April 2010, the Group acquired 60% equity interest in Beijing Zhiping Network Technology Company Limited ("Beijing All Access Zhiping") through contribution of additional registered capital in Beijing All Access Zhiping in the aggregate amount of RMB3 million. Details of the acquisition are set out in the Company's announcement dated 22 April 2010.

In September 2010, the Group had increased its equity interests in Beijing All Access Zhiping from 60% to 92% by a further investment in cash in the aggregate amount of RMB20 million. Cash injected into Beijing All Access Zhiping was used to acquire Beijing Gao Sheng Times Investments Co., Ltd. ("Beijing Gaosheng Times") and China Satellite Mobile Multimedia Network Co., Ltd. ("CSM"). Details of such further investment in Beijing All Access Zhiping and acquisitions of Beijing Gaosheng Times and CSM were set out in the Company's announcement dated 30 September 2010.

Save as disclosed above, during the year ended 31 December 2010, there was no other material acquisition or disposal of subsidiaries or associated companies by the Company.

SHARE OPTION SCHEME

The Company has a share option scheme (the "Share Option Scheme") which was adopted on 16 September 2009.

Eligible participants of the Share Option Scheme include, (i) any employee (whether full time or part time, including any executive director) of the Company, its subsidiaries or invested entity; (ii) any non-executive directors (including independent non-executive directors) of the Company, its subsidiaries or invested entity; (iii) any supplier or customer of the Group or any invested entity; (iv) any person or entity that provides research, development or other technological support to the Group or any invested entity; (v) any shareholder of any member of the Group or any invested entity or any holder of any securities issued by any member of the Group or any invested entity; (vi) any advisor (professional or otherwise) or consultant to any area of business or business development of the Group or any invested entity; (vii) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the Group; and (viii) any company wholly owned by one or more eligible participants as referred to in (i) to (vii) above. Subject to the earlier termination of the Share Option Scheme in accordance with the rules thereof, the Share Option Scheme shall remain in force for a period of ten years commencing on 28 August 2009.

The maximum number of Shares to be issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme of the Group must not in aggregate exceed 30% of the Shares in issue from time to time. The maximum number of Shares issuable upon the exercise of options granted under the Share Option Scheme and any other share option scheme adopted by the Group (including both exercised or outstanding options) to each grantee within any 12-month period is limited to 1% of the Shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to Shareholders' approval in a general meeting. Share options granted to a Director, chief executive or substantial Shareholder of the Company, or to any of their associates (as defined under the Listing Rules), are subject to approval in advance by the Independent Non-executive Directors of the Company.

In addition, any share options granted to a substantial Shareholder or an Independent Non-executive Director of the Company, or to any of their associates (as defined under the Listing Rules), in excess of 0.1% of the Shares in issue at any time and with an aggregate value (based on the closing price of the Shares at the date of the grant) in excess of HK$5 million, within any 12-month period, are subject to Shareholders' approval in advance in a general meeting.

The total number of Shares which may be issued upon the exercise of all options (excluding for this purpose options which have lapsed) which may be granted under the Share Option Scheme and any share option scheme of the Group must not in aggregate exceed 100,000,000 Shares, representing 10% and approximately 8.35% of the Shares in issue as at 16 September 2009 (i.e. the date that the Company was listed on the Stock Exchange) and as at the date of this report respectively.

The offer of a grant of share options may be accepted within 21 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the Directors, which period may commence from the date of the offer of the share options, and ends on a date which is not later than ten years from the date of grant of the share options subject to the provisions for early termination thereof.

The exercise price of the share options is determinable by the Directors, but shall not be less than the highest of (i) the closing price of the Shares as quoted on the Stock Exchange's daily quotations sheet for trade in one or more board lots of the Shares on the date of the offer for the grant, which must be a business day; (ii) the average closing price of the Shares as quoted on the Stock Exchange's daily quotations sheet for the five business days immediately preceding the date of offer; and (iii) the nominal value of a Share. Share options do not confer rights on the holders to dividends or to vote at Shareholders' meetings of the Company.

On 20 September 2010, a total of 50,150,000 share options (each share option entitling the holder to subscribe for one Share) were granted to eligible participants, two of whom were Directors and the remaining were employees. Details are set out as below:

(A) Directors

Name of Director	Date of grant	Number of Shares in respect of share options: Outstanding as at 1 January 2010	Granted during the year	Exercised during the year	Lapsed or cancelled during the year	Outstanding as at 31 December 2010	Exercise period	Exercise price per Share *(HK$)*	Closing price of the Shares on the trading day immediately before the date of grant *(HK$)*
Chan Yuen Ming	20 September 2010	—	1,000,000	—	—	1,000,000	20/06/2011 to 19/09/2011	1.70	1.70
Shao Kwok Keung	20 September 2010	—	9,700,000	—	—	9,700,000	20/06/2011 to 19/09/2011	1.70	1.70

(B) Employees

Date of grant	Number of Shares in respect of share options: Outstanding as at 1 January 2010	Granted during the year	Exercised during the year	Lapsed or cancelled during the year	Outstanding as at 31 December 2010	Exercise period	Exercise price per Share *(HK$)*	Closing price of the Shares on the trading day immediately before the date of grant *(HK$)*
20 September 2010	—	39,450,000	—	—	39,450,000	20/06/2011 to 19/09/2011	1.70	1.70

CONTRACTS OF SIGNIFICANCE

No Directors of the Company had a material interest, whether directly or indirectly, in any contract of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party, subsisted at the end of the year or at any time during the year.

Except as disclosed in note 29(a) to the financial statements, no contract of significance had been entered into between the Company or any of its subsidiaries and the Controlling Shareholders (as defined in the Listing Rules) of the Company or any of its subsidiaries.

REVIEW BY THE AUDIT COMMITTEE

The audit committee of the Board has reviewed with the management of the Company the accounting principles and practices adopted by the Group and discussed the auditing, internal control and financial reporting matters in relation to the annual report of the Group for the year ended 31 December 2010.

The audit committee of the Board has reviewed the annual report of the Group for the year ended 31 December 2010.

TAX RELIEF AND EXEMPTION

The Directors are not aware of any tax relief and exemption available to the Shareholders by reason of their holding the Company's securities.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of Cayman Islands, which would oblige the Company to offer new shares on a pro rata basis to existing Shareholders of the Company.

FIVE YEAR SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 4 of the annual report.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained a sufficient public float as required under the Listing Rules as at the latest practicable date prior to the issue of this annual report.

FINAL DIVIDEND

The Board recommends the payment of a final dividend of HK5.0 cents per share for the year ended 31 December 2010. The proposed final dividend will be paid to Shareholders whose names appear on the register of members of the Company on 13 May 2011, if the proposal is approved by the Shareholders at the forthcoming annual general meeting of the Company. It is expected that the final dividend will be paid on or about 19 May 2011.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 11 May 2011 to 13 May 2011 (both days inclusive), during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend for the year ended 31 December 2010 and attending and voting at the forthcoming annual general meeting of the Company, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar and transfer office in Hong Kong, Union Registrars Limited at 18th Floor, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong, for registration not later than 4:00 p.m. on 9 May 2011.

AUDITORS

The Company has appointed KPMG as auditors of the Company for the year ended 31 December 2010. KPMG will retire as the Company's auditors at the end of the forthcoming annual general meeting of the Company and, being eligible, after themselves for re-appointment. A resolution will be proposed for approval by Shareholders at the forthcoming annual general meeting of the Company to re-appoint KPMG as the Company's auditors for the year ending 31 December 2011.

By Order of the Board
China All Access (Holdings) Limited
Mr. Chan Yuen Ming
Chairman

Hong Kong
31 March 2011

The Company is committed to enhancing corporate governance and transparency of the Group by applying the principles and complying with the code provisions of the Code on Corporate Governance Practices (the "CG Code") set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). The Company has complied with the code provisions of the CG Code during the year ended 31 December 2010.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "Model Code") as the code of conduct regarding securities transactions carried out by the directors of the Company (the "Directors"). The Company has made specific enquiry with all the members of the board of directors of the Company (the "Board") of any non-compliance with the Model Code. All Directors confirmed that they have fully complied with the relevant standards stipulated in the Model Code during the year ended 31 December 2010.

BOARD OF DIRECTORS

During the year ended 31 December 2010, the Board comprised six Directors, three of whom are Executive Directors and three are Independent Non-executive Directors.

(A) Composition of the Board

Name of Directors	Other positions in the Company
Executive Directors:	
Mr. Chan Yuen Ming	Chairman
Mr. Shao Kwok Keung	Chief Executive Officer Member of the Remuneration Committee Member of the Nomination Committee
Mr. Gao Hou Ming (Note)	Chief Technology Officer
Independent Non-executive Directors:	
Mr. Pun Yan Chak	Chairman of the Remuneration Committee Member of the Audit Committee
Mr. Wong Che Man Eddy	Chairman of the Audit Committee Member of the Remuneration Committee Member of the Nomination Committee
Mr. Lam Kin Hung Patrick	Chairman of the Nomination Committee Member of the Audit Committee

Note: Mr. Gao Hou Ming resigned as an executive Director and the Chief Technology Officer of the Company on 30 August 2010.

(B) Responsibility of the Board

The Board is responsible for leading the Company by setting the overall strategies and objectives, designing the business development plans, monitoring and controlling its operating and financial performance and making key decisions. The tasks of day-to-day management and operations of the Group are entrusted to the Executive Directors and the senior management who are closely supervised by the Board to ensure compliance with the Company's policy and objectives.

(C) Board meetings and attendance

During the year ended 31 December 2010, the Company held nine Board meetings and the Directors' attendance records are set out below :

Name	Attendance/ Number of meetings held
Mr. Chan Yuen Ming *(Chairman)*	8/9
Mr. Shao Kwok Keung	9/9
Mr. Pun Yan Chak	4/9
Mr. Wong Che Man Eddy	4/9
Mr. Lam Kin Hung Patrick	5/9
Mr. Gao Hou Ming (resigned on 30 August 2010)	0/9

There are no financial, business, family or other material relationships among members of the Board and between the Chairman and the Chief Executive Officer.

(D) Independence of the Independent Non-executive Directors

The Company has received written confirmation from each of the Independent Non-executive Directors regarding his independence with reference to the requirements of Rule 3.13 of the Listing Rules. Based on these confirmations, the Company considers that each of the Independent Non-executive Directors to be independent.

(E) Terms of appointment of the Independent Non-executive Directors

Each of the Independent Non-executive Directors is appointed for an initial term of two years renewable automatically for successive term of one year each commencing from the next day after the expiry of the then current term of his appointment, unless terminated by not less than three months' notice in writing served by either the Company or the relevant Independent Non-executive Director expiring at the end of the initial term or at any time thereafter.

In accordance with the articles of association of the Company (the "Articles of Association"), at each annual general meeting of the Company, at least one third of all the Directors (including the Independent Non-executive Directors) shall retire from office by rotation at least once every three years and the retiring Director shall be eligible for re-election at the annual general meeting of the Company at which he retires.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The roles and duties of the Chairman and Chief Executive Officer (the "CEO") of the Company are segregated and are carried out by different individuals.

The Chairman of the Board, Mr. Chan Yuen Ming, is responsible for the Group's overall business development and strategic planning. Mr. Shao Kwok Keung, CEO of the Company, is responsible for the corporate management of the Company.

BOARD COMMITTEES

In compliance with the Listing Rules and with principles of good corporate governance, the Board has established the Remuneration Committee, the Nomination Committee and the Audit Committee to assist the Board in the overall supervision of the management of the Company.

(A) Remuneration Committee

The Company established the Remuneration Committee of the Board pursuant to a resolution of all Directors passed on 28 August 2009.

The Remuneration Committee comprises three members, namely, Mr. Pun Yan Chak (chairman of the Remuneration Committee and an Independent Non-executive Director), Mr. Wong Che Man Eddy (Independent Non-executive Director) and Mr. Shao Kwok Keung (Executive Director).

The role and function of the Remuneration Committee are set out in its terms of reference. The principal duties of the Remuneration Committee include (1) making recommendations to the Board on the Company's policy and structure for the remuneration of the Directors and the senior management, (2) determination of the remuneration packages of each Executive Director and member of the senior management, (3) ensuring that no Directors or any of their associates are involved in deciding their own remuneration packages and (4) reviewing and approval of performance-based remuneration by reference to corporate goals and objectives and compensation arrangements relating to dismissal or removal of Directors.

During the year ended 31 December 2010, the Remuneration Committee had held two Remuneration Committee meetings and the attendance records are set out below :

Name of Directors	Attendance/ Number of meetings held
Executive Director:	
Mr. Shao Kwok Keung	2/2
Independent Non-executive Directors:	
Mr. Pun Yan Chak (Chairman of the Remuneration Committee)	2/2
Mr. Wong Che Man Eddy	2/2

During the year ended 31 December 2010, the Remuneration Committee had reviewed the remuneration of the Directors and the senior management, and taking into consideration the prevailing market conditions, recommended to the Board that no adjustment to the Company's remuneration policy and structure was required.

(B) Nomination Committee

The Company established the Nomination Committee of the Board pursuant to a resolution of all Directors passed on 28 August 2009.

The Nomination Committee comprises three members, namely, Mr. Lam Kin Hung Patrick (chairman of the Nomination Committee and an Independent Non-executive Director), Mr. Wong Che Man Eddy (Independent Non-executive Director) and Mr. Shao Kwok Keung (Executive Director).

The role and function of the Nomination Committee are set out in its terms of reference. The principal duties of the Nomination Committee include (1) reviewing the structure, size and composition of the Board on a regular basis, (2) identifying suitably qualified candidates for directorship, (3) making recommendations to the Board on the selection of nominated individuals for directorship and matters related to appointment or re-appointment of Directors, (4) assessing the independence of the Independent Non-executive Directors and (5) succession planning for Directors.

The Nomination Committee follows a set of procedures when recommending candidates for the directorship. The following criteria are considered in selecting a candidate :

- Integrity, objectivity, and intelligence of the person, with reputations for sound judgment and open mind, and a demonstrated capacity for thoughtful group decision-making;
- Qualification and career experience; and
- Understanding of the Company and its corporate mission

When a candidate is proposed for a directorship, he or she shall be evaluated on the basis of the criteria set out in the procedures mentioned above. Selection of the suitable candidate is based on a majority vote. Each committee member will be asked to express his or her view before voting. After the voting, the chairman of the Nomination Committee will report its recommendations to the Board. During the year ended 31 December 2010, no director was appointed.

During the year ended 31 December 2010, the Nomination Committee had held two Nomination Committee meetings. The attendance records are set out below :

Name of Directors	Attendance/ Number of meetings held
Executive Director :	
Mr. Shao Kwok Keung	2/2
Independent Non-executive Directors :	
Mr. Lam Kin Hung Patrick *(Chairman of the Nomination Committee)*	2/2
Mr. Wong Che Man Eddy	2/2

During the year ended 31 December 2010, the Nomination Committee had reviewed the structure, size and composition of the Board and the Board committees. Taking into account the business development of the Group and the respective duties, responsibilities and qualifications of each of the Directors, the Nomination Committee recommended to the Board that no changes to the current structure, size and composition of the Board and the Board committees were needed.

(C) Audit Committee

The Company established the Audit Committee of the Board pursuant to a resolution of all Directors passed on 28 August 2009.

The Audit Committee comprises three members, all being Independent Non-executive Directors, namely, Mr. Wong Che Man Eddy (chairman of the Audit Committee), Mr. Pun Yan Chak and Mr. Lam Kin Hung Patrick.

The role and function of the Audit Committee are set out in its terms of reference. The principal duties of the Audit Committee include :

On external audit :

- Make recommendations to the Board on appointment, reappointment and removal of the external auditor and approve the remuneration and terms of engagement of the external auditor;
- Review and monitor the external auditor's independence as well as the objectives and effectiveness of the audit process in accordance with applicable standards;
- Discuss with the external auditor before the audit commences the nature and scope of the audit and reporting obligations and ensure co-ordination where more than one audit firm is involved; and
- Develop and implement policy on the engagement of the external auditor to provide non-audit services.

On financial information of the Company :

- Monitor integrity of the interim and annual financial statements and interim and annual reports and accounts, and review significant financial reporting judgments contained therein before submission to the Board, with a focus on the fairness and reasonableness of any connected transaction:
- Review the Group's financial and accounting policies and practices;
- Review external auditor's management letter, any material queries raised by the auditor to the management in respect of accounting records, financial accounts or system of control and management response;
- Consider any significant or unusual items that are, or may need to be, reflected in the interim and annual reports and accounts and give due consideration to any matters that have been raised by the Board; and
- Meet with the external auditor of the Company at least once a year, and to discuss any problems or reservations arising from the interim and final audits, and any matters the auditors my wish to discuss (in the absence of the management where necessary).

On internal control and risk management :

- Review the Group's financial controls and its internal control and risk management system;
- Discuss with management the system of internal control and ensure that management has discharged its duty to have an effective internal control system including the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function, and its training programmes and budget;
- Consider any findings of major investigation of internal control matters as delegated by the Board or on its own initiative and management's responses thereto;
- Ensure co-ordination between the internal and external auditors and that the internal audit function is adequately resourced and has appropriate standing within the Group; and
- Report to the Board on the matters raised in the CG Code.

During the year ended 31 December 2010, the Audit Committee held four Audit Committee meetings and the attendance records are set out below :

Name of Directors	Attendance/ Number of meetings held
Independent Non-executive Directors :	
Mr. Wong Che Man Eddy (Chairman of the Audit Committee)	4/4
Mr. Pun Yan Chak	4/4
Mr. Lam Kin Hung Patrick	4/4

During the year ended 31 December 2010, the Audit Committee had considered, reviewed, discussed and approved :

1. the auditing and financial reporting matters of the Company; and
2. the interim financial results of the Group.

AUDITORS' REMUNERATION

For the year ended 31 December 2010, the fees for audit and audit-related services rendered by Messrs. KPMG were as follows:

Audit and audit-related Services	Fees (HK$'000)
– Audit of the consolidated financial statements for the year ended 31 December 2009	1,344
– Audit of the consolidated financial statements for the year ended 31 December 2010	1,850
– Review of the interim report for the six months ended 30 June 2010	538
	3,732

INTERNAL CONTROL

The Board acknowledges its responsibility for maintaining a sound and effective internal control system for the Company to safeguard the investments of the Shareholders and assets of the Company at all times.

The Board has conducted a review on the internal control system of the Group for the financial year ended 31 December 2010, details of which are set forth below :

(A) Internal control system

The internal control system aims to help achieve the Group's business objectives, safeguard assets and maintain proper accounting records for the provision of reliable financial information. The system is designed to provide reasonable, but not absolute, assurance against material misstatement in the financial statements or loss of assets and to manage rather than eliminate risks of failure when business objectives are being sought.

The following key processes have been adopted by the Board in reviewing the adequacy and integrity of the internal control system for the Group :

(1) monitoring mechanisms and corporate culture

There are periodic meetings of the Board attended by the Directors. The Board Committees and the management of the Company represent the main platform by which the Company's performance and behaviour are monitored. The day-to-day business operations are entrusted to the CEO and the management team. Under the supervision of the CEO, the heads of all departments are empowered with the responsibilities to manage their respective operations.

The Board is responsible for setting the business direction and for overseeing the Group's operations with the aid of the various Board committees.

(2) enterprise risk management framework

The Board recognises that an effective risk management framework will allow the Group to identify, evaluate and manage the risks that affect the achievement of the Group's objectives within defined risk parameters in a timely and effective manner.

The management of the Group is responsible for identifying the risks affecting the Group and evaluating the effectiveness of the existing controls to determine whether mitigation actions have to be formulated accordingly. It conducts regular internal meetings to exchange views between the management team members on any issues which may give rise to external risks and internal risks. Upon identification of any risk, it formulates action plan and assigns responsible person to execute the plan. In addition, it is obliged to report to the Board on the progress and the result of all matters relating to the risks identified by the management.

(B) Internal audit

The Group's internal audit function is outsourced to a professional internal audit service provider and this ensures that the outsourced internal auditor is independent and has no involvement in the operations of the Group. The outsourced internal auditor, responsible for the review and appraisal on the effectiveness of risk management, internal control and corporate governance processes of the Group, reports directly to the Audit Committee.

The Audit Committee has full and direct access to the outsourced internal auditor, reviews the reports on all audits performed and monitors the audit performance. The Audit Committee also reviews the adequacy of the scope, functions, competency and resources of the outsourced internal audit functions.

The outsourced internal auditor will carry out internal audits on various operating units within the Group based on the audit plan approved by the Audit Committee. Based on these audits, the outsourced internal auditors will provide the Audit Committee with reports highlighting observations, recommendations and management action plans to improve the internal control system.

(C) Weaknesses in the internal control system that result in material losses

There were no material losses incurred during the financial year under review as a result of weaknesses in internal control. The management will continue to take adequate measures to strengthen the control environment in which the Company operates.

The improvement of internal control system is an on-going process and the Board maintains an on-going commitment to strengthen the Group's control environment and processes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Each of the Directors understands and acknowledges his responsibility for the preparation of financial statements that give a true and fair view in accordance with the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements Hong Kong Companies Ordinance, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. The statement of auditors about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report set out on page 39 of this annual report.

COMPLIANCE AND ENFORCEMENT OF THE NON-COMPETE UNDERTAKING FROM CONTROLLING SHAREHOLDERS

None of the Directors or substantial Shareholders of the Company or any of their respective associates has engaged in any business that competes or may compete with the business of the Group.

To protect our Group from potential competition, Mr. Chan Yuen Ming and Creative Sector Limited, being controlling Shareholders of the Company (the "Controlling Shareholders"), have given an irrevocable non-compete undertaking (the "Non-compete Undertaking") in favour of the Group on 28 August 2009 pursuant to which each of the Controlling Shareholders has, among other matters, irrevocably and unconditionally undertaken with of the Group on a joint and several basis that each of the Controlling Shareholders shall, and shall procure that their respective associates (other than the Group) shall, among other matters, not to, directly or indirectly, invest in, be engaged in or participate in any business or activity which would or might compete with the business of the Group. Details of the Non-compete Undertaking have been set out in the sub-paragraph headed "Non-Compete Undertaking" of the paragraph headed "Continuing Connected Transactions" under the section headed "Our relationship with SkyComm Group and our Controlling Shareholders" of the prospectus of the Company dated 4 September 2009 in respect of its initial public offering.

The Company has received the annual confirmations from each of the Controlling Shareholders in respect of their respective compliance with the terms of the Non-compete Undertaking.

In order to properly manage any potential or actual conflict of interests between us and the Controlling Shareholders in relation to the compliance and enforcement of the Non-compete Undertaking, we have adopted the following corporate governance measures :

a) the Independent Non-executive Directors shall review, at least on an annual basis, the compliance with and enforcement of the terms of the Non-compete Undertaking by the Controlling Shareholders;

b) we will disclose any decisions on matters reviewed by the Independent Non-executive Directors relating to compliance and enforcement of the non-compete undertaking either through our annual report or by way of announcement;

c) we will disclose in the corporate governance report of our annual report on how the terms of the Non-compete Undertaking have been complied with and enforced; and

d) in the event that any of the Directors and/or their respective associates has material interest in any matter to be deliberated by the Board in relation to the compliance and enforcement of the Non-compete Undertaking, he/she may not vote on the resolutions of the Board approving the matter and shall not be counted towards the quorum for the voting pursuant to the applicable provisions in our Articles of Association.

The Directors consider that the above corporate governance measures are sufficient to manage any potential conflict of interests between the Controlling Shareholders and their respective associates and the Group and to protect the interests of the Shareholders, in particular, the minority Shareholders.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF CHINA ALL ACCESS (HOLDINGS) LIMITED

(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of China All Access (Holdings) Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 41 to 122, which comprise the consolidated and company balance sheets as at 31 December 2010, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2010 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong
31 March 2011

CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2010
(Expressed in Renminbi)

	Note	2010 RMB'000	2009 RMB'000
Revenue	4	**500,935**	324,314
Cost of sales		**(290,036)**	(180,381)
Gross profit		**210,899**	143,933
Other revenue	6	**3,629**	2,035
Other net income	6	**2,665**	154
Distribution costs		**(6,321)**	(1,729)
Administrative expenses		**(34,393)**	(29,016)
Profit from operations		**176,479**	115,377
Finance costs	7(a)	**(390)**	(4,674)
Share of losses of associate		**(467)**	—
Profit before taxation	7	**175,622**	110,703
Income tax	8(a)	**(22,646)**	(12,779)
Profit for the year		**152,976**	97,924
Attributable to:			
Equity shareholders of the Company	11	**153,211**	97,924
Non-controlling interests		**(235)**	—
Profit for the year		**152,976**	97,924
Earnings per share	12		
Basic (RMB)		**0.148**	0.117
Diluted (RMB)		**0.147**	0.116

The notes on pages 49 to 122 form part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2010
(Expressed in Renminbi)

	2010	2009
	RMB'000	*RMB'000*
Profit for the year	**152,976**	97,924
Other comprehensive income for the year:		
Exchange differences on translation of financial statements of subsidiaries outside The People's Republic of China (the "PRC"), net of nil tax	**(3,069)**	(1,094)
Total comprehensive income for the year	**149,907**	96,830
Attributable to:		
Equity shareholders of the Company	**150,142**	96,830
Non-controlling interests	**(235)**	—
Total comprehensive income for the year	**149,907**	96,830

The notes on pages 49 to 122 form part of these financial statements.

CONSOLIDATED BALANCE SHEET

at 31 December 2010
(Expressed in Renminbi)

	Note	2010	2009
		RMB'000	*RMB'000*
Non-current assets			
Property, plant and equipment	13	**69,879**	48,247
Intangible assets	14	**2,070**	—
Goodwill	15	**367**	—
Interest in an associate	17	**20,632**	—
Trade and other receivables	19	**57,052**	53,911
Deferred tax assets	23(b)	**310**	—
		150,310	102,158
Current assets			
Inventories	18	**26,337**	8,395
Trade and other receivables	19	**309,693**	130,948
Banks deposits with original maturities over three months		**—**	68,000
Cash and cash equivalents	20	**557,294**	465,200
		893,324	672,543
Current liabilities			
Trade and other payables	21	**141,201**	38,293
Bank loans	22	**724**	—
Income tax payable	23(a)	**23,088**	9,045
		165,013	47,338
Net current assets		**728,311**	625,205
Total assets less current liabilities		**878,621**	727,363

CONSOLIDATED BALANCE SHEET

at 31 December 2010
(Expressed in Renminbi)

	Note	2010	2009
		RMB'000	*RMB'000*
Non-current liabilities			
Bank loans	22	**13,989**	—
Deferred tax liabilities	23(b)	**8,245**	8,896
		22,234	8,896
NET ASSETS		**856,387**	718,467
CAPITAL AND RESERVES	26		
Share capital		**9,141**	9,141
Reserves		**845,397**	709,326
Total equity attributable to equity shareholders of the Company		**854,538**	718,467
Non-controlling interests		**1,849**	—
TOTAL EQUITY		**856,387**	718,467

Approved and authorised for issue by the board of directors on 31 March 2011.

Mr. Chan Yuen Ming
Chairman

Mr. Shao Kwok Keung
Chief Executive Officer

The notes on pages 49 to 122 form part of these financial statements.

BALANCE SHEET

at 31 December 2010
(Expressed in Renminbi)

	Note	2010 RMB'000	2009 RMB'000
Non-current assets			
Interests in subsidiaries	16	**423,383**	444,943
Current assets			
Receivables, prepayments and deposits	19	**316**	257
Cash and cash equivalents	20	**420**	276
		736	533
Current liabilities			
Other payables and accruals	21	**3,871**	—
Income tax payable	23(a)	**32**	—
		3,903	—
Net current (liabilities)/assets		**(3,167)**	533
NET ASSETS		**420,216**	445,476
CAPITAL AND RESERVES	26		
Share capital		**9,141**	9,141
Reserves		**411,075**	436,335
TOTAL EQUITY		**420,216**	445,476

Approved and authorised for issue by the board of directors on 31 March 2011.

Mr. Chan Yuen Ming
Chairman

Mr. Shao Kwok Keung
Chief Executive Officer

The notes on pages 49 to 122 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2010
(Expressed in Renminbi)

		Attributable to equity shareholders of the Company											
	Note	Share capital RMB'000 26(c)	Share premium RMB'000 26(d)(i)	Contributed surplus RMB'000 26(d)(ii)	Capital reserve RMB'000 26(d)(iii)	Statutory general reserve RMB'000 26(d)(iv)	Translation reserve RMB'000 26(d)(v)	Merger reserve RMB'000 26(d)(vi)	Share-based compensation reserve RMB'000 26(d)(vii)	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2009		73	—	—	82,603	13,139	2,939	(84,141)	—	127,066	141,679	—	141,679
Changes in equity for 2009:													
Profit for the year		—	—	—	—	—	—	—	—	97,924	97,924	—	97,924
Other comprehensive income		—	—	—	—	—	(1,094)	—	—	—	(1,094)	—	(1,094)
Total comprehensive income		—	—	—	—	—	(1,094)	—	—	97,924	96,830	—	96,830
Repayment of convertible notes		—	—	—	(297)	—	—	—	—	—	(297)	—	(297)
Arising from the Reorganisation	26(d)(viii)	(73)	—	164,155	(80,643)	(13,139)	(3,214)	84,141	—	(151,227)	—	—	—
Issuance of shares arising from the Reorganisation	26(c)(ii)	18	51	—	—	—	—	—	—	—	69	—	69
Capitalisation issue	26(c)(iii)	6,590	(6,590)	—	—	—	—	—	—	—	—	—	—
Issuance of shares for placing and initial public offering	26(c)(iv)	2,533	402,721	—	—	—	—	—	—	—	405,254	—	405,254
Share issue costs		—	(38,990)	—	—	—	—	—	—	—	(38,990)	—	(38,990)
Conversion of convertible notes and fixed coupon note		—	—	—	113,922	—	—	—	—	—	113,922	—	113,922
Appropriation of reserve		—	—	—	—	10,690	—	—	—	(10,690)	—	—	—
Balance at 31 December 2009		9,141	357,192	164,155	115,585	10,690	(1,369)	—	—	63,073	718,467	—	718,467

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2010
(Expressed in Renminbi)

	Note	Attributable to equity shareholders of the Company											
		Share capital	Share premium	Contributed surplus	Capital reserve	Statutory general reserve	Translation reserve	Merger reserve	Share-based compensation reserve	Retained profits	Total	Non-controlling interests	Total equity
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note	26(c)	26(d)(i)	26(d)(ii)	26(d)(iii)	26(d)(iv)	26(d)(v)	26(d)(vi)	26(d)(vii)				
Balance at 1 January 2010		9,141	357,192	164,155	115,585	10,690	(1,369)	–	–	63,073	718,467	–	718,467
Changes in equity for 2010:													
Profit for the year		–	–	–	–	–	–	–	–	153,211	153,211	(235)	152,976
Other comprehensive income		–	–	–	–	–	(3,069)	–	–	–	(3,069)	–	(3,069)
Total comprehensive income		–	–	–	–	–	(3,069)	–	–	153,211	150,142	(235)	149,907
Non-controlling interests arising from business combination		–	–	–	–	–	–	–	–	–	–	1,755	1,755
Loss on acquisition of non-controlling interests	25(b)	–	–	–	–	–	–	–	–	(329)	(329)	329	–
Appropriation of reserve		–	–	–	–	15,972	–	–	–	(15,972)	–	–	–
Equity-settled share-based transactions		–	–	–	–	–	–	–	4,273	–	4,273	–	4,273
Dividends approved in respect of the previous year	26(b)	–	(9,094)	–	–	–	–	–	–	–	(9,094)	–	(9,094)
Dividend declared and paid in respect of the current year	26(b)	–	(8,921)	–	–	–	–	–	–	–	(8,921)	–	(8,921)
Balance at 31 December 2010		9,141	339,177	164,155	115,585	26,662	(4,438)	–	4,273	199,983	854,538	1,849	856,387

The notes on pages 49 to 122 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2010
(Expressed in Renminbi)

	Note	2010 RMB'000	2009 RMB'000
Operating activities			
Cash generated from operations	20(b)	**92,119**	39,014
Tax paid:			
- PRC income tax paid		**(10,073)**	(948)
Net cash generated from operating activities		**82,046**	38,066
Investing activities			
Payment for the purchase of property, plant and equipment		**(33,766)**	(1,522)
Proceeds from sales of property, plant and equipment		**—**	17
Net cash outflow in respect of the acquisition of subsidiaries		**(21,098)**	—
Interest received		**2,145**	780
Placement of deposits with banks with original maturities over three months		**—**	(68,000)
Decrease in deposits with banks with original maturities over three months		**68,000**	—
Net cash generated from/(used in) investing activities		**15,281**	(68,725)
Financing activities			
Proceeds from new bank loans		**15,672**	—
Repayment of bank loans		**(603)**	(28,478)
Repayment of convertible notes		**—**	(8,848)
Decrease in amount due to a shareholder		**—**	(4,994)
Proceeds from issuance of shares for placing and initial public offering		**—**	405,254
Share issue costs		**—**	(38,990)
Interest paid		**(722)**	(2,796)
Dividends paid to equity shareholders of the Company		**(18,015)**	—
Net cash (used in)/generated from financing activities		**(3,668)**	321,148
Net increase in cash and cash equivalents		**93,659**	290,489
Cash and cash equivalents at 1 January	20(a)	**465,200**	174,711
Effect of foreign exchange rate changes		**(1,565)**	—
Cash and cash equivalents at 31 December	20(a)	**557,294**	465,200

The notes on pages 49 to 122 form part of these financial statements.

1 REPORTING ENTITY AND CORPORATE REORGANISATION

China All Access (Holdings) Limited (the "Company") was incorporated in the Cayman Islands on 4 December 2007 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 33 of 1961, as consolidated and revised) of the Cayman Islands.

Pursuant to a reorganisation (the "Reorganisation") of the Company and its subsidiaries (collectively referred to as the "Group") to rationalise the group structure for the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of the Group on 28 August 2009. Details of the Reorganisation are set out in the Company's prospectus dated 4 September 2009 (the "Prospectus"). The Company's shares were listed on the Stock Exchange on 16 September 2009.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange. A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2010 comprise the Group and the Group's interest in an associate.

The consolidated financial statements are presented in Renminbi ("RMB"), which is the functional currency of the Group's major subsidiaries. The financial statements presented in RMB have been rounded to the nearest thousands. The measurement basis used in the preparation of the financial statements is the historical cost basis.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by the management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are disclosed in note 30.

(c) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests (previously known as "minority interests") represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary's net identifiable assets.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Subsidiaries and non-controlling interests *(Continued)*

Non-controlling interests are presented in the consolidated balance sheet within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated income statement and the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

In the Company's balance sheet, an investment in a subsidiary is stated at cost less impairment losses (see note 2(i)(i)).

(d) Associate

An associate is an entity in which the Group has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post-acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see notes 2(e) and 2(i)(i)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated income statement, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of comprehensive income.

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate.

Unrealised profits and losses resulting from transactions between the Group and its associate are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Goodwill

Goodwill represents the excess of:

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 2(i)(ii)).

(f) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses (see note 2(i)(ii)).

Cost includes expenditures that are directly attributable to the acquisition of an asset. The cost of self constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Capitalisation of these costs ceases and the construction in progress is transferred to property, plant and equipment when all of the activities necessary to prepare the assets for their intended use are substantially complete. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major component) of property, plant and equipment.

Gains and losses on disposals of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised net within other net income in profit or loss.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Property, plant and equipment *(Continued)*

(ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis after taking into account their estimated residual values over the estimated useful lives of each part of an item of property, plant and equipment. The estimated useful lives of property, plant and equipment are as follows:

— Buildings held for own use carried at cost situated on leasehold land are depreciated over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 50 years after the date of completion

—	Electronic equipment	5 years
—	Office equipment	5 years
—	Computer software	5 years
—	Motor vehicles	5 years

No depreciation is provided in respect of construction in progress until it is substantially completed and ready for its intended use. Upon completion and commissioning for operation, depreciation will be provided at the appropriate rates specified above.

Depreciation methods, useful lives of assets and residual values, if any, are reviewed annually.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Intangible assets (other than goodwill)

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 2(i)(ii)).

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources and the intention to complete development. The expenditure capitalised includes the costs of materials, direct labour, and an appropriate proportion of overheads and borrowing costs, where applicable. Capitalised development costs are stated at cost less accumulated amortisation and impairment losses (see note 2(i)(ii)). Other development expenditure is recognised as an expense in the period in which it is incurred. Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 2(i)(ii)). Expenditure on internally generated goodwill and brands is recognised as an expense in the period in which it is incurred.

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

— Multimedia satellite transmission network technology 5 years

Both the period and method of amortisation are reviewed annually.

Intangible assets are not amortised while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortisation of intangible assets with finite lives as set out above.

(h) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Impairment of assets

(i) Impairment of investment in subsidiaries, associate and trade and other receivables

Investment in subsidiaries, associate and trade and other receivables and other financial assets carried at cost or amortised cost are reviewed at the end of each balance sheet date to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

— significant financial difficulty of the debtor;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

If any such evidence exists, any impairment loss is determined and recognised as follows:

— For investment in subsidiaries and associate recognised using the equity method (see note 2(d)), the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 2(i)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 2(i)(ii).

— For trade and other receivables and other financial assets carried at cost, the impairment loss is measured as the difference between the carrying amount of the asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Impairment of assets *(Continued)*

(i) Impairment of investment in subsidiaries, associate and trade and other receivables *(Continued)*

— For trade and other receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of the assets), where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Impairment of assets *(Continued)*

(ii) Impairment of other assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

— Property, plant and equipment;

— Intangible assets; and

— Goodwill.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill and intangible assets that are not yet available for use, the recoverable amount is estimated annually whether or not there is any indication of impairment.

— Calculations of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash flows independently (i.e. a cash-generating unit).

— Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Impairment of assets *(Continued)*

(ii) Impairment of other assets *(Continued)*

— Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the period in which the reversals are recognised.

(iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange, the Group is required to prepare an interim financial report in compliance with HKAS 34, Interim financial reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see note 2(i)(i) and 2(i)(ii)).

Impairment losses recognised in an interim period in respect of goodwill are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Deferred costs incurred on a project which has not been completed as completion or inspection certificates have not been issued are classified as inventories. The deferred costs are charged to cost of sales in the same period that the revenue of which the project is related to is recognised.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(k) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment of doubtful debts (see note 2(i)(i)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(l) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(m) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(n) Trade and other payables

Trade and other payables are initially recognised at fair value and are thereafter stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(o) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution plans and the cost of non-monetary benefits are accrued in the period in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Defined benefit retirement plan obligations

Pursuant to the relevant laws and regulations in the PRC, the Group has joined a defined contribution retirement plan for its employees administered by the local government authorities. The Group makes contributions to the retirement scheme at the applicable rate based on the employees' salaries. The contributions are charged to profit or loss on an accrual basis. After the payment of the contributions under the retirement plan, the Group does not have any other obligations in this respect.

(iii) Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in the share-based compensation reserve within equity. The fair value is measured at grant date using the Binomial Option Pricing model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the share options, the total estimated fair value of the share options is spread over the vesting period, taking into account the probability that the share options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to profit or loss for the period of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the share-based compensation reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of share options that vest (with a corresponding adjustment to the share-based compensation reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the share-based compensation reserve until either the share option is exercised (in which case it is transferred to the share premium) or the share option expires (in which case it is released directly to retained profits).

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(p) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(p) Income tax *(Continued)*

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profit will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

— in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

— in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  — the same taxable entity; or

  — different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(q) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Company or the Group issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

Where the guarantee is issued by the Company in respect of the bank facilities granted to its subsidiaries, the asset identified is a form of capital contribution, i.e. an addition to the cost of investment in the subsidiary.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 2(q)(ii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Company or the Group under the guarantee, and (ii) the amount of that claim on the Company or the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

(ii) Provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligations and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(r) Revenue recognition

Revenue is measured at the fair value of the consideration received and receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sales of goods

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances and trade discounts. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

(ii) Integrated system revenue

Integrated system revenue in respect of a turnkey project is recognised upon completion of each of the separately specified stages of the project provided that the customer has issued an inspection certificate to indicate its acceptance of the services and works provided.

(iii) Applications service income

Revenue from system operation management, application upgrade and system maintenance services is recognised once the relevant service has been rendered to customers.

(iv) Interest income

Interest income is recognised as it accrues using the effective interest method.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(s) Translation of foreign currencies

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity ("functional currency").

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates.

The results of foreign operations are translated into Renminbi at the exchange rates approximating the foreign exchange rates ruling at the date of the transactions. Balance sheet items are translated into Renminbi at the closing foreign exchange rates at the balance sheet date. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the translation reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(t) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(u) Related parties

For the purposes of these financial statements, a party is considered to be related to the Group if:

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

(ii) the Group and the party are subject to common control;

(iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;

(iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

(v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

(vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

(v) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued two revised HKFRSs, a number of amendments to HKFRSs and two new interpretations that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

— HKFRS 3 (revised 2008), *Business combinations*

— Amendments to HKAS 27, *Consolidated and separate financial statements*

— Improvements to HKFRSs (2009)

— Interpretation 5, *Presentation of financial statements - classification by the borrower of a term loan that contains a repayment on demand clause*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

The amendments introduced by the Improvements to HKFRSs (2009) and Interpretation 5 have had no material impact on the Group's financial statements as the amendments and the interpretation's conclusions were consistent with policies already adopted by the Group. The other developments resulted in changes in accounting policy but none of these changes in policy have had a material impact on the current or comparative periods, for the following reasons:

— HKFRS 3 is applied prospectively from 1 January 2010, such amendments have been applied to the business combinations (see note 25) that occurred during the current period but have not had a material impact on the Group's financial statements for the current accounting period as the transaction costs incurred by the Group in connection with the business combination were not material.

— The amendments to HKAS 27 are applied prospectively from 1 January 2010, such amendments have been applied to the allocation of losses to non-controlling interests (previously known as minority interests) but have no impact as there are no losses allocated to non-controlling interests in excess of their equity interest in the current period.

4 REVENUE

The principal activities of the Group are the provision of satellite communication application solutions and services, wireless data communication application solutions and services and call centre application solutions and services. These solutions consist of project design, sourcing terminals from external suppliers, designing applications pursuant to customer specifications, installation and testing, and application service provision including system operations management, application upgrade and system maintenance. The businesses of satellite communication solutions and services and wireless data communication solutions and services also include distribution of terminals and equipment.

Revenue which represents the sales value of goods sold to customers excludes value added tax or other sales taxes and is after allowances for goods returned and deduction of any trade discounts. The amount of each significant category of revenue recognised during the year presented is as follows:

	2010	2009
	RMB'000	*RMB'000*
Provision of satellite communication application solutions and services	**233,609**	153,159
Provision of wireless data communication application solutions and services	**262,801**	166,856
Provision of call centre application solutions and services	**4,525**	4,299
	500,935	324,314

5 SEGMENT REPORTING

The Group manages its businesses by divisions which are organised by business lines. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following three reportable segments. No operating segments have been aggregated to form the following reportable segments.

— Provision of satellite communication application solutions and services: including system design, installation, testing, software development, provision of application services for satellite communication, as well as distribution of satellite receivers and equipment.

— Provision of wireless data communication application solutions and services: including system design, installation, testing, software development, provision of application services for wireless data communication, as well as distribution of wireless terminals and equipment.

— Provision of call centre application solutions and services: including software development, technical support, and quality control for call centres.

(a) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resource between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible assets, intangible assets and current assets with the exception of goodwill, interest in an associate, deferred tax assets, other corporate assets and certain communication equipment which is jointly used by all reportable segments. Segment liabilities include trade creditors and accruals attributable to the activities of the individual segments.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments. However, assistance provided by one segment to another, including sharing of assets, is not measured.

The measure used for reporting segment profit is "segment operating profit". Segment operating profit includes the gross profit generated by the segment and certain administration and other income or expenses directly attributable to the segment. Items that are not specifically attributed to individual segments, such as unallocated finance costs, depreciation of certain communication equipment, other corporate administration costs and share of losses of associate, are excluded from segment operating profits.

5 SEGMENT REPORTING *(Continued)*

(a) Segment results, assets and liabilities *(Continued)*

In addition to receiving segment information concerning profit before taxation, management is provided with segment information concerning revenue, depreciation and additions to non-current segment assets used by the segments in their operations.

	Provision of satellite communication application solutions and services		Provision of wireless data communication application solutions and services		Provision of call centre application solutions and services		Total	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Revenue from external customers (Note)	**233,609**	153,159	**262,801**	166,856	**4,525**	4,299	**500,935**	324,314
Segment operating profit	**92,023**	66,861	**116,478**	83,102	**2,908**	2,559	**211,409**	152,522
Depreciation and amortisation for the year	**308**	245	**52**	74	**698**	639	**1,058**	958
Reportable segment assets	**135,774**	67,487	**225,986**	108,215	**1,394**	3,188	**363,154**	178,890
Additions to non-current segment assets during the year	**215**	72	**57**	49	**274**	147	**546**	268
Reportable segment liabilities	**90,240**	13,266	**9,210**	1,043	**—**	—	**99,450**	14,309

5 SEGMENT REPORTING *(Continued)*

(a) Segment results, assets and liabilities *(Continued)*

Note: Major customers

Revenue of customers, including individual customers whom are known to the Group subject to common control, amounting to 10 percent or more of the Group's revenue are set out below:

	Provision of satellite communication application solutions and services		Provision of wireless data communication application solutions and services		Total	
	2010	2009	**2010**	2009	**2010**	2009
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Customer A	**—**	32,276	**—**	19,203	**—**	51,479

Further details of concentration of credit risk arising from these customers are set out in note 30(a)

5 SEGMENT REPORTING *(Continued)*

(b) Reconciliation of reportable segment operating profit, assets and liabilities

	2010 RMB'000	2009 RMB'000
Profit		
Reportable segment operating profit derived from the Group's external customers	211,409	152,522
Other revenue	3,629	2,035
Other net income	2,665	154
Depreciation and amortisation	(10,506)	(9,761)
Share of losses of associate	(467)	—
Finance costs	(390)	(4,674)
Unallocated head office and corporate expenses	(30,718)	(29,573)
Consolidated profit before taxation	175,622	110,703
Assets		
Reportable segment assets	363,154	178,890
Unallocated head office and corporate assets	680,480	595,811
Consolidated total assets	1,043,634	774,701
Liabilities		
Reportable segment liabilities	99,450	14,309
Unallocated head office and corporate liabilities	87,797	41,925
Consolidated total liabilities	187,247	56,234

Unallocated head office and corporate expenses mainly include directors' and auditors' remuneration, consultancy fees, other corporate administration costs which are not specifically attributable to individual segments.

Unallocated head office and corporate assets mainly include cash and cash equivalents, goodwill, intangible assets, interest in an associate, prepayments and deposits, property, plant and equipment, and deferred tax assets which are not specifically attributable to individual segments.

Unallocated head office and corporate liabilities mainly include bank loans, value-added tax payable income tax payable and deferred tax liabilities which are not specifically attributable to individual segments.

5 SEGMENT REPORTING *(Continued)*

(b) Reconciliation of reportable segment operating profit, assets and liabilities *(Continued)*

Geographical segments

Substantially all the Group's activities are based in the PRC and all of the Group's turnover and assets are derived from and located in the PRC for both the current and prior years.

6 OTHER REVENUE AND NET INCOME

	2010 *RMB'000*	2009 *RMB'000*
Other revenue		
Interest income from non-current trade and other receivables	**1,484**	1,059
Gain on early repayment of convertible notes	**—**	196
Bank interest income	**2,145**	780
	3,629	2,035
Other net income		
Net exchange gain/(loss)	**2,677**	(9)
Loss on disposal of property, plant and equipment	**(7)**	(14)
Others	**(5)**	177
	2,665	154

7 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

	2010	2009
	RMB'000	*RMB'000*
(a) Finance costs		
Interests on borrowings wholly repayable within five years	**—**	4,599
Interests on other borrowings	**331**	—
Other finance costs	**59**	75
	390	4,674
(b) Staff costs		
Salaries, wages and other benefits	**17,999**	12,314
Contributions to defined contribution retirement plans	**1,441**	695
Equity-settled share-based compensation	**4,273**	—
	23,713	13,009

As stipulated by the regulations in the PRC, the Group is required to participate in employee pension schemes organised by the PRC government whereby the Group is required to pay annual contributions at a rate of 20% to 22% (2009: 20%) of the standard wages determined by the relevant authorities in the PRC during the year. Contributions to these retirement schemes vest immediately.

The Group also operates a Mandatory Provident Fund Scheme ("the MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$20,000. Contributions to the plan vest immediately.

Save for the above, the Group has no other obligation for payment of retirement benefits beyond the contributions.

7 PROFIT BEFORE TAXATION *(Continued)*

	2010	2009
	RMB'000	*RMB'000*
(c) Other items		
Cost of inventories (note 18(b))	**266,680**	164,309
Depreciation of property, plant and machinery	**11,564**	10,719
Impairment loss on trade and other receivables	**175**	586
Reversal of impairment loss on trade and other receivables	**(95)**	(398)
Auditors' remuneration	**3,482**	626
Operating lease charges	**1,814**	1,679
Listing expenses	**—**	10,816

8 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

The Company and China All Access Group Limited ("CAA BVI") are incorporated in the Cayman Islands and the British Virgin Islands ("BVI"), respectively. They are not subject to tax on income or capital gains under the current laws of the respective jurisdictions in the Cayman Islands and the BVI. In addition, upon any payment of dividend by the Company or CAA BVI, no Cayman Islands and BVI withholding tax is imposed.

The Company and CAA BVI are recognised as Hong Kong tax resident enterprises, hence they are subject to Hong Kong Profits Tax with the standard Hong Kong Profits Tax rate of 16.5%. No Hong Kong Profits Tax provision for All Access Global Limited ("CAA HK") has been made as it either sustained adjusted tax losses or did not have assessable profits subject to Hong Kong Profits Tax during the current and prior years.

Hebei Noter Communication Technology Co., Ltd. ("Hebei Noter"), being a foreign invested production oriented enterprise established in Hebei Province on 21 August 2006, was granted a full exemption from income tax for two years followed by a 50% exemption from PRC Corporate Income Tax ("CIT") for three years starting from its first profit-making year (the "2+3 tax holiday"). Therefore, the PRC CIT rate of Hebei Noter was both 12.5% in 2009 and 2010.

Other PRC subsidiaries of the Group are subject to standard PRC CIT rate of 25%.

8 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT *(Continued)*

(a) Taxation in the consolidated income statement represents:

	2010 *RMB'000*	2009 *RMB'000*
Current tax - Hong Kong Profits Tax		
Provision for the year	**421**	—
Current tax - PRC corporate income tax		
Provision for the year	**23,703**	9,993
Over-provision in respect of prior years (note)	**—**	(4,372)
	23,703	5,621
	24,124	5,621
Deferred tax		
Origination and reversal of temporary differences	**(1,478)**	7,158
	22,646	12,779

Note: Hebei Noter was established in the second half of 2006 and elected to start its 2+3 tax holiday in 2007 in accordance with the relevant tax regulations. As such, it was subjected to income tax at 27% for 2006 and accordingly an income tax of RMB4,372,000 was provided for in 2006. Based on local practice, the local tax bureau allowed Hebei Noter to settle its 2006 income tax liability after the Group was listed. On 1 December 2009, the local tax bureau waived Hebei Noter's 2006 income tax liability. Hence, the amount of RMB4,372,000 was reversed and credited to profit or loss in 2009.

8 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT *(Continued)*

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2010	2009
	RMB'000	*RMB'000*
Profit before taxation	**175,622**	110,703
PRC statutory income tax rate	**25%**	25%
Computed "expected" income tax	**43,905**	27,676
Tax effect of tax holiday	**(22,576)**	(12,954)
Tax effect of non-taxable income	**(286)**	(4)
Tax effect of non-deductible expenses	**1,448**	790
Tax effect of non-PRC entities not subject to income tax	**—**	1,477
Tax effect of rate differential of entity operating in different jurisdiction	**155**	166
Over-provision in respect of prior years	**—**	(4,372)
Actual tax expense	**22,646**	12,779

9 DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to Section 161 of the Hong Kong Companies Ordinance is as follows:

	2010						
	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Sub-total	Share-based compensation (note)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors							
CHAN Yuen Ming	104	556	2,177	21	2,858	85	2,943
SHAO Kwok Keung	104	1,348	44	21	1,517	824	2,341
GAO Hou Ming	52	183	—	—	235	—	235
Independent non-executive directors							
PUN Yan Chak	144	—	44	—	188	—	188
WONG Che Man, Eddy	144	—	44	—	188	—	188
LAM Kin Hung, Patrick	144	—	44	—	188	—	188
	692	2,087	2,353	42	5,174	909	6,083

9 DIRECTORS' REMUNERATION *(Continued)*

	2009						
	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Sub-total	Share-based compensation (note)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors							
CHAN Yuen Ming	35	573	3,084	11	3,703	—	3,703
SHAO Kwok Keung	35	1,375	881	11	2,302	—	2,302
GAO Hou Ming	35	317	—	—	352	—	352
Independent non-executive directors							
PUN Yan Chak	35	—	—	—	35	—	35
WONG Che Man, Eddy	35	—	—	—	35	—	35
LAM Kin Hung, Patrick	35	—	—	—	35	—	35
	210	2,265	3,965	22	6,462	—	6,462

No emoluments have been paid to any of the directors as an inducement to join or upon joining the Group or as compensation for loss of office during the current and prior years.

No director waived or has agreed to waive any emoluments during the current and prior years.

Note: These represent the estimated fair value of share options granted to the Company's directors under the Company's share option scheme. The value of these share options is measured according to the Group's accounting policies for share-based payment transactions as set out in note 2(o)(iii). The details of these benefits in kind, including the principal terms and number of options granted, are disclosed in note 24.

10 INDIVIDUALS WITH THE HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, two (2009: three) are directors whose emoluments are disclosed in note 9. The aggregate of the emoluments in respect of the other three (2009: two) individuals are as follows:

	2010	2009
	RMB'000	*RMB'000*
Salaries and other emoluments	**1,099**	873
Retirement scheme contributions	**34**	21
Share-based compensation (note)	**1,727**	—
	2,860	894

Note: These represent the estimated fair value of share options granted to the individuals with the highest emoluments under the Company's share option scheme. The value of these share options is measured according to the Group's accounting policies for share-based payment transactions as set out in note 2(o)(iii). The details of these benefits in kind, including the principal terms and number of options granted, are disclosed in note 24.

The emoluments of the three (2009: two) individuals with the highest emoluments are within the following bands:

	2010	2009
	Number of individuals	Number of individuals
Nil to HK$1,000,000	**1**	2
HK$1,000,001 to HK$1,500,000	**2**	—
	3	2

No emoluments have been paid to these individuals as an inducement to join or upon joining the Group or as compensation for loss of office during the current and prior years.

None of these individuals waived or have agreed to waive any of their emoluments during the current and prior years.

11 PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated profit attributable to equity shareholders of the Company includes a profit of RMB164,000 (2009: loss of RMB10,806,000) which has been dealt with in the financial statements of the Company.

Details of dividends paid and payable to equity shareholders of the Company are set out in note 26(b).

12 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share for the year ended 31 December 2010 is based on the profit attributable to ordinary equity shareholders of the Company of RMB153,211,000 (2009: RMB97,924,000) and the weighted average number of ordinary shares in issue during the year ended 31 December 2010 of 1,037,500,000 (2009: 834,281,000). The weighted average number of shares in issue during the year ended 31 December 2009 is calculated on the assumption that the 2,000,000 ordinary shares issued upon the Reorganisation and 748,000,000 ordinary shares upon capitalisation issue on 28 August 2009 respectively were outstanding throughout the year.

Weighted average number of ordinary shares

	2010	2009
	'000	*'000*
Issued ordinary shares at 1 January (note 26(c)(i))	**1,037,500**	—
Effect of issuance of shares on the Reorganisation (note 26(c)(ii))	**—**	2,000
Effect of capitalisation issue (note 26(c)(iii))	**—**	748,000
Effect of issuance of shares for placing and the initial public offering (note 26(c)(iv))	**—**	84,281
Weighted average number of ordinary shares during the year	**1,037,500**	834,281

12 EARNINGS PER SHARE *(Continued)*

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB153,211,000 (2009: RMB98,042,000) and the diluted weighted average number of ordinary shares in respective year, calculated as follows:

Profit attributable to ordinary equity shareholders of the Company (diluted)

	2010 *RMB'000*	2009 *RMB'000*
Profit attributable to ordinary equity shareholders	**153,211**	97,924
After tax effect of effective interest on the liability component of convertible notes	**—**	118
Profit attributable to ordinary equity shareholders of the Company (diluted)	**153,211**	98,042

Weighted average number of ordinary shares (diluted)

	2010 *'000*	2009 *'000*
Weighted average number of ordinary shares during the year	**1,037,500**	834,281
Effect of deemed issue of shares under the Company's share option scheme for nil consideration	**2,434**	—
Effect of conversion of convertible notes	**—**	7,467
Weighted average number of ordinary shares (diluted) during the year	**1,039,934**	841,748

13 PROPERTY, PLANT AND EQUIPMENT

(a) The Group

	Buildings held for own use	Electronic equipment	Office equipment	Computer software	Motor vehicles	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost:							
At 1 January 2009	—	57,368	1,405	5,347	—	—	64,120
Additions	—	200	947	60	315	—	1,522
Disposals	—	(24)	(113)	—	—	—	(137)
Exchange adjustments	—	—	(1)	—	—	—	(1)
At 31 December 2009	—	57,544	2,238	5,407	315	—	65,504
At 1 January 2010	**—**	**57,544**	**2,238**	**5,407**	**315**	**—**	**65,504**
Additions	**16,781**	**824**	**1,354**	**197**	**5,659**	**8,951**	**33,766**
Disposals	**—**	**—**	**(195)**	**—**	**—**	**—**	**(195)**
Exchange adjustments	**(547)**	**—**	**(30)**	**—**	**—**	**—**	**(577)**
At 31 December 2010	**16,234**	**58,368**	**3,367**	**5,604**	**5,974**	**8,951**	**98,498**

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

13 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

(a) The Group *(Continued)*

	Buildings held for own use	Electronic equipment	Office equipment	Computer software	Motor vehicles	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Accumulated depreciation:							
At 1 January 2009	—	2,745	447	3,452	—	—	6,644
Charge for the year	—	9,841	321	557	—	—	10,719
Written back on disposals	—	(18)	(88)	—	—	—	(106)
Exchange adjustments	—	—	—	—	—	—	—
At 31 December 2009	—	12,568	680	4,009	—	—	17,257
At 1 January 2010	—	12,568	680	4,009	—	—	17,257
Charge for the year	349	9,951	455	612	197	—	11,564
Written back on disposals	—	—	(188)	—	—	—	(188)
Exchange adjustments	(8)	—	(6)	—	—	—	(14)
At 31 December 2010	341	22,519	941	4,621	197	—	28,619
Net book value:							
At 31 December 2010	15,893	35,849	2,426	983	5,777	8,951	69,879
At 31 December 2009	—	44,976	1,558	1,398	315	—	48,247

13 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

(b) The analysis of net book value of properties is as follows:

	The Group	
	2010	2009
	RMB'000	*RMB'000*
In Hong Kong		
– Medium term lease	**15,893**	—
Outside Hong Kong		
– Medium term lease	**8,951**	—
	24,844	—

(c) As at 31 December 2010, buildings held for own use and construction in progress with net book value of approximately RMB15,893,000 (2009: RMB nil) and RMB8,951,000 (2009: RMB nil) respectively, are pledged as securities for the Group's bank loans (note 22).

(d) Property, plant and equipment leased out under operating lease

The Group had a lease agreement to grant the lessee access to the ALL ACCESS platform for a fixed annual lease charge of approximately RMB575,000 until 2018.

The Group's total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	The Group	
	2010	2009
	RMB'000	*RMB'000*
Within 1 year	**575**	575
After 1 year but within 5 years	**2,299**	2,299
After 5 years	**1,724**	2,299
	4,598	5,173

14 INTANGIBLE ASSETS

	Multimedia satellite transmission network *RMB'000*
Cost:	
At 1 January 2009, 31 December 2009 and 1 January 2010	—
Additions through business combination (note 25(a))	2,070
At 31 December 2010	2,070
Net book value:	
At 31 December 2010	2,070
At 31 December 2009	—

15 GOODWILL

	The Group *RMB'000*
Cost:	
At 1 January 2009, 31 December 2009 and 1 January 2010	—
Additions through business combination (note 25(a))	367
At 31 December 2010	367
Carrying amount:	
At 31 December 2010	367
At 31 December 2009	—

15 GOODWILL *(Continued)*

Impairment test for cash-generating unit containing goodwill

Goodwill is allocated to the Group's cash-generating unit ("CGU") of the segment of provision of satellite communication application solutions and services.

The recoverable amount of the CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management. The cash flows are discounted using a discount rate which is pre-tax and reflects specific risks relating to the relevant segment.

16 INTERESTS IN SUBSIDIARIES

	The Company	
	2010	2009
	RMB'000	*RMB'000*
Unlisted shares, at cost	**90,303**	90,303
Amounts due from subsidiaries	**333,080**	354,640
	423,383	444,943

Amounts due from subsidiaries are unsecured, bear interest of 4% per annum (2009: 4%) and are not expected to be repayable within one year from the balance sheet date.

Details of the Company's subsidiaries as at 31 December 2010 are as follows:

Name of company	Place and date of incorporation/ establishment	Issued and fully paid up/ registered capital	Attributable equity interest Direct %	Indirect %	Principal activity
CAA BVI	The BVI/ 15 June 2006	US$10,000	100	—	Investment holding
CAA HK	Hong Kong/ 18 June 2008	HK$10,000	—	100	Investment holding

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

16 INTERESTS IN SUBSIDIARIES *(Continued)*

Name of company	Place and date of incorporation/ establishment	Issued and fully paid up/ registered capital	Attributable equity interest Direct %	Attributable equity interest Indirect %	Principal activity
Hebei Noter	The PRC/ 21 August 2006	US$22,500,000	—	100	Development and provision of communication equipment and application services system operating management, application upgrade and system maintenance
Beijing All Access Noter Communication Technology Co., Ltd. ("Beijing Noter")	The PRC/ 21 October 2009	US$30,000,000	—	100	Development and provision of communication equipment and application services system operating management, application upgrade and system maintenance
Shanghai All Access Noter Communication Technology Co., Ltd. ("Shanghai Noter")	The PRC/ 23 December 2009	US$3,000,000	—	100	Development and provision of communication equipment and application services system operating management, application upgrade and system maintenance

(Expressed in Renminbi unless otherwise indicated)

16 INTERESTS IN SUBSIDIARIES *(Continued)*

Name of company	Place and date of incorporation/ establishment	Issued and fully paid up/ registered capital	Attributable equity interest Direct %	Attributable equity interest Indirect %	Principal activity
Guangdong All Access Noter Communication Technology Co.,Ltd. ("Guangdong Noter")	The PRC/ 20 April 2010	US$6,000,000	—	100	Development and provision of communication equipment and application services system operating management, application upgrade and system maintenance
Beijing All Access Zhiping Network Technology Co., Ltd. ("Beijing All Access Zhiping") (formerly known as Beijing Zhiping Network Technology Co., Ltd.)	The PRC/ 22 April 2010	RMB25,000,000	—	92%	Investment holding
Beijing Gao Sheng Times Investment Co., Ltd. ("Beijing Gaosheng Times")	The PRC/ 15 October 2010	RMB30,000,000	—	92%	Investment holding

17 INTEREST IN AN ASSOCIATE

	The Group	
	2010	2009
	RMB'000	*RMB'000*
Goodwill	**4,766**	—
Share of net assets	**15,866**	—
	20,632	—

On 21 September 2010, Beijing All Access Zhiping and the two shareholders of Beijing Gaosheng Times who are independent third parties entered into an equity transfer agreement in relation to the acquisition of 100% equity interest in Beijing Gaosheng Times, which in turn holds 46% equity interest in China Satellite Mobile Multimedia Network Co., Ltd. ("China Satellite Mobile") for a cash consideration of RMB21,330,000.

At the acquisition date, the net assets of Beijing Gaosheng Times comprised an interest in an associate, China Satellite Mobile of RMB14,858,000 and cash and cash equivalents of RMB231,000. The fair value assigned to the Group's share of China Satellite Mobile's identifiable assets and liabilities was determined to be RMB16,333,000 as of the acquisition date.

Details of the Group's associate as at 31 December 2010 are as follows:

Name of associate	Form of business structure	Place of incorporation and operation	Proportion of ownership interest: Group's interest	Held by the Company	Held by a subsidiary	Principal activity
China Satellite Mobile	Incorporated	The PRC	46%	—	46%	Satellite broadcast and television signal transmission development and design the transmission system

17 INTEREST IN AN ASSOCIATE *(Continued)*

Summary financial information of the associate:

	At 31 December 2010			For the period from 15 October 2010 to 31 December 2010	
	Assets	Liabilities	Equity	Revenues	Loss
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
2010					
100 per cent	40,644	(6,153)	34,491	81	(1,016)
Group's interest	18,696	(2,830)	15,866	37	(467)

18 INVENTORIES

(a) Inventories in the balance sheet comprise:

	The Group	
	2010	2009
	RMB'000	*RMB'000*
Merchandise inventories	**26,337**	8,395

All inventories are expected to be recovered within one year.

(b) The analysis of the amount of inventories recognised as an expense is as follows:

	2010	2009
	RMB'000	*RMB'000*
Carrying amount of inventories sold	**266,651**	163,997
Write-off of inventories	**29**	312
	266,680	164,309
Operating costs included in cost of sales	**23,356**	16,072
	290,036	180,381

19 TRADE AND OTHER RECEIVABLES

		The Group		The Company	
		2010	2009	**2010**	2009
	Note	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Non-current					
Trade receivables		**27,534**	44,579	**—**	—
Performance guarantee deposit	(ii)	**29,518**	9,332	**—**	—
		57,052	53,911	**—**	—
Current					
Trade receivables		**305,654**	120,475	**—**	—
Less: Allowance for doubtful debts	19(b)	**(277)**	(445)	**—**	—
		305,377	120,030	**—**	—
Performance guarantee deposit	(ii)	**—**	4,866	**—**	—
Other receivables, prepayments and deposits		**4,316**	6,052	**316**	257
		309,693	130,948	**316**	257

(i) On 28 February 2008, Hebei Noter and Sky Communication Group Company Limited ("SkyComm") entered into a long term co-operation agreement for a period of five years until December 2012. In September 2009, Hebei Noter and SkyComm signed a memorandum, under which Hebei Noter committed to provide SkyComm with financial support up to a maximum amount of RMB100 million to assist SkyComm in carrying out its role as an agent of the Group in the provision of certain telecommunication services and dealing with certain customers while the Group bears all the risks and rewards associated with these customers. The financial support made available to SkyComm is interest-free and repayable within one month. In the event that SkyComm fails to repay the amount within one month, interest will be charged at market interest rates, plus a daily penalty of 0.05% of the funding amount, up to a maximum penalty amounting to 5% of the funding amount.

19 TRADE AND OTHER RECEIVABLES *(Continued)*

On 20 February 2010, Hebei Noter and SkyComm signed a supplemental memorandum which increased the maximum amount of financial support to RMB115 million. On 28 April 2010, the maximum amount of financial support was reduced to RMB100 million. During the year ended 31 December 2010, the maximum outstanding amount under the financial support arrangement amounted to RMB111 million. All of the financial support made available to SkyComm was received within one month and at no time during the year ended 31 December 2010 had the outstanding financial support exceeded the maximum amount. The financial support arrangement was aborted by both parties on 30 June 2010.

(ii) Pursuant to the long term co-operation agreement, Hebei Noter provided a lump sum up to RMB30,000,000 to SkyComm as a performance guarantee deposit which is subject to an annual adjustment in the manner as specified therein. The performance guarantee deposit is to provide security to SkyComm during the operations in case of the Group's failure in performance to its customers. Such performance guarantee deposit will be refunded to Hebei Noter when the retention period of the projects for which SkyComm acts as the agent for the Group has expired. The amount expected to be refunded one year after the balance sheet date is classified as a non-current receivable and is discounted at a rate generally available for discounting similar instruments with commercial banks in the PRC based on the expected timing of refund.

During the year ended 31 December 2009, a total of RMB15,000,000 of the performance guarantee deposit was refunded from SkyComm. As such, the performance guarantee deposit was reduced to RMB15,000,000 at 31 December 2009. During the year ended 31 December 2010, an additional performance guarantee deposit of RMB15,000,000 was paid to SkyComm. Thereafter, the performance guarantee deposit was increased to RMB30,000,000.

As at 31 December 2010, the total performance guarantee deposit provided to SkyComm amounted to RMB30,000,000 (2009: RMB15,000,000), whose present value at that date was RMB29,516,000 (2009: RMB14,198,000), of which RMB29,516,000 (2009: RMB9,332,000) is expected to be recovered after one year from the balance sheet date, have been classified as non-current assets.

For certain of the contracts, retention money representing 5% to 10% of the contract amount is not due until the warranty period expired, which varies from one year to three years. Included in trade receivable as at 31 December 2010 are retention money of RMB817,000 (2009: RMB1,297,000).

Trade receivables which are expected to be recovered after more than one year from the balance sheet date are classified as non-current assets. All of the current trade and other receivables, except for the retention money which are expected to be recovered after the warranty period, are expected to be recovered within one year.

19 TRADE AND OTHER RECEIVABLES *(Continued)*

(a) Ageing analysis

Included in trade and other receivables are trade receivables (net of allowance for doubtful debts) with the following ageing analysis:

	The Group	
	2010	2009
	RMB'000	*RMB'000*
Current	**210,674**	144,167
Less than 1 month past due	**88,410**	11,953
1 to 3 months past due	**9,673**	3,150
More than 3 months but less than 12 months past due	**21,357**	3,644
Over 12 months past due	**2,797**	1,695
Amounts past due	**122,237**	20,442
Trade receivables, net of allowance for doubtful debts	**332,911**	164,609
Representing:		
Non-current trade receivables	**27,534**	44,579
Current trade receivables	**305,377**	120,030
	332,911	164,609

The Group's credit policy is set out in note 30(a).

Receivables within the current ageing category include instalments of sales proceeds which are not yet due for payment in accordance with the contract terms, including receivables that are due within one year and after one year from the balance sheet date, and are classified as current and non-current trade receivables, respectively.

19 TRADE AND OTHER RECEIVABLES *(Continued)*

(b) Impairment of trade debtors

Impairment losses in respect of trade debtors are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade debtors directly.

The movements in the allowance for doubtful debts during the year, including both specific and collective loss components, are as follows:

	The Group	
	2010	2009
	RMB'000	*RMB'000*
At 1 January	**445**	530
Impairment loss recognised	**175**	586
Reversal of impairment loss	**(95)**	(398)
Uncollectible amounts written off	**(248)**	(273)
At 31 December	**277**	445

As at 31 December 2010, trade debtors of RMB735,000 (2009: RMB717,960), which have been overdue for more than one year, were individually determined to be impaired. The individually impaired receivables related balances from certain customers that management assessed only a portion of the receivables is expected to be recovered. Consequently, specific allowances for doubtful debts of RMB175,000 (2009: RMB586,000) were recognised during the current year. RMB248,000 (2009: RMB273,000) has been written off during the current year. In addition, trade debtors of RMB95,000 (2009: RMB398,000) provided for in prior years were recovered during the current year and therefore, a reversal of impairment loss of RMB95,000 (2009: RMB398,000) was recorded. The specific allowance for doubtful debts of RMB277,000 (2009: RMB445,000) was all related to the trade debtors which are over 12 months past due as at 31 December 2010.

(c) Receivables that were past due but not impaired

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group or with sound financial background. For any significant amounts past due, the Group would actively seek repayment from the debtors and the Group would enforce its legal right to the contractually due amount when considered necessary. The majority of the past due balances were due from government organisations. They recognised all payment obligations, although the process of making payment has to follow a strict annual budgeting process and payment approval procedures which may slow down the collection by the Group. However, there have been no disputes over the balances due from these government organisations, therefore the balances are considered fully recoverable. The Group does not hold any collateral over these balances.

(Expressed in Renminbi unless otherwise indicated)

20 CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents in the balance sheet and consolidated cash flow statement comprise:

	The Group		The Company	
	2010	2009	**2010**	2009
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Cash at bank and on hand	**557,294**	465,200	**420**	276

(b) Reconciliation of profit before taxation to cash generated from operations:

	Note	**2010**	2009
		RMB'000	*RMB'000*
Profit before taxation		**175,622**	110,703
Adjustments for:			
Finance costs	7(a)	**390**	4,674
Equity-settled share-based compensation		**4,273**	—
Depreciation	7(c)	**11,564**	10,719
Impairment losses on trade and other receivables	7(c)	**175**	586
Reversal of impairment losses on trade receivables	7(c)	**(95)**	(398)
Interest income from non-current trade and other receivables	6	**(1,484)**	(1,059)
Gain on early repayment of convertible notes	6	**—**	(196)
Bank interest income	6	**(2,145)**	(780)
Loss on disposal of property, plant and equipment	6	**7**	14
Share of losses of associate	17	**467**	—
Changes in working capital:			
Increase in inventories		**(17,942)**	(5,239)
Increase in trade and other receivables		**(180,379)**	(74,058)
Increase/(decrease) in trade and other payables		**101,666**	(5,952)
Cash generated from operations		**92,119**	39,014

21 TRADE AND OTHER PAYABLES

	The Group		The Company	
	2010	2009	**2010**	2009
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Trade creditors	**67,596**	11,429	**—**	—
Receipts in advance	**29,453**	2,213	**—**	—
Other payables and accruals	**44,152**	24,651	**3,871**	—
	141,201	38,293	**3,871**	—

All of the trade and other payables are expected to be settled within one year.

Included in trade and other payables are trade creditors with the following ageing analysis as of the balance sheet date:

	The Group	
	2010	2009
	RMB'000	*RMB'000*
Due within 1 month or on demand	**8,106**	7,588
Due after 1 month but within 3 months	**43,078**	3,740
Due after 3 month but within 6 months	**15,314**	—
Due after 6 months but within 12 months	**1,098**	101
	67,596	11,429

22 BANK LOANS

At the balance sheet date, the bank loans were repayable as follows:

	The Group	
	2010	2009
	RMB'000	*RMB'000*
Current portion		
Within 1 year	**724**	—
Non-current portion		
After 1 year but within 2 years	**757**	—
After 2 years but within 5 years	**2,446**	—
After 5 years	**10,786**	—
	13,989	—
Total bank loans	**14,713**	—

The bank loans are mortgaged loans secured by the Group's buildings and construction in progress, which were acquired during the current year, with carrying value of approximately RMB15,893,000 and RMB8,951,000 respectively at 31 December 2010.

At 31 December 2010, mortagage loans of the Group amounting to HK$12,373,000 (approximately RMB10,528,000) (2009: HK$ nil) were guaranteed by the Company (see note 28).

23 INCOME TAX IN THE BALANCE SHEET

(a) Current taxation in the balance sheet represents:

	The Group		The Company	
	2010	2009	**2010**	2009
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Hong Kong Profits Tax				
Provision for the year	**421**	—	**33**	—
Exchange adjustments	**(8)**	—	**(1)**	
	413	—	**32**	—
PRC corporate income tax				
Provision for the year	**23,703**	9,993	**—**	—
Income tax paid	**(1,028)**	(948)	**—**	—
	22,675	9,045	**—**	—
	23,088	9,045	**32**	—

23 INCOME TAX IN THE BALANCE SHEET *(Continued)*

(b) Deferred assets in the consolidated balance sheet represent:

(i) The components of deferred tax (assets)/liabilities recognised in the consolidated balance sheet and the movements during the year are as follows:

Deferred tax assets arising from:	Revenue recognition	Provisions	Intangible assets	Tax losses carry forward	Unrealised intragroup profits	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2009	1,823	(85)	—	—	—	1,738
Charged/(credited) to profit or loss	7,165	(7)	—	—	—	7,158
At 31 December 2009	8,988	(92)	—	—	—	8,896
At 1 January 2010	**8,988**	**(92)**	**—**	**—**	**—**	**8,896**
Charged/(credited) to profit or loss	**(1,171)**	**3**	**—**	**(55)**	**(255)**	**(1,478)**
Additions through business combination (note 25)	**—**	**—**	**517**	**—**	**—**	**517**
At 31 December 2010	**7,817**	**(89)**	**517**	**(55)**	**(255)**	**7,935**

(ii) Reconciliation to the consolidated balance sheet

	2010	2009
	RMB'000	*RMB'000*
Net deferred tax assets recognised in the consolidated balance sheet	**(310)**	—
Net deferred tax liability recognised in the consolidated balance sheet	**8,245**	8,896
	7,935	8,896

23 INCOME TAX IN THE BALANCE SHEET *(Continued)*

(c) Deferred tax assets not recognised

In accordance with accounting policy set out in note 2(p), the Group has not recognised deferred tax assets on cumulative tax losses of certain entities in the Group as it is not probable that future taxable profits against which the losses can be utilized will be available in the relevant tax jurisdiction and entity in the foreseeable future. Under the current legislations, the expiry dates of and the effect of deferred tax assets on these tax losses are as follows:

	The Group	
	2010	2009
	RMB'000	*RMB'000*
Expiring within 5 years	**2,500**	—
No expiry date	**1,000**	300
	3,500	300

(d) Deferred tax liabilities not recognised

The PRC CIT law also imposes a withholding tax at 10%, unless reduced by a tax treaty or agreement, for dividends distributed by a PRC-resident enterprise to its immediate holding company outside the PRC for earnings accumulated beginning on 1 January 2008. Undistributed earnings generated prior to 1 January 2008 are exempted from such withholding tax. As at 31 December 2010, temporary differences relating to the post-2007 undistributed profits of the Group's foreign-invested enterprises amounted to RMB310,100,000 (as at 31 December 2009: RMB150,400,000). Deferred tax liabilities of RMB31,010,000 (as at 31 December 2009: RMB15,040,000) have not been recognised in respect of the tax that would be payable on the distribution of these retained profits since these earnings are not intended to be distributed in the foreseeable future.

24 EQUITY-SETTLED SHARE-BASED TRANSACTIONS

On 28 August 2009, the Company conditionally adopted a share option scheme (the "Share Option Scheme") which became effective upon the listing of the Company on 16 September 2009. Under the Share Option Scheme, the board of directors are authorised, at their discretion, to invite employees of the Group, including the directors of any company in the Group, or other eligible participants as stipulated by the Share Option Scheme, to take up share options at a consideration of HK$1 for the whole grant per participant to subscribe for shares of the Company. The total maximum number of share options which may be granted under the Share Option Scheme must not in aggregate exceed 100 million share options. Each share option gives the holder the right to subscribe for one ordinary share of the Company and is settled in shares.

(Expressed in Renminbi unless otherwise indicated)

24 EQUITY-SETTLED SHARE-BASED TRANSACTIONS *(Continued)*

The terms and conditions of the grants are as follows:

On 20 September 2010, the Company granted 50,150,000 share options to the Group's directors and employees with the following terms and conditions:

	Number of share options	Vesting conditions	Contractual life of options
Share options granted to directors	10,700,000	Nine months from the grant date	1 year
Share options granted to employees	39,450,000	Nine months from the grant date	1 year
Total share options granted	50,150,000		

(b) The number and weighted average exercise price of share options are as follows:

	2010	
	Weighted average exercise price HK$	Number of options
Outstanding at the beginning of the year	—	—
Granted during the year	**1.70**	**50,150,000**
Outstanding at the end of the year	**1.70**	**50,150,000**
Exercisable at the end of the year	—	—

No share options were exercised, forfeited nor expired during the current year.

The share options outstanding at 31 December 2010 had an exercise price of HK$1.70 (equivalent to RMB1.45) and a weighted average remaining contractual life of nine months.

(Expressed in Renminbi unless otherwise indicated)

24 EQUITY-SETTLED SHARE-BASED TRANSACTIONS *(Continued)*

(c) Fair value of share options and assumptions

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on a Binomial Option Pricing model. The contractual life of the share option is used as an input into this model. Expectations of early exercise are incorporated into the Binomial Option Pricing model.

Fair value of share options and assumptions

	2010
Fair value at measurement date	HK$0.2587 to HK$0.2595
Share price	HK$1.69
Exercise price	HK$1.70
Expected volatility (expressed as weighted average volatility used in the modelling under the Binomial Option Pricing model)	39.87%
Option life (expressed as weighted average life used in the modelling under the Binomial Option Pricing model)	1 year
Expected dividend yield	1.18%
Risk-free interest rate	0.26%
Forfeiture rate	0.00%
Suboptimal exercise factor	1.5 to 2.8

The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility based on publicly available information. Expected dividends are based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

Share options were granted under a service condition. This condition has not been taken into account in the grant date fair value measurement of the service received. There were no market conditions associated with the share option grants.

25 BUSINESS COMBINATIONS

(a) Acquisition of Beijing All Access Zhiping

On 22 April 2010, Beijing Noter, and Beijing All Access Zhiping and its shareholders entered into a capital subscription agreement pursuant to which Beijing Noter acquired a 60% equity interest in Beijing All Access Zhiping through contribution of additional registered capital in Beijing All Access Zhiping in the aggregate amount of RMB3,000,000.

Before the acquisition, Beijing All Access Zhiping had registered capital of RMB2,000,000 which was owned as to 80% and 20% by two individuals who are independent third parties to the Group. Following the capital contribution to Beijing All Access Zhiping, the total registered paid up capital of Beijing All Access Zhiping increased from RMB2,000,000 to RMB5,000,000, and Beijing All Access Zhiping became owned as to 60% by Beijing Noter, and 32% and 8% by the two individuals mentioned above respectively. Beijing All Access Zhiping became an indirect non-wholly-owned subsidiary of the Company since then.

Beijing All Access Zhiping's net assets at the acquisition date are analysed as follows:

	Pre-acquisition carrying amount	Fair value adjustment	Recognised values on acquisition
	RMB'000	*RMB'000*	*RMB'000*
Intangible assets	—	2,070	2,070
Cash at banks and in hand	1	—	1
Other current assets	103	—	103
Current liabilities	(268)	—	(268)
Deferred tax liabilities	—	(517)	(517)
Net identifiable assets	(164)	1,553	1,389
Capital injection			3,000
			4,389
Group's 60% share of net identifiable assets			2,633
Goodwill arising from the acquisition			367
Total purchase consideration, satisfied by cash			3,000

The intangible assets represent the technical know-how relating to multimedia satellite transmission network and the value was determined by an independent valuer.

25 BUSINESS COMBINATIONS *(Continued)*

(b) Further investment in Beijing All Access Zhiping

On 27 September 2010, Beijing Noter increased its interest in Beijing All Access Zhiping from 60% to 92% by a further capital injection in the aggregate amount of RMB20,000,000.

Following the further investment by Beijing Noter, the total registered capital of Beijing All Access Zhiping was increased from RMB5,000,000 to RMB25,000,000, which was owned as to 92% by Beijing Noter and 8% by the non-controlling interests. In accordance with the Group's accounting policy set out in note 2(c), the increase in Group's interest in Beijing All Access Zhiping is accounted for as an equity transaction. As a result, RMB329,000 is transferred from the Group's retained profits to the non-controlling interests.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

26 CAPITAL, RESERVES AND DIVIDENDS

(a) Movement in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below.

	Note	Share capital *RMB'000*	Share premium *RMB'000*	Translation reserve *RMB'000*	Contributed surplus *RMB'000*	Share-based compensation reserve *RMB'000*	Accumulated losses *RMB'000*	Total *RMB'000*
		26(c)	*26(d)(i)*	*26(d)(v)*	*26(d)(ii)*	*26(d)(vii)*		
Balance at 1 January 2009		—	—	6	—	—	(93)	(87)
Changes in equity for 2009:								
Loss for the year		—	—	—	—	—	(10,806)	(10,806)
Other comprehensive loss		—	—	(267)	—	—	—	(267)
Total comprehensive income		—	—	(267)	—	—	(10,806)	(11,073)
Arising from the reorganisation	26(d)(viii)	—	—	—	90,303	—	—	90,303
Issuance of shares arising from the Reorganisation	26(c)(ii)	18	51	—	—	—	—	69
Capitalisation issue	26(c)(iii)	6,590	(6,590)	—	—	—	—	—
Issuance of shares for placing and initial public offering	26(c)(iv)	2,533	402,721	—	—	—	—	405,254
Share issue costs		—	(38,990)	—	—	—	—	(38,990)
Balance at 31 December 2009		9,141	357,192	(261)	90,303	—	(10,899)	445,476

26 CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

(a) Movement in components of equity *(Continued)*

	Note	Share capital RMB'000 26(c)	Share premium RMB'000 26(d)(i)	Translation reserve RMB'000 26(d)(v)	Contributed surplus RMB'000 26(d)(ii)	Share-based compensation reserve RMB'000 26(d)(vii)	Accumulated losses RMB'000	Total RMB'000
Balance at 1 January 2010		9,141	357,192	(261)	90,303	—	(10,899)	445,476
Changes in equity for 2010:								
Profit for the year		—	—	—	—	—	164	164
Other comprehensive income		—	—	(11,682)	—	—	—	(11,682)
Total comprehensive income		—	—	(11,682)	—	—	164	(11,518)
Equity-settled share-based transactions		—	—	—	—	4,273	—	4,273
Dividends approved and paid in respect of the previous year	26(b)	—	(9,094)	—	—	—	—	(9,094)
Dividends declared and paid in respect of the current year	26(b)	—	(8,921)	—	—	—	—	(8,921)
Balance at 31 December 2010		9,141	339,177	(11,943)	90,303	4,273	(10,735)	420,216

26 CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

(b) Dividends

(i) Dividends payable to equity shareholders of the Company attributable to the year:

	2010		2009	
		Equivalent to		Equivalent to
	HK$'000	***RMB'000***	*HK$'000*	*RMB'000*
Interim dividend declared and paid of HK1.0 cent per ordinary share (2009: Nil)	**10,375**	**8,921**	—	—
Final dividend proposed after the balance sheet date of HK5.0 cents per ordinary share (2009: HK1.0 cent per ordinary share)	**59,875**	**50,433**	10,375	9,094
	70,250	**59,354**	10,375	9,094

The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

(ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year:

	2010		2009	
		Equivalent to		Equivalent to
	HK$'000	***RMB'000***	*HK$'000*	*RMB'000*
Final dividend attributable to the financial year ended 31 December 2009, approved and paid during the year, of HK1.0 cent per ordinary share (2009: Nil)	**10,375**	**9,094**	—	—

26 CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

(c) Share capital

	2010		2009	
	shares	Amount	shares	Amount
	'000	*HK$'000*	*'000*	*HK$'000*
Authorised:				
At 1 January	**100,000,000**	**1,000,000**	38,000	380
Ordinary shares of HK$0.01 each created during the year (note (iii))	—	—	99,962,000	999,620
At 31 December	**100,000,000**	**1,000,000**	100,000,000	1,000,000
Ordinary shares, issued and fully paid:				
At 1 January (note (i))	**1,037,500**	**10,375**	—	—
Issuance of shares arising from the Reorganisation (note (ii))	—	—	2,000	20
Capitalisation issue (note (iii))	—	—	748,000	7,480
Issuance of shares for placing and initial public offering (note (iv))	—	—	287,500	2,875
At 31 December	**1,037,500**	**10,375**	1,037,500	10,375
		RMB'000		*RMB'000*
Equivalent to		**9,141**		9,141

26 CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

(c) Share capital *(Continued)*

(i) The Company was incorporated on 4 December 2007 with an authorised capital of HK$380,000 divided into 38,000,000 shares of HK$0.01 each and one nil-paid share was issued upon incorporation. At 1 January 2009, one nil-paid share was held by Mr. Chan Yuen Ming.

(ii) On 28 August 2009, the Company acquired from the shareholders of CAA BVI an aggregate of 10,000 shares of US$1 each, being its entire issued share capital, in consideration of and in exchange for which the Company (i) allotted and issued, credited as fully paid at US$1, an aggregate of 1,999,999 shares; and (ii) credited as fully paid at par a nil-paid share then held by Mr. Chan Yuen Ming, an Executive Director and the Chairman of the Company, and/or Creative Sector Limited (collectively referred as the "Controlling Shareholders"). Thereafter, the Company became the holding company of the companies comprising the Group.

(iii) Pursuant to a written resolution on 28 August 2009, the authorised share capital of the Company was increased from HK$380,000 to HK$1,000,000,000 by creation of 99,962,000,000 shares of HK$0.01 each. The shares rank pari passu in all respects with all other existing shares in issue. On 16 September 2009, the Company allotted and issued a total of 748,000,000 shares credited as fully paid at par to the then shareholders of the Company in proportion to their respective shareholdings by way of capitalisation of a sum of HK$7,480,000 (equivalent to RMB6,590,000), upon the initial public offering of the Company's shares in Hong Kong.

(iv) On 16 September 2009, the Company was successfully listed on the Stock Exchange following the completion of its initial public offering of 250,000,000 shares to the investors. On 22 September 2009, further 37,500,000 shares were issued pursuant to the exercise of the over-allotment option. The proceeds of HK$2,875,000 (equivalent to RMB2,533,000) representing the par value, were credited to the Company's share capital. The remaining proceeds of HK$457,125,000 (equivalent to RMB402,721,000), before the share issue costs of RMB38,990,000, were credited to the share premium.

26 CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

(d) Nature and purpose of reserve

The nature and purpose of reserves are set out below:

(i) Share premium

The share premium represents the difference between the par value of the shares of the Company and proceeds received from the issuance of the shares of the Company. Under the Companies Law of Cayman Islands, the share premium account of the Company is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company would be in a position to pay off its debts as they fall due in the ordinary course of business.

(ii) Contributed surplus

On 28 August 2009, the Company acquired from the shareholders of CAA BVI an aggregate of 10,000 shares of US$1 each, being its entire issued share capital, in consideration of and in exchange for which the Company (i) allotted and issued, credited as fully paid, an aggregate of 1,999,999 shares; and (ii) credited as fully paid at par a nil-paid share then held by the Controlling Shareholders. Thereafter, the Company became the holding company of the companies comprising the Group. The difference between the consolidated net assets of CAA BVI over the nominal value of the shares issued by the Company in exchange thereof was transferred to contributed surplus in the consolidated financial statements as at the date of Reorganisation. The contributed surplus is distributable to the shareholders of the Company.

(iii) Capital reserve

Capital reserve comprised the following:

— On 14 January 2008, an amount of RMB33,955,000 was credited to capital reserve upon capitalisation of the amounts due to the Controlling Shareholders.

— On 15 January 2008, the Controlling Shareholders wavied their loans to CAA BVI amounting to USD8,500,000 (approximately RMB61,673,000). As a result, the amount was credited to the capital reserve of CAA BVI.

— On 15 September 2009, the outstanding convertible notes and fixed coupon note were settled by exchanging the Controlling Shareholders' interests in the share capital of the Company to these noteholders. The Controlling Shareholders waived all their rights and benefits against CAA BVI and the Company in respect of the principal amounts and accrued interests. As a result, the principal amounts and accrued interests, totalling RMB113,922,000, waived by the Controlling Shareholders were credited to capital reserve of CAA BVI on 15 September 2009.

26 CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

(d) Nature and purpose of reserve *(Continued)*

(iv) Statutory general reserve

The subsidiaries in the PRC are required to appropriate 10% of its after-tax profit, as determined in accordance with the PRC accounting rules and regulations, to the general reserve fund until the reserve balance reaches 50% of the registered capital. The transfer to this reserve must be made before distribution of a dividend to shareholders.

The statutory general reserve can be used to cover previous years' losses, if any, and may be converted into paid-up capital to shareholders in proportion to their existing shareholdings, provided that the balance after such conversion is not less than 25% of the registered capital of the PRC subsidiaries.

(v) Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of entities outside the PRC.

(vi) Merger reserve

The amount represents the difference between the purchase consideration over the historical net asset value of the predecessors' businesses.

(vii) Share-based compensation reserve

Share-based compensation reserve represents the fair value of the actual estimated number of unexercised share options granted to executives and employees of the Group in accordance with the accounting policy adopted for share-based payments in note 2(o)(iii).

(viii) Reserves prior to the Reorganisation

The balances of capital reserve, translation reserve, merger reserve and retained profits of the Group's subsidiaries immediately prior to the Reorganisation were eliminated upon the Reorganisation.

26 CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

(e) Distributability of reserve

At 31 December 2010, the aggregate amount of reserves available for distribution to the equity shareholders of the Company was RMB423,018,000 (2009: RMB436,596,000).

(f) Capital management

The Group's objectives in the aspect of managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

Neither the Company nor any of its subsidiaries are subjected to externally imposed capital requirements.

27 COMMITMENTS

(a) Capital commitments outstanding at 31 December 2010 not provided for in the financial statements were as follows:

	The Group	
	2010	2009
	RMB'000	*RMB'000*
Contracted for	**1,043**	14,423

The Company has no outstanding capital commitments as at 31 December 2009 and 2010.

27 COMMITMENTS *(Continued)*

(b) At 31 December 2010, the total future minimum lease payments under non-cancellable operating leases were payable as follows:

	The Group	
	2010	2009
	RMB'000	*RMB'000*
Within 1 year	**1,297**	1,221
After 1 year but within 5 years	**1,787**	1,702
After 5 years	**984**	1,312
	4,068	4,235

The Group is the lessee in respect of a number of properties. The leases typically run for an initial period of one to eight years, with an option to renew the leases when all the terms are renegotiated. Leasing arrangements with related parties are set out in note 29(a). None of the leases include contingent rentals.

The Company has no outstanding non-cancellable operating lease commitments as at 31 December 2009 and 2010.

(c) At 31 December 2009, the Group had committed to provide financial support to SkyComm up to a maximum amount of RMB100 million (note 19). Such financial support arrangement was aborted on 30 June 2010 hence the Group had no such commitment at 31 December 2010.

28 CONTINGENT LIABILITIES

Financial guarantee issued

At 31 December 2010, the Company has issued a guarantee to a bank in respect of a mortgage loan granted to CAA HK which expires on 25 February 2035. The total amount of mortgage loan outstanding at 31 December 2010 which is subject to the guarantee is HK$12,372,000 (approximately RMB10,528,000). The directors do not consider it probable that a claim will be made against the Company under the guarantee. The maximum liability of the Company at 31 December 2010 under the guarantee is HK$12,372,000 (approximately RMB10,528,000).

At 31 December 2009, there was no guarantee issued by the Group or the Company.

29 MATERIAL RELATED PARTY TRANSACTIONS

The Group had the following material related party transactions during the year.

(a) Recurring transactions

During the year, the Group paid rental expense of RMB182,000 (2009: RMB185,000) to one of the Controlling Shareholders of the Company for office premises owned by him.

The above related party transactions constituted exempt connected transaction or continuing connected transaction as defined under Chapter 14A of the Listing Rules.

(b) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts payable to the Company's directors as disclosed in note 9 and certain of the highest paid employees as disclosed in note 10, is as follows:

	The Group	
	2010	2009
	RMB'000	*RMB'000*
Short-term employee benefits	**7,553**	8,027
Post-employment benefits	**161**	142
Share-based compensation	**2,845**	—
	10,559	8,169

Total remuneration was included in "staff costs" (see note 7(b)).

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group's exposure to these risks and the financial management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

The Group's credit risk is primarily attributable to deposits with financial institutions and trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of deposits with financial institutions, the Group only places deposits with financial institutions, which management believes are of high credit rating.

In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Contract sums for the provision of application solutions (other than for sales of terminal equipment) are generally due and payable by instalments at different stages which comprised (i) downpayment payable upon signing of contract; (ii) remaining balance within three months after acceptance of project, subject to 5%-10% retention money, if any, to be withheld by customers in our projects until expiry of the warranty period. For sale of terminal equipment, contract sums are normally payable upon delivery of the relevant terminal equipment. The Group may grant credit up to 180 days to its customer according to the negotiation and relationship with these customers. The Group may also allow payments by instalments to certain customers with sound financial background and with no history of default. Credit terms could be extended for certain well-established customers on a case-by-case basis. Normally, the Group does not obtain collateral from customers.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each debtor. The default risk of the industry and country in which debtors operate also has an influence on credit risk but to lesser extent. As at 31 December 2010, the Group has a certain concentration of credit risk as 9.48% and 35.42% (2009: 20.59% and 64.66%) of the total trade and other receivables was due from the Group's largest debtor and the five largest debtors respectively. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet after deducting impairment allowance, if any.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 19.

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(Continued)*

(b) Liquidity risk

The Group's policy is to regularly monitor its liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following table details the remaining contractual maturities at the balance sheet date of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the balance sheet date) and the earliest date the Group can be required to pay.

The Group

	2010 Contractual undiscounted cash outflow					
	Within 1 year or on demand *RMB'000*	**More than 1 year but less than 2 years** *RMB'000*	**More than 2 years but less than 5 years** *RMB'000*	**More than 5 years** *RMB'000*	**Total** *RMB'000*	**Balance sheet carrying amount** *RMB'000*
Bank loans	**1,197**	**1,197**	**3,592**	**13,775**	**19,761**	**14,713**
Trade and other payables	**141,201**	**—**	**—**	**—**	**141,201**	**141,201**
	142,398	**1,197**	**3,592**	**13,775**	**160,962**	**155,914**

	2009 Contractual undiscounted cash outflow					
	Within 1 year or on demand *RMB'000*	More than 1 year but less than 2 years *RMB'000*	More than 2 years but less than 5 years *RMB'000*	More than 5 years *RMB'000*	Total *RMB'000*	Balance sheet carrying amount *RMB'000*
Bank loans	—	—	—	—	—	—
Trade and other payables	38,293	—	—	—	38,293	38,293
	38,293	—	—	—	38,293	38,293

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(Continued)*

(b) Liquidity risk *(Continued)*

The Company

All financial liabilities as disclosed in the Company's balance sheet are required to be settled within one year or on demand and the total contractual undiscounted cash flow of these financial liabilities equal their carrying amount in the Company's balance sheet.

(c) Interest rate risk

The Group's interest rate risk arises primarily from bank loans at both variable rates and fixed rates that expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The Group constantly monitors its borrowing portfolio to minimise its interest rate risk. The Group's interest rate profile as monitored by management is set out in (i) below.

(i) Interest rate profile

The following table details the interest rate profile of the Group's financial instruments at the balance sheet date:

	2010	
	Effective interest rate %	*RMB'000*
Cash at banks and in hand		
– Variable rate deposits	**0.39**	**557,294**
Bank loans		
– Fixed rate borrowings	**5.16**	**4,185**
– Variable rate borrowings	**0.98**	**10,528**
		14,713
Fixed rate borrowings as a percentage of total borrowings		**28.44%**

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(Continued)*

(c) Interest rate risk *(Continued)*

(ii) Sensitivity analysis

At 31 December 2010, it is estimated that a general increase/decrease of 25 basis points in interest rates, with all other variables held constant, would have increased/decreased the Group's profit for the year and retained profits by approximately RMB1,017,000.

The sensitivity analysis above indicates the instantaneous change in the Group's profit for the year (and retained profits) that would arise assuming that the change in interest rates had occurred at the balance sheet date and had been applied to re-measure those financial instruments held by the Group which expose the Group to cash flow interest rate risk at the balance sheet date.

Sensitivity analysis as at 31 December 2009 is not presented as there was no interest-bearing borrowings.

(d) Currency risk

Renminbi is not freely convertible into foreign currencies. All foreign exchange transactions involving Renminbi must take place through the People's Bank of China ("PBOC") or other institutions authorised to conduct foreign exchange business. The exchange rates adopted for the foreign exchange transactions are the rates of exchange quoted by the PBOC that would be subject to a managed float against an unspecified basket of currencies.

During the year, sales and purchases made by the Group's PRC subsidiaries were mainly denominated in Renminbi, which is their functional currency. These PRC subsidiaries did not have any significant financial assets or liabilities that are denominated in a currency other than their functional currency as at 31 December 2010 and 2009. Accordingly, the Group considers its PRC subsidiaries have no significant exposure to foreign currency risk at 31 December 2010 (2009: Nil).

The functional currency of the Company and the Group's non-PRC subsidiaries is Hong Kong dollars ("HKD"). These entities had financial liabilities denominated in United States dollars ("USD") amounting to USD7,763,000 at 31 December 2010 (2009: Nil). The Group believes that the pegged rate between the HKD and the USD will be materially unaffected by any changes in the value of USD against other currencies. In this respect, the Group considers its exposure to foreign currency risk in respect of USD to be insignificant.

(e) Fair values

All financial instruments are carried at amounts not materially different from their fair values as at 31 December 2010 and 2009.

31 ACCOUNTING ESTIMATES AND JUDGEMENTS

Key sources of estimation uncertainty

The methods, estimates and judgements the directors used in applying the Group's accounting policies have a significant impact on the Group's financial position and operating results. Some of the accounting policies require the Group to apply estimates and judgements, on matters that are inherently uncertain. Key sources of estimation uncertainty are as follows:

(a) Impairment of property, plant and equipment

The Group reviews the carrying amounts of the assets at each balance sheet date to determine whether there is objective evidence of impairment. When indication of impairment is identified, management prepares discounted future cash flow to assess the differences between the carrying amount and value in use and provided for impairment loss. Any change in the assumptions adopted in the cash flow forecasts would increase or decrease in the provision of impairment loss and affect the Group's results in future years.

(b) Impairment of trade receivables

Impairment losses for bad and doubtful debts are assessed and provided for based on the directors' regular review of ageing analysis and evaluation of collectibility. A considerable level of judgement is exercised by the directors when assessing the credit worthiness and past collection history of each individual customer. An increase or decrease in the impairment loss would affect the Group's results in future years.

(c) Impairment on inventories

The Group reviews the carrying amounts of the inventories at each balance sheet date to determine whether the inventories are carried at lower of cost and net realisable value as in accordance with accounting policy as set out in note 2(j). Management estimates the net realisable value based on current market situation and historical experience on similar inventories. Any change in the assumptions would increase or decrease the amount of inventories write-down or the related reversals of write-down made in prior years and affect the Group's results in future years.

(d) Impairment of goodwill and intangible assets

Determining whether goodwill and intangible assets have been impaired requires an estimation of the value in use of the cash-generating units to which they have been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Any change in the estimates would increase or decrease in the provision of impairment loss and affect the Group's results in future years.

(e) Depreciation

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives. The Group reviews annually the useful life of an asset and its residual value, if any. The depreciation expense for future periods is adjusted if there are significant changes from previous estimation.

31 ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

Key sources of estimation uncertainty *(Continued)*

(f) Income tax

The Group is subject to Hong Kong Profits Tax and PRC CIT. Judgement is required in determining the provision for income tax. There are transactions during the ordinary course of business, for which calculation of the ultimate tax determination is uncertain. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. Recognition of deferred tax depends on the management's expectation of future taxable profit that will be available. The outcome of their actual utilisation may be different.

(g) Fair value of equity-settled share-based compensation

Share-based compensation is recognised as an expense based on their fair value at date of grant. The fair value is estimated through the use of share option valuation model - which requires inputs such as the risk-free interest rate, the expected dividend yield and the expected volatility - and is expensed over the vesting period. Some of the inputs used, such as the expected dividend yield and employee exercise behaviour, are not market observable and are based on estimates derived from available data. The model utilised, the Binomial Option Pricing model, is intended to value options traded in active markets. The share options issued by the Group, however, have a number of features that make them incomparable to such traded options. Using different input estimates or models could produce different share option values, which would result in the recognition of a higher or lower expense.

(h) Business combinations

The recognition of business combinations requires the excess of the purchase price of acquisitions over the net book value of assets acquired to be allocated to the assets and liabilities of the acquired entity. The Group makes judgements and estimates in relation to the fair value allocation of the purchase price. Any unallocated portion is recognised as goodwill.

The amount of goodwill initially recognised as a result of a business combination is dependent on the allocation of the purchase price to the fair value of the identifiable assets acquired and the liabilities assumed. The determination of the fair value of the assets and liabilities is based, to a considerable extent, on management's judgement. The Group also makes use of various valuation methodologies in determining these fair values, including the use of reputable independent valuers. Valuations are inherently subjective, and require the use of judgement.

Allocation of the purchase price affects the results of the Group as finite lived intangible assets are amortised, whereas indefinite lived intangible assets, including goodwill, are not amortised and could result in differing amortisation charges based on the allocation to indefinite lived and finite lived intangible assets.

(Expressed in Renminbi unless otherwise indicated)

32 IMMEDIATE AND ULTIMATE HOLDING COMPANY

The directors consider the immediate parent and ultimate holding company of the Company as at 31 December 2010 to be Creative Sector Limited which was incorporated in the British Virgin Islands and does not produce financial statements available for public use.

33 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2010

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and interpretations and one new standard which are not yet effective for the year ended 31 December 2010 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group:

	Effective for accounting periods beginning on or after
Revised HKAS 24, *Related party disclosures*	1 January 2011
HKFRS 9, *Financial instruments*	1 January 2013
Improvements to HKFRSs 2010	1 July 2010 or 1 January 2011
Amendments to HKAS 12, *Income taxes*	1 January 2012
	and new standard

The Group is in the process of making an assessment of what the impact of these amendments and new standard is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

34 NON-ADJUSTING POST BALANCE SHEET EVENT

(a) On 18 January 2011, the Company entered into a placing and subscription agreement with Creative Sector Limited, a company wholly-owned by Mr. Chan Yuen Ming, an executive Director and the Chairman of the Company, and a placing agent for the placing of up to 200,000,000 shares of HK$0.01 each in the Company held by Creative Sector Limited at a price of HK$2.68 per share, followed by the subscription by Creative Sector Limited of up to 160,000,000 subscription shares at a subscription price of HK$2.68 per share. The agreement has been completed and 160,000,000 new shares of HK$0.01 each in the Company were duly issued and allotted to Creative Sector Limited on 28 January 2011. The net funds raised from the placing and subscription of approximately HK$415.0 million are to be used by the Group for the general working capital.

(b) After the balance sheet date the directors proposed a final dividend. Further details are disclosed in note 26(b).