
INDUSTRY OVERVIEW

This section contains information and statistics on the industry in which our Group operates. The information set out in this section have been extracted from an industry review report compiled by CCID Consulting as commissioned by us. Such industry review report was compiled based on various data collected by CCID Consulting through different means, including, but not limited to, (i) conducting direct visits or telephone interviews with market participants, (ii) conducting direct visits or telephone interviews with upstream (suppliers) and downstream (customers) industry participants; (iii) conducting telephone interviews with industry experts; (iv) making inquiries with relevant government departments; and (v) gathering a variety of published public information. CCID Consulting, an independent third party, is principally engaged in the provision of market research and management consultancy services. The principal activities of CCID Consulting and its subsidiaries mainly comprise the provision of data information management services, and public relationship consultancy services. The amount of fees payable to CCID Consulting is RMB330,000. Save as the aforesaid industry review report compiled by CCID Consulting, no other report was commissioned by the Company. We believe that the source of the information of this section is an appropriate source for such information and we have taken reasonable care in reproducing the information. In view of the background and credentials of CCID Consulting and the method of research adopted by CCID in preparation of the industry review report, we have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The information has not been independently verified by us and no representation is given as to its accuracy.

We are principally engaged in providing information communication application solutions and information communication application services for public safety, city emergency communication and city integrated management purposes. Our products and services include satellite communication application solutions and services, wireless data communication application solutions and services and call centre application solutions and services. In recent years, the PRC government policies encourage the use of communication technologies for public safety, city integrated management and city emergency communication services. In line with these policies, we have developed information communication application solutions to address the increase in demand for information communication application solutions and application services for public safety, city emergency communication and city integrated management purposes. This section contains an overview of the market in which we operate (that is, provision of information communication application solutions and information communication application services for public safety, city emergency communication and city integrated management purposes) during the Track Record Period and the competition of the market in which we operate.

According to CCID Consulting, the strategic importance of public safety, city integrated management and city emergency communication industries continues to grow as the PRC government continues to regard such industries as one of the key factors for development and a harmonious society. Information communication application solutions play an important part in providing the service of public safety, city integrated management and city emergency communication efficiently and effectively.

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Public safety

Public safety involves the prevention and protection from events that could endanger the safety of the general public from significant danger, injury, harm, or damage, such as crimes or disasters (natural or man-made).

According to CCID Consulting, the provision of public safety service is a joint exercise by the government authorities and the society in general. Together, they implement an integrated public safety system which include hardware and software to provide public safety services such as fire safety, traffic safety, communication safety and lives protection.

CCID Consulting noted that as communication technology advances and the application of communication technologies in the public safety provision industry continues to deepen, satellite communication, wireless data communication and call centre communication gradually play a more important role in the public safety provision industry. As a result, the industry of using satellite communication, wireless data communication and call centre communication technologies to provide information communication application solution for public safety has been developing rapidly. Accordingly to CCID Consulting, from 2003 to 2008, the market turnover of the provision of information communication application solutions for public safety using satellite communication, wireless data communication and call centre communication technologies continues to grow. In 2008, the market turnover of such industry reached approximately RMB17.5 billion.

City integrated management

City integrated management involves the management and operation of a city, by utilizing the function of a city and managing the development of a city. City integrated management involves linking various management subsystems within a city to improve the city's efficiency by enabling cross communication between these subsystems. The function of city integrated management includes planning, organizing, controlling, coordinating and statistic data collecting and monitoring.

According to CCID Consulting, to achieve efficiency in city integrated management, the management system is to be automated and satellite communication, wireless data communication and call centre communication technologies play important roles to achieve such automation. As a result, the city integrated management industry is in keen demand for information communication application solution for city integrated management using satellite communication, wireless data communication and call centre communication technologies. In 2008, the market turnover of the provision of information communication application solution for city integrated management using satellite communication, wireless data communication and call centre communication technologies industry reached approximately RMB1.4 billion.

City emergency communication

There are different types of city emergency communication systems. These include wireless data communication system and satellite communication system. Accordingly to CCID Consulting, given that the vast size of China, the number of cities within China and its high population, wireless and

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satellite communication technologies are expected to be widely deployed in city emergency communication systems. As a result, growth of the market turnover of provision of satellite emergency communication application solution industry is rapid. In 2008, the market turnover of the provision of satellite emergency communication application solution industry reached approximately RMB1.11 billion.

CCID Consulting noted that the information communication application solutions which support the public safety, city integrated management and city emergency communication services industry are becoming more intelligent and are integrating. This in turn promotes the use of satellite communication, wireless data communication and call centre communication technologies in public safety, city integrated management and city emergency communication. From 2006 to 2008, the market turnover of provision of information communication application solutions using satellite communication, wireless data communication and call centre communication technologies for public safety, city integrated management and city emergency communication services industry maintained double digit growth from approximately RMB15.6 billion in 2007 to approximately RMB20.0 billion in 2008.

Government Policies

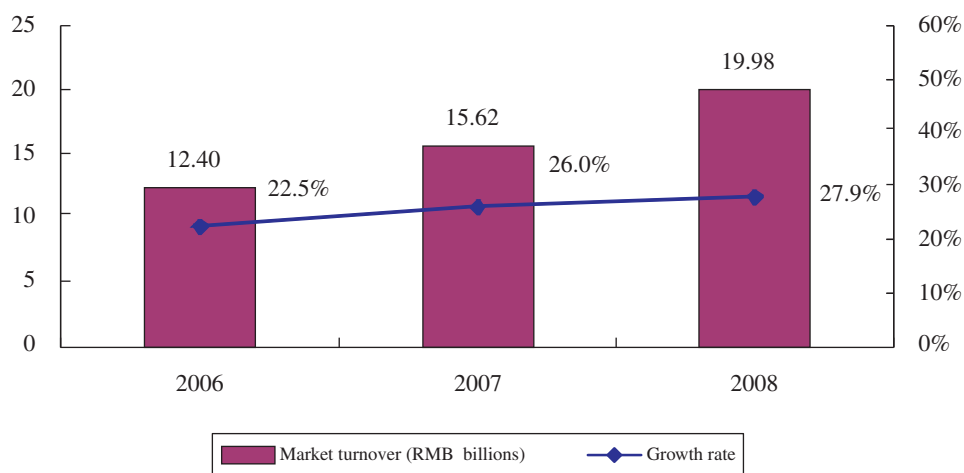
In recent years, the PRC government policies encourage the use of satellite communication, wireless data communication and call centre communication technologies for public safety, city integrated management and city emergency communication services. For example, in relation to public safety and emergency communication services, in the 11th Five-Year Plan of China's information industry, it was stated that emphasis is to be placed in developing systems to support emergency communication and to ensure stable communication in emergency situations so as to increase emergency response capabilities. In relation to city integrated management, in the 10th Five-Year Plan, the PRC government has spent approximately RMB4.5 billion on 50 urban digitalization projects. It was stated in the "Summary of Report on Promotion on New Model of Digitalizing City Integrated Management", from 2008 to 2010, the PRC government will use three years to promote the new model of digitalizing city integrated management in major cities and study the feasibility to establish provincial level city integrated management platform which links the city integrated management system of cities within the province. It is expected that by the end of the 11th Five-Year Plan, the city integrated management system of major cities will interlink with each other and be able to communication with each other freely. In May 2006, the PRC government revealed the China's Informatization Development Strategy (2006-2020) policy. Under the China's Informatization Development Strategy (2006-2020) policy, the PRC government will improve the system of communication network's operation to respond to emergency situation and its ability to alert the public of such emergency and also the capability to manage and monitor emergency situation. The market turnover of the provision of information communication application solution for city integrated management using satellite communication, wireless data communication and call centre communication technologies industry is expected to reach approximately RMB2.9 billion by 2010.

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The Market in General

According to CCID Consulting, from 2006 to 2008, the market turnover of the provision of information communication application solutions for public safety, city integrated management and emergency communication using satellite communication, wireless data communication and call centre communication technologies industry has maintained double digit growth and there is a trend that the growth rate is increasing. In 2008, the revenue for sales of information communication application solutions amounted to approximately RMB19.98 billion, representing a growth rate of 27.9% compared to 2007.

The chart below illustrates the trend of the market turnover of the provision of information communication application solutions for public safety, city integrated management and emergency communication using satellite communication, wireless data communication and call centre communication technologies industry during the Track Record Period:



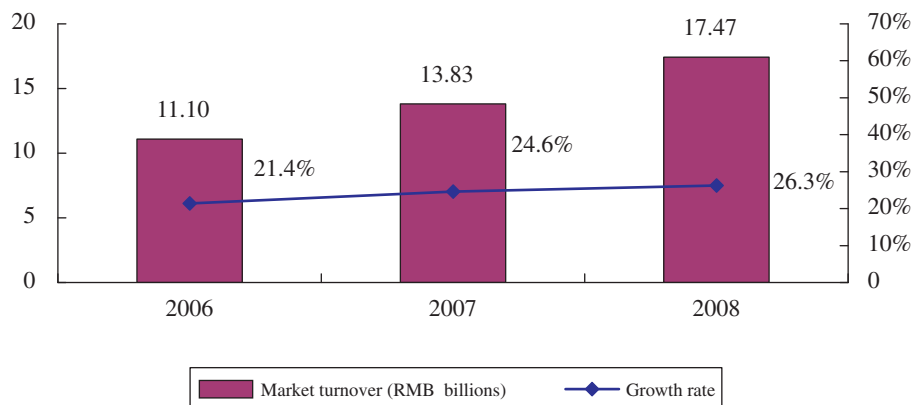
Source: CCID Consulting

The Market of Provision of Information Communication Application Solutions for Public safety

According to CCID Consulting, under the encouragement policies of the PRC government, the market of provision of information communication application solutions for public safety by using satellite communication, wireless data communication and call centre communication technologies maintained a steady growth between 2006 and 2008. In 2008, the market turnover of such market reached approximately RMB17.47 billion.

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The chart below illustrates the trend of the market turnover of the provision of information communication application solutions for public safety by using satellite communication, wireless data communication and call centre communication technologies during the Track Record Period:

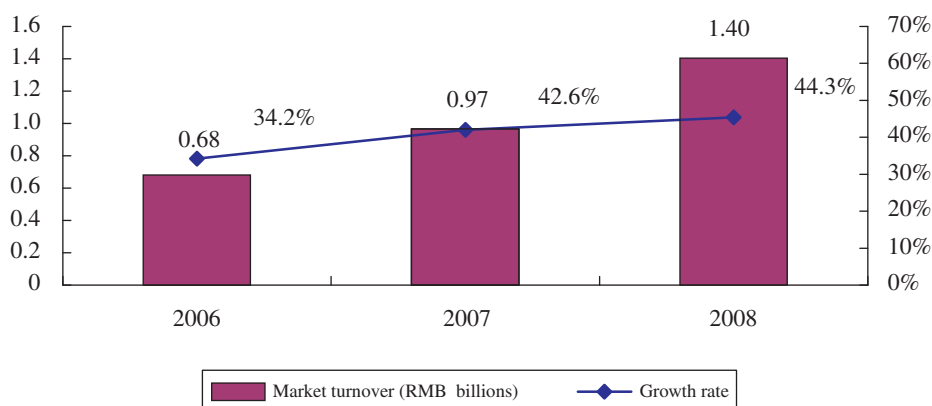


Source: CCID Consulting

The Market of Provision of Information Communication Application Solutions for City integrated management

According to CCID Consulting, under the PRC government's policies to digitalize city integrated management, the market of provision of information communication application solutions for city integrated management by using satellite communication, wireless data communication and call centre communication technologies has grown rapidly from 2006 to 2008. In 2008, the market turnover of such market reached approximately RMB1.4 billion.

The chart below illustrates the trend of the market turnover of the provision of information communication application solutions for city integrated management by using satellite communication, wireless data communication and call centre communication technologies during the Track Record Period:



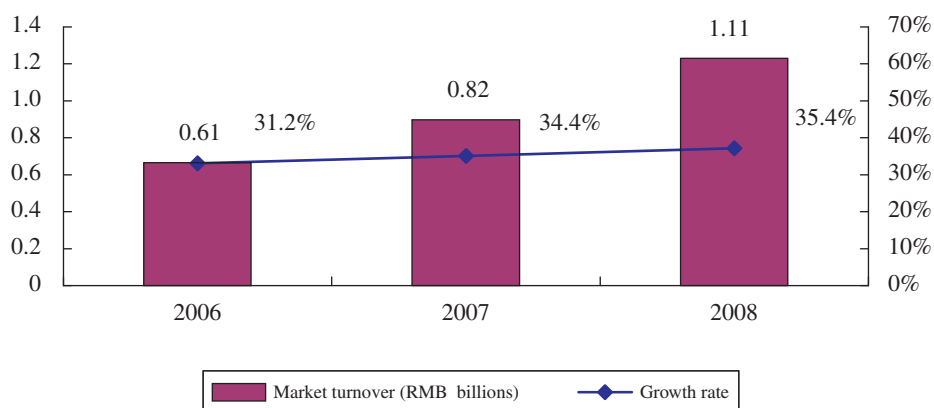
Source: CCID Consulting

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The Market of Provision of Information Communication Application Solutions for Emergency Communication

According to CCID Consulting, under the encouragement policies of the PRC government, the market of provision of information communication application solutions for emergency communication by using satellite communication, wireless data communication and call centre communication technologies has reached approximately RMB610 million in 2006 and has maintained steady growth since. In 2008, the market turnover of such market reached approximately RMB1.11 billion representing a 35.4% growth as compared to 2007.

The chart below illustrates the trend of the market turnover of the provision of information communication application solutions for emergency communication by using satellite communication, wireless data communication and call centre communication technologies during the Track Record Period:



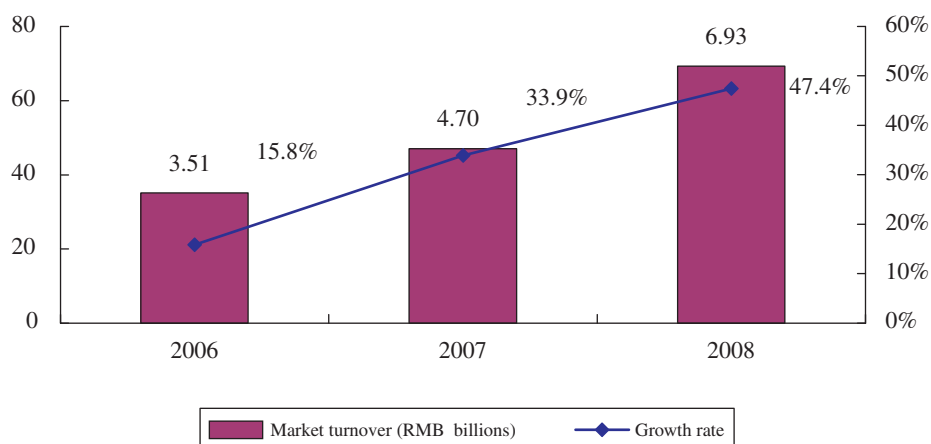
Source: CCID Consulting

The Market of Provision of Application services for Application solutions used for Public safety, City integrated management and Emergency Communication Services

According to CCID Consulting, as the markets for application solutions used for public safety, city integrated management and emergency communication services grow, the market for provision of application services, which include application solution operation management, application upgrade and system maintenance to application solutions also maintained steady growth between 2006 and 2008. In 2008, the market turnover for the market for provision of application services reached approximately RMB6.93 billion.

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The chart below illustrates the trend of the market turnover of the provision of application services during the Track Record Period:



Source: CCID Consulting

Forecast of the Market in General

According to CCID Consulting, it is estimated that the market turnover of provision of information communication application solutions using satellite communication, wireless data communication and call centre communication technologies for public safety, city integrated management and city emergency communication services industry will continue to grow in terms of the market turnover in the next year.

Forecast of the Market of Provision of Information Communication Application Solutions for Public safety

According to CCID Consulting, the market of provision of information communication application solutions for public safety by using satellite communication, wireless data communication and call centre communication technologies is estimated to continue to grow in terms of the market turnover in the next few years.

Forecast of the Market of Provision of Information Communication Application Solutions for City integrated management

According to CCID Consulting, the market of provision of information communication application solutions for city integrated management by using satellite communication, wireless data communication and call centre communication technologies is estimated to continue to grow in terms of the market turnover in the next few years.

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Forecast of the Market of Provision of Information Communication Application Solutions for Emergency Communication

According to CCID Consulting, the market of provision of information communication application solutions for emergency communication by using satellite communication, wireless data communication and call centre communication technologies is estimated to continue to grow in terms of the market turnover in the next few years.

Forecast of the Market of Provision of Application services for Application solutions used for Public safety, City integrated management and Emergency Communication Services

According to CCID Consulting, the growth of the market of provision of application services is estimated to continue to grow in terms of the market turnover in the next few years.

Competition of the Provision of Satellite Communication Application Solutions Market

According to CCID Consulting, other than the Company, there are four other major satellite communication application solutions providers in the PRC market. The competition in provision of satellite communication application solutions market is that foreign satellite communication application solutions providers have stronger compatibility and accounted for approximately one-third of the market shares. Although the domestic satellite communication application solutions providers are not in a vast majority, their market shares have increased remarkably in the recent years. Competitions among these domestic satellite communication application solutions providers have become increasingly tense.

CCID Consulting noted that recently, the domestic satellite communication application solutions providers had grew to take up more market shares and localised marketing strategy has enhanced the rapid growth of market influence for the domestic Satellite Communication Application Solutions providers. CCID Consulting estimates that the market shares of domestic application solutions providers are expected to increase and become a major portion within the PRC market.

Competition of the Provision of Wireless Communication Application Solutions Market

According to CCID Consulting, wireless data communication application solutions have become increasingly popular in the PRC. A number of providers have put their emphasis on this growing market and competitions among these providers have become increasingly immense. According to CCID Consulting, other than the Company, there are five other major wireless data communications application solutions providers in the PRC. Currently, the market shares of foreign wireless data communication application solutions providers are in bigger proportions than domestic wireless data communication application solutions providers.

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CCID Consulting considers that the entry barrier for new entrants to the provision of wireless data communication application solutions market includes technical know-how.

Due to the above entry barrier, there has been no substantial growth in terms of the number of providers in the provision of wireless data communication application solutions market in the PRC.

When comparing domestic wireless data communication application solutions providers, foreign wireless data communication application solutions providers have stronger capabilities in providing wireless data communication application solutions. Domestic wireless data communication application solutions providers mainly focus on the lower-end and smaller scale markets; they usually spend fewer resources on research and development and on wireless data communication equipment. Foreign wireless data communication application solutions providers mainly focus on the upper and/or a larger-scale markets.

Competition of the Provision of Call Centre Application Services Market

According to CCID Consulting, there are only a few call centre application services providers in the market. In terms of market share, a number of foreign call centre application services providers are in the leading role in the market and they mainly dominate the higher-end market while a few of domestic call centre application services providers dominate mainly in the lower-end market. Following the business development of foreign call centre application services providers in the lower-end market which serves small and medium enterprises, the competition of lower-end market has become increasingly competitive. However, CCID Consulting considers that the complicated technology requirements in this market would deter most of the new entrants to enter into the market in the next few years and CCID Consulting estimates that there will be no major changes in the market.

CCID Consulting noted that there are two foreign leading call centre application services providers in the market. They dominate not only more than one-third of the market shares in the higher-end market but also the overall shares in the market while two other domestic call centre application services providers are in the leading positions in the lower-end market.

Competition of the Provision of Application Services Market

According to CCID Consulting, the provision of application services market is highly fragmented. A majority of these providers focus in providing system integration services on a one-off basis. According to CCID Consulting, following the rapid development in the wireless communications industry in 2008, some of the more resourceful domestic systems integrators and other enterprises may embark into this market and increase the level of competition.

Relevant Laws and Regulations Governing the PRC's Market of Provision of Information Communication Application Solutions Using Satellite Communication, Wireless Data Communication and Call Centre Technologies

The CISI Rules

The MII promulgated the CISI Rules on 12 December 1999 and has implemented on the trial basis, the certification procedures for computer network system integration solutions providers since 1 January 2000. All providers of computer network system integration solutions in the PRC can obtain a 計算機信息系統集成資質證書 (Qualification Certificate of Computer Network System Integration) through a qualification verification process.

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Pursuant to the CISI Rules, applicants for such qualification certificates must, inter alia, possess adequate expertise and industry experience and have carried out computer network system integration business for at least two years, have completed at least three projects and have met certain requirements on the amount of revenue generated from completed projects in the last three years. The CISI Rules do not prohibit a company from carrying out the computer network system integration business without a qualification certificates while a company is accumulating its two years business experience and meeting the three years requirements on revenue generated from completed projects. Our legal advisers as to PRC law confirm that we did not breach the CISI Rules prior to obtaining the qualification certificate as we were accumulating our two years business experience and were in the course of meeting the three years requirements on revenue generated from completed projects.

Relevant qualification certificate is classified into four different grades which are determined in accordance with the capabilities of the applicants to carry out computer network system integration business. Grade 1 certificate will be granted to enterprises which can independently carry out relevant business at state level whereas Grade 2 certificate will be granted to those which can independently carry out relevant business at provincial level or those which can carry out the same at state level by cooperating with other entities. Grade 3 certificate will be granted to enterprises which can independently complete medium sized computer network system integration projects or those which can complete large sized projects by cooperating with other entities. Grade 4 certificate will be granted to enterprises which can independently complete small sized projects or those which can complete medium sized project by cooperating with other entities. We were granted the Grade 3 qualification certificate in February 2009. Below is a table setting out the respective eligibility requirements for obtaining Grade 1 to 4 qualification certificate according to the Assessment Requirements of Qualification of Computer Network System Integration (Revised) (Xin Bu Gui (2003) No. 440)《電腦資訊系統集成資質等級評定條件(修定版)》(信部規[2003]440號), in terms of the level of expertise and industry experience, the value of completed project and the requirement on the amount of revenue generated from system integration.

	Level of expertise and industry experience	Value of completed project	The amount of revenue generated from system integration
Grade 1	Management possesses not less than 5 years of experience in managing information technology enterprises. Main personnel responsible for technical aspect of the business possess not less than 5 years of experience in system integration.	For the last three years, the aggregated value of completed projects valued over RMB2 million, is over RMB300 million.	For the last three years, the average amount of revenue generated from system integration is over RMB100 million per year.

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	Level of expertise and industry experience	Value of completed project	The amount of revenue generated from system integration
Grade 2	Management possesses not less than 4 years of experience in managing information technology enterprises. Main personnel responsible for technical aspect of the business possess not less than 4 years of experience in system integration.	For the last three years, the aggregated value of completed projects with valued over RMB0.8 million, is over RMB150 million.	For the last three years, the average amount of revenue generated from system integration is over RMB50 million per year.
Grade 3	Management possesses not less than 3 years of experience in managing information technology enterprises. Main personnel responsible for technical aspect of the business possess not less than 3 years of experience in system integration.	For the last three years, the aggregated value of completed projects is over RMB45 million.	For the last three years, the average amount of revenue generated from system integration is over RMB15 million per year.
Grade 4	Management possesses not less than 2 years of experience in managing information technology enterprises. Main personnel responsible for technical responsible for technical aspect of the business possess not less than 2 years of experience in system integration.	For the last three years the aggregated value of completed projects is over RMB10 million.	30% of the aggregated value of completed projects is generated from system integration and software development.

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The Encouraging Policies and the Software Administration Measures

On 24 June 2000, 中華人民共和國國務院 (the State Council of the PRC) promulgated the Encouraging Policies to govern the development of the software and integrated circuit industry in the PRC. According to the Encouraging Policies, the newly established software companies in the PRC have been given certain preferential treatments, which include investment incentives, preferential tax treatment, export incentives and the autonomy in determining benefits and professional training support for their staff.

According to the Encouraging Policies, the rate of value-added tax payable by newly established software businesses in the PRC will be 17% up to year 2010, but any amount of value added tax in excess of 3% of the sales generated from provision of software and related services shall be refunded. Meanwhile, commencing from its first profitable year, a software enterprise shall be exempted from paying enterprise income tax for two years, and is eligible to enjoy a 50% reduction in enterprise income tax for the subsequent three years. Software companies with aggregate annual software export exceeding US\$1 million will also be granted export rights for their own software products.

On 27 October 2000, the Software Administration Measures was implemented to enhance the administration of software products and encourage the development of the software industry in the PRC. Pursuant to the Software Administration Measures, registered and filed software products shall enjoy preferential treatments stated in the Encouraging Policies, while software products which have not been registered and filed or the registration of which have been withdrawn are prohibited to be sold in the PRC. Software developers or manufacturers may submit applications for registration of software products developed or manufactured by them to the authority in charge of information industry in the relevant provinces, autonomous regions or municipalities directly under the jurisdiction of the central government where the developers or manufacturers are located (“Relevant Authorities”). The registration and filing of a software product will not become effective until the Registration Certificate of Software Product has been obtained from the Relevant Authority and the public notice has been issued by MII in respect of such software product. The registration of a software product will be valid for 5 years and is renewable upon expiry.

However, such regulation does not apply to software products which are developed for the own use of the developer or the customised needs of his customers.