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CORPORATE DEVELOPMENT

(a) Hebei SkyComm

The business of our Group in Hebei Province was initially carried on by Hebei SkyComm (previously known as Hebei SkyComm Data Network Communication Co., Ltd. (河北天宇數據網絡通信有限公司)) which was established by SkyComm and Hebei Postal Bureau (河北省郵政局), an Independent Third Party, as a domestic limited liability company in the PRC on 5 December 2000, to engage in the satellite communication application solutions, development and application of related software, distribution, maintenance and technical support services communication apparatus and equipment and provision of other telecommunication services in the PRC. At the time of establishment, the entire equity interest in Hebei SkyComm was owned as to 45% by Hebei Postal Bureau and 55% by SkyComm, which was, at the material time and until February 2008, indirectly controlled by Mr. Chan, being our Chairman and also one of our executive Directors. However, after the Business Transfer and as at the Latest Practicable Date, Mr. Chan has sold all his equity interests in, and resigned from the directorship and management in, the SkyComm Group, and ceased to be a shareholder and a director of any member of the SkyComm Group with a view to avoid any conflict of interest between our Group and the SkyComm Group arising from the business cooperation as particularly referred to in the section headed “Our Relationship with SkyComm Group and our Controlling Shareholders — Relationship with SkyComm Group” in this document, and to focus his resources in the development of our businesses for the reasons as that for the Business Transfer as referred to in the section headed “Our Relationship with SkyComm Group and our Controlling Shareholders — Relationship with SkyComm Group — Business Transfer and Business Model before and after the Business Transfer” in that section of this document.

In December 2001, SkyComm transferred 5% of its equity interest in Hebei SkyComm to Hebei Postal Bureau for a cash consideration of RMB1 million, being the investment cost in 5% of the total amount of the registered capital in Hebei SkyComm. After such transfer, the entire equity interest in Hebei SkyComm was owned as to 50% by SkyComm and 50% by Hebei Postal Bureau.

Since November 2003, due to the business restructuring of Hebei Postal Bureau, Hebei Postal Bureau had agreed to withdraw from cooperation with SkyComm in the investments in Hebei SkyComm by ceasing its participation in the operation and management of Hebei SkyComm and withdrawing its corporate guarantees in respect of the bank loans of Hebei SkyComm, and it did not have any rights of control, dividends and other benefits in Hebei SkyComm thereafter, and all such management, control, rights, benefits and responsibilities have been assumed by SkyComm since then. Hebei SkyComm was controlled by SkyComm since November 2003. Given such and for the fact that, at all material times immediately before the Business Transfer in August 2006, an aggregate of 81% equity interest in SkyComm was indirectly controlled by Mr. Chan as more particularly shown in the section headed “Our relationship with SkyComm Group and our Controlling Shareholders — Relationship with SkyComm Group” in this document, Hebei SkyComm was under the control of Mr. Chan at all material times immediately before the Business Transfer in August 2006. As the relevant Administration for Industry and Commerce considered that the disposal of equity interest in Hebei SkyComm by Hebei Postal Bureau was in fact a transfer of state-owned assets which was subject to the applicable procedures under the relevant PRC laws and regulations, such as engaging qualified valuer to conduct asset evaluation on the transferred assets for the purposes of determining the

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consideration payable, in December 2007, Hebei Postal Bureau completed its requisite procedures and transferred its 50% equity interest in Hebei SkyComm to SkyComm for a cash consideration of RMB10 million as determined by reference to the value of 50% equity interest of Hebei SkyComm as at 31 December 2006 as appraised by a qualified valuer in the PRC, and Hebei SkyComm has become the wholly owned subsidiary of SkyComm thereafter.

(b) Shanghai SkyComm

The business of our Group in Shanghai was initially carried on by Shanghai SkyComm which was established by SkyComm and Ms. Wang Jianhua, an Independent Third Party, as a domestic limited liability company in the PRC on 11 March 2002, to engage in satellite communication application solutions, computer information international networking application solutions, research and development of communication apparatus and equipment, construction and engineering of communication and networking facilities and provision of technical consultation services therefor, distribution, maintenance and technical support services of communication apparatus and equipment and provision of other telecommunication services in the PRC. At the time of establishment, the entire equity interest in Shanghai SkyComm was owned as to 75% by SkyComm and 25% by Ms. Wang Jianhua.

In April 2003, Ms. Wang Jianhua transferred her 20%, 2.5% and 2.5% equity interests in Shanghai SkyComm to SkyComm, Mr. Chan and Shanghai Software Co., which is an Independent Third Party and a subsidiary of Shanghai Development Co. (a company whose ordinary shares are listed on the Shanghai Stock Exchange) for a cash consideration of RMB1 million, RMB125,000 and RMB125,000, being the initial investment cost in the 20%, 2.5% and 2.5% equity interests in Shanghai SkyComm, respectively. In September 2003, Mr. Chan transferred his 2.5% equity interest in Shanghai SkyComm to his son, Mr. Chen Yan (陳岩) for a cash consideration of RMB500,000, being the investment cost in the 2.5% of the total amount of registered capital in Shanghai SkyComm. Upon completion of this transfer, Shanghai SkyComm was owned as to 95% by SkyComm, 2.5% by Shanghai Software Co. and 2.5% by Mr. Chen Yan. Given such and for the fact that, at all material times immediately before the Business Transfer in August 2006, an aggregate of 81% equity interest in SkyComm was indirectly controlled by Mr. Chan as more particularly shown in the section headed “Our relationship with SkyComm Group and our Controlling Shareholders — Relationship with SkyComm Group” in this document, Shanghai SkyComm was under the control of Mr. Chan at all material times immediately before the Business Transfer in August 2006. As at the Latest Practicable Date, the entire equity interest in Shanghai SkyComm was owned as to 95% by SkyComm, 2.5% by Shanghai Software Co. and 2.5% by Mr. Chen Yan.

(c) The Reorganisation

In order to segregate our business from the other businesses of Hebei SkyComm, Shanghai SkyComm and SkyComm, to rationalise our Group’s structure and our business in preparation for the Listing, our Group underwent the various procedures pursuant to the Reorganisation, the particulars of which are set out below and the paragraph headed “Group reorganisation” in appendix VI to this document.

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On 12 May 2006, CAA BVI was incorporated in the BVI as a BVI business company with 50,000 authorised shares of US\$1.00 each. On 15 June 2006, one share of US\$1.00 was allotted and issued as fully paid by CAA BVI to Mr. Chan. On 21 August 2006, CAA BVI established Noter in the PRC as a wholly foreign owned enterprise with an initial total investment amount of US\$200,000 and a registered capital of US\$150,000.

Pursuant to a business transfer agreement dated 31 August 2006 and as supplemented by a supplemental agreement dated 28 April 2009 entered into between Noter, Hebei SkyComm and Shanghai SkyComm, on 31 August 2006, our Group underwent the Business Transfer whereby Noter acquired from Hebei SkyComm and Shanghai SkyComm certain assets and liabilities (including, among other things, certain services contracts, accounts payable and receivables, but excluding certain equipment and facilities in respect of our Group’s ALL ACCESS platform) relating to all the Related Business as of 30 June 2006 for a cash consideration of RMB102,600,000 as determined by reference to the value of the businesses to be transferred to Noter from Hebei SkyComm and Shanghai SkyComm as of 30 June 2006 as appraised by an independent valuer. Please refer to the section headed “Our Relationship with SkyComm Group and our Controlling Shareholders — Relationship with SkyComm Group — Business Transfer and Business Model before and after the Business Transfer” in this document for further information relating to the Business Transfer. Since the Business Transfer, Noter has become our principal operating subsidiary for carrying on our business in the PRC.

On 14 January 2008, CAA BVI allotted and issued, credited as fully paid at par, an aggregate of 9,999 shares to Mr. Chan, in full satisfaction of the shareholder’s loan payable to Mr. Chan for an amount of HK\$36,600,000.

During the period from September 2007 to November 2008, we introduced various corporate investors to invest in our Group, either by way of equity investment or by subscription of convertible loans. In January 2008, Mr. Chan sold an aggregate of 1,380 shares of US\$1.00 each in CAA BVI, as to 1,299 shares to Atlantis and 81 shares to FMG, representing 12.99% and 0.81% of the then issued share capital of CAA BVI, for a cash consideration of US\$8,000,000 and US\$500,000 respectively, which had been agreed among the parties on an arm’s length basis by reference to the historical earnings per share of CAA BVI based on its unaudited combined net profit for the year ended 31 December 2007 on the terms and conditions as set out in the paragraph headed “Shareholders’ Agreement with Atlantis and FMG” below. CAA BVI has also issued certain convertible loans, which are exchangeable for shares of CAA BVI or, as the case may be, Shares then held by Mr. Chan or Creative Sector prior to the Listing Date, to each of Smart King Group Limited, Profit Concept, Guofu (Hong Kong) Holdings Limited, Even Grow and Chengwei, who are Independent Third Parties, on the respective terms and conditions as set out in the paragraph headed “Convertible Loans” below. The convertible loans issued to each of Profit Concept, Even Grow and Chengwei remained outstanding as at the Latest Practicable Date, while the convertible loans issued to each of Smart King Group Limited and Guofu (Hong Kong) Holdings Limited had already been fully redeemed and repaid by CAA BVI in 2008 and 2009, respectively.

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On 20 December 2008, Noter entered into an asset transfer agreement with each of Hebei SkyComm and Shanghai SkyComm pursuant to which we acquired certain equipment and facilities in respect of our Group’s ALL ACCESS platform integrated application service platform from them at the aggregate consideration of RMB53,093,900 as determined by reference to the value of these equipment and facilities as of 30 September 2008 as appraised by a qualified valuer in the PRC. These equipment and facilities were owned by SkyComm Group prior to such acquisition and had been used by Noter on a cost-reimbursement basis since the Business Transfer in August 2006.

In order to expand our Group’s sales and marketing network, Noter established branch offices in Beijing and Shanghai in January 2009.

On 18 June 2008, CAA HK was incorporated in Hong Kong as a limited company with an authorised share capital of HK\$10,000 divided into 10,000 shares having a par value of HK\$1.00 each. On the same day, one subscriber share of HK\$1.00 was issued and allotted as fully paid by CAA HK to the subscriber. On 6 January 2009, such subscriber share was transferred by the subscriber to CAA BVI at its nominal value of HK\$1.00 in cash, and an aggregate of 9,999 shares of HK\$1.00 each were allotted and issued as fully paid by CAA HK to CAA BVI.

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company on 4 December 2007 and was registered with the Registrar of Companies in Hong Kong as non-Hong Kong company under Part XI of the Companies Ordinance. In contemplation of the Listing, our Company acquired from Mr. Chan, Atlantis and FMG an aggregate of 10,000 shares of US\$1.00 each in the share capital of CAA BVI, being its entire issued share capital on [28 August 2009], in consideration of and in exchange for which our Company (i) allotted and issued, credited as fully paid, an aggregate of 1,999,999 Shares, as to 1,723,999 Shares to Creative Sector at the direction of Mr. Chan, 259,800 Shares to Atlantis and 16,200 Shares to FMG; and (ii) credited as fully paid at par a nil-paid Share then held by Mr. Chan. Such Share was subsequently transferred by Mr. Chan to Creative Sector at nil consideration on the same day. Since the acquisition, our Company has become the holding company of the members of our Group.

On 8 August 2006, six PRC governmental and regulatory agencies, including the Ministry of Commerce and the CSRC promulgated a new regulation, namely, the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (the “Acquisition Regulations”) (關於外國投資者併購境內企業的規定), which became effective on 8 September 2006. The Acquisition Regulations require that an offshore special purpose vehicle formed for listing purposes and controlled, directly or indirectly, by PRC companies or individuals shall obtain approval from the CSRC prior to the listing and trading of the securities of such offshore special purpose vehicle on an overseas stock exchange.

Based on their understanding of current PRC laws, regulations and rules, our PRC Legal Advisers have advised that the Acquisition Regulations do not apply to the Reorganisation made by our Group in the PRC and that the Listing does not require approval of the CSRC, as Mr. Chan is a permanent resident in Hong Kong and Noter, the Group’s principal wholly-owned subsidiary in the PRC, was established prior to the effective date of the Acquisition Regulations. As advised by our PRC Legal Advisers, all necessary approvals and permits from the relevant competent PRC regulatory authorities required for the implementation of the Reorganisation have been obtained.

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As further advised by our PRC Legal Advisers, the Circular on Further Strengthening the Administration of Overseas Share Issuance and Listing (關於進一步加強在境外發行股票和上市管理的通知) promulgated by the State Council on 20 June 1997 does not apply to the Listing on the basis that no existing shareholder of the members of our Group is an enterprise established in the PRC.

SHAREHOLDERS’ AGREEMENT WITH ATLANTIS AND FMG

As described in the paragraph headed “Corporate Development — The Reorganisation” above, Atlantis and FMG were introduced as the corporate investors of our Group by way of purchase of shares in CAA BVI from Mr. Chan in January 2008.

On 21 January 2008, Mr. Chan, Atlantis, FMG and CAA BVI entered into the Shareholders’ Agreement to regulate their respective rights and obligations as shareholders of CAA BVI. The Shareholders’ Agreement is supplemented by the Deed of Assignment and Novation dated [28 August 2009] and entered into by and among these parties, Creative Sector and our Company, under which the respective rights and obligations of Mr. Chan and CAA BVI have been assigned and novated to Creative Sector and our Company respectively upon our Company became the holding company of CAA BVI as part of the Reorganisation. Atlantis and FMG invested in shares of CAA BVI for their respective own investment purposes in contemplation of the Listing.

A summary of certain rights of Atlantis and FMG under the Shareholders’ Agreement as supplemented by the Deed of Assignment and Novation is set out below:

(A) Anti-dilution:

If our Company issues new Shares or any other equitable instruments including, but not limited to, rights or warrants for new Shares (“**New Equity Interests**”), but excluding Shares to be issued (i) upon the conversion of the Note or the convertible loans to Profit Concept and Even Grow; or (ii) pursuant to any grant of options or awards of Shares, or allotment and issue of Shares pursuant to any employee incentive scheme in compliance with the Listing Rules (collectively, the “**Permitted Issues**”), our Company shall offer, allot and issue to each of Atlantis and FMG such number of New Equity Interests such that they will hold in aggregate 13.8% of the issued share capital of our Company after the enlargement by the allotment and issue of the New Equity Interests at a price per Share (or other equity interest) equal to 75% of the issue price and on the same terms and conditions as specified by our Company. In the event that the aggregate shareholding of Atlantis and FMG in our Company fall below 13.8% for any reason other than the Permitted Issues, Mr. Chan, Creative Sector, CAA BVI and our Company shall take such steps to reinstate the aggregate shareholding of Atlantis and FMG in our Company at not less than 13.8%.

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- (B) Restriction on transfer of Shares by Mr. Chan and/or Creative Sector: Unless with the consent of Atlantis (for itself and on behalf of FMG), no transfer of Shares held by Mr. Chan and/or Creative Sector can be effected except transfers expressly authorised by Atlantis (for itself and on behalf of FMG) and save for any transfer of Shares by Mr. Chan and/or Creative Sector (i) the conversion of the Note and/or the convertible loans to Profit Concept and Even Grow, and subject further to the entering into of a deed of adherence in the agreed form.
- (C) Restriction on disposal of interests in the subsidiaries: Unless with the consent of Atlantis (for itself and on behalf of FMG), each of Creative Sector and our Company shall procure that any of its subsidiaries shall not agree to effect or permit the disposal, dilution or reduction of its interest, directly or indirectly, whether by sale, allotment or issue of any shares in its capital or securities convertible into shares otherwise than to its parent company or any reduction in the voting power or other powers of control exercisable in relation to the subsidiary by its parent company.
- (D) Information rights: Atlantis and FMG shall have the right to appoint, at their own costs and expenses, a duly authorised representative to audit and inspect on their behalf the statutory books, books of accounts and all other financial records of any members of our Group which are in the possession of the relevant members of our Group.

The Shareholders’ Agreement (as supplemented by the Deed of Assignment and Novation) and the foregoing rights of Atlantis and FMG provided thereunder shall lapse upon the Listing.

CONVERTIBLE LOANS

During the period from September 2007 to November 2008, CAA BVI has issued certain convertible loans, which are exchangeable for shares of CAA BVI or, as the case may be, Shares then held by Mr. Chan or Creative Sector prior to the Listing Date, to each of Smart King Group Limited, Profit Concept, Guofu (Hong Kong) Holdings Limited, Even Grow and Chengwei, who are Independent Third Parties. The convertible loans issued to each of Profit Concept, Even Grow and Chengwei remained outstanding as at the Latest Practicable Date, while the convertible loans issued to each of Smart King Group Limited and Guofu (Hong Kong) Holdings Limited had already been fully redeemed and repaid by CAA BVI in 2008 and 2009, respectively. Details of these convertible loans are set out below.

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(a) Convertible loan to Profit Concept

Pursuant to a convertible loan agreement dated 21 September 2007 and entered into between Profit Concept as lender, CAA BVI as debtor, and Mr. Chan as guarantor, as supplemented by a supplemental agreement dated 21 July 2008 entered into between these parties, and another supplemental agreement dated 24 November 2008 and entered into between these parties and Creative Sector, Profit Concept has granted a convertible loan for the principal amount of HK\$10 million to CAA BVI with a maturity date of 21 September 2009. The proceeds from the convertible loan had been used as the general working capital of our Group.

Profit Concept is a company incorporated in the BVI and is wholly owned by Ms. Wang Yan Yun, who is an Independent Third Party. Profit Concept was formed by Ms. Wang solely as an investment holding vehicle for her investment in the convertible loans of the Company for her own investment purposes in contemplation of the Listing.

The principal terms and conditions of the convertible loan agreement (as supplemented) are as follows:

- (a) Principal amount: HK\$10 million
- (b) Maturity date: 21 September 2009
- (c) Interest: CAA BVI shall pay interest on the principal amount to Profit Concept from the date on which the loan was advanced to CAA BVI up to (i) the date on which the principal amount of the loan is fully repaid; or (ii) the date of completion of the full conversion (“**CL Conversion**”) of the principal amount of the loan into shares of CAA BVI or, as the case may be, Shares pursuant to the terms of the convertible loan agreement, at the rate of 4% per annum, calculated on the basis of a 365-day year and the actual number of days elapsed. The interest accrued shall be payable by CAA BVI on the maturity date or, where applicable, on the date of completion of the CL Conversion,
- (d) Mandatory conversion: Unless Profit Concept has exercised the conversion right under the convertible loan agreement previously and there has not occurred any default event on the part of CAA BVI before the date of completion of the CL Conversion, CAA BVI and Creative Sector should serve a mandatory conversion notice (“**Mandatory Conversion Notice**”) whereby the principal amount of the convertible loan shall be settled by Creative Sector transferring such number of Shares representing 7% of the issued share capital of our Company.

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provided that, if completion of the CL Conversion pursuant to the said mandatory conversion does not take place within two months after the date of the Mandatory Conversion Notice, the Mandatory Conversion Notice will lapse upon expiry of the said two month period and parties shall no longer be required to complete the CL Conversion pursuant to the Mandatory Conversion Notice. If such expiry day falls after the maturity date, all outstanding principal amount of the loan, accrued interests and other amounts payable by CAA BVI under the convertible loan agreement shall be repayable on such expiry day.

(e) Conversion right:

Unless CAA BVI and Creative Sector have served the Mandatory Conversion Notice to Profit Concept previously, Profit Concept may, during the conversion period as mentioned in paragraph (f) below, serve a conversion notice (“**CL Conversion Notice**”) to CAA BVI, Mr. Chan and Creative Sector, pursuant to which Profit Concept shall have the right to request for the settlement of the principal amount of the convertible loan by Mr. Chan to transfer such number of shares in CAA BVI representing 7% of the issued share capital of CAA BVI or, where the completion of the CL Conversion takes place after our Company becoming the holding company of CAA BVI pursuant to the Reorganisation, by Creative Sector to transfer such number of Shares representing 7% of the issued share capital of our Company to Profit Concept.

The completion of the CL Conversion shall take place on the date as set forth in the CL Conversion Notice but shall in any event not less than three Business Days and not more than five Business Days after the date of the CL Conversion Notice.

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- (f) Conversion period: The period commencing from the date of the convertible loan agreement up to the date on which the principal amount of the loan was fully repaid.
- (g) Prepayment: Save for the prepayment of the loan as a result of the CL Conversion, CAA BVI shall have no right to prepay all or any part of the loan prior to the maturity date.
- (h) Guarantee: Mr. Chan acts as the guarantor to guarantee the repayment obligations of CAA BVI under the convertible loan agreement, provided that such guarantee shall, in any event, be automatically released upon the Listing.
- (i) Waiver of loan: Each of Mr. Chan and Creative Sector has irrevocably waived all his/its rights and benefits against CAA BVI and our Company arising from the completion of the CL Conversion, and acknowledged that he/it has no claim against CAA BVI and our Company in respect of the principal amount, any accrued interest and/or other amounts payable in respect of the loan.

Certain other rights of Profit Concept under the terms of the convertible loan agreement (as supplemented) are as follows:

- (A) Anti-dilution: Unless with the written consent of Profit Concept, other than for the purposes of Listing, our Company, CAA BVI and Noter shall not (i) directly or indirectly, dispose of or dilute their respective shareholdings; and (ii) sell, repurchase, redeem, grant, issue or allot any shares, bonds, debentures, convertible notes, equity interests or debts.
- This right shall lapse upon the earlier of: (A) full repayment of the loan; and (B) the principal amount of the loan is settled by way of Creative Sector transferring the relevant number in the issued share capital of our Company as mentioned in paragraph (e) above.
- (B) Right to appoint director: In the event that Profit Concept serves the CL Conversion Notice whereupon the principal amount of the convertible note is settled by way of Mr. Chan transferring 7% of the issued share capital of CAA BVI as mentioned in paragraph (e) above, and for as long as Profit Concept remains as the shareholder of CAA BVI, Profit Concept shall have the right to nominate one person to act as director of CAA BVI.

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This right shall lapse upon the earlier of: (i) full repayment of the loan; (ii) Profit Concept ceasing to be a shareholder of CAA BVI; or (iii) the principal amount of the loan is settled by way of Creative Sector transferring the relevant number in the issued share capital of our Company as mentioned in paragraph (e) above.

The foregoing rights of Profit Concept shall lapse upon the Listing.

Pursuant to a subordination letter dated 30 October 2008 and given by Profit Concept in favour of Chengwei, Profit Concept has acknowledged and agreed that the outstanding principal of, the accrued and unpaid interest on, any all other amount of the convertible loan shall subordinate to the convertible note issued to Chengwei as more particularly described in paragraph (c) below, and that the payment of any and all of the loan under the convertible loan agreement is subject in right of payment to the prior payment in full of such convertible note (except in respect of the right to convert the convertible loan into shares of CAA BVI or our Company in accordance with its terms).

On 24 August 2009, CAA BVI and Creative Sector served the Mandatory Conversion Notice to Profit Concept pursuant to which Creative Sector shall transfer an aggregate of 52,500,000 Shares to Profit Concept on or about 15 September 2009, upon completion of the CL Conversion.

(b) Convertible loan to Even Grow

Pursuant to a convertible loan agreement dated 15 May 2008 and entered into between Even Grow as lender, CAA BVI as debtor, and Mr. Chan as guarantor, as supplemented by a supplemental agreement dated 24 November 2008 and entered into between these parties and Creative Sector, Even Grow has granted a convertible loan for the principal amount of HK\$38.56 million to CAA BVI with a maturity date of 14 November 2009. The proceeds from the convertible loan had been used as the general working capital of our Group.

Even Grow is a company incorporated in the BVI and is wholly owned by Ms. Tam Siu Fun Yeko, who is an Independent Third Party. Even Grow was formed by Ms. Tam solely as an investment holding vehicle for her investment in the convertible loans of the Company for her own investment purposes in contemplation of the Listing.

The principal terms and conditions of the above convertible loan agreement (as supplemented) are similar to that of the convertible loan agreement entered into with Profit Concept, except that (i) the maturity date shall be 14 November 2009; (ii) the principal amount of the loan is HK\$38.56 million and (iii) Even Grow does not have any right to nominate any person to be appointed as director of CAA BVI. Even Grow's rights under the relevant anti-dilution provisions (similar to that of the convertible loan agreement entered into with Profit Concept) shall lapse upon the Listing.

Pursuant to a subordination letter dated 3 November 2008 and given by Even Grow in favour of Chengwei, Even Grow has acknowledged and agreed that the outstanding principal of, the accrued and unpaid interest on, any all other amount of the convertible loan shall subordinate to the convertible

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note issued to Chengwei as more particularly described in paragraph (c) below, and that the payment of any and all of the loan under the convertible loan agreement is subject in right of payment to the prior payment in full of such convertible note (except in respect of the right to convert the convertible loan into shares of CAA BVI or our Company in accordance with its terms).

On 24 August 2009, CAA BVI and Creative Sector served the Mandatory Conversion Notice to Even Grow pursuant to which Creative Sector shall transfer an aggregate of 52,500,000 Shares to Even Grow on or about 15 September 2009, upon completion of the CL Conversion.

(c) Convertible note to Chengwei

Pursuant to the Note Purchase Agreement dated 7 November 2008 and entered into between CAA BVI, Noter, Mr. Chan and Chengwei, Chengwei purchased from CAA BVI, and CAA BVI issued to Chengwei on 17 November 2008 the Note for the principal amount of US\$10 million with a maturity date of 1 October 2009. The proceeds from the Note had been used as the general working capital of our Group. Pursuant to an Assignment Agreement, Chengwei has the right to assign the Note to Mr. Chan, and Mr. Chan has the right to request Chengwei to assign the Note to him, in consideration of and in exchange for Mr. Chan transferring such number of shares representing 14.16% of the issued share capital of CAA BVI or, where the Assignment takes place after our Company becoming the holding company of CAA BVI pursuant to the Reorganisation, by Creative Sector transferring such number of Shares representing 14.16% of the issued share capital of our Company then in issue.

Chengwei is an investment holding company incorporated in the BVI on 24 September 2008 with limited liability. It is currently owned as to 89.28% by Chengwei Ventures Evergreen Fund, L.P., 4% by Chengwei Partners L.P. and 6.72% by Chengwei Ventures Evergreen Advisors Fund, LLC, all of which are Independent Third Parties other than their relationship with Chengwei CAA Holdings Limited by virtue of their shareholding therein. Each of Chengwei Ventures Evergreen Fund, L.P., Chengwei Partners L.P. and Chengwei Ventures Evergreen Advisors Fund, LLC are investment funds that make investments in primarily China-based companies. They are managed by Chengwei Ventures Evergreen Management, LLC, a limited liability company incorporated in the Cayman Islands on 2 July 2004 which is controlled by EXL Holdings LLC, a company incorporated in the Cayman Islands which is controlled by Mr. Li Eric Xun, one of the investment managers of these investment funds. Chengwei invested in the Note for its own investment purposes in contemplation of the Listing.

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The principal terms and conditions of the Note and the Assignment Agreement are as follows:

- (a) Principal amount: US\$10 million
- (b) Maturity date: 1 October 2009
- (c) Interest: CAA BVI shall pay interest on the principal amount to Chengwei from the date of the Note (that is, 17 November 2008) until payment in full of the principal amount of the note has been made, at the rate of 4% per annum, calculated on the basis of a 365-day year and the actual number of days elapsed. The interest will be payable on the maturity date.

If CAA BVI fails to pay any sum in respect of the Note when the sum becomes due and payable, the overdue amount (including interest, to the extent permitted by law) will accrue interest at the lesser of (i) 9% per annum; and (ii) the maximum rate permitted by applicable law, from and including the due date for repayment and up to but excluding the date on which payment of the outstanding principal amount of the Note and accrued interest thereon is made. The default interest shall be calculated on the basis of a 365-day year and the actual number of days elapsed.

- (d) Prepayment: CAA BVI may not prepay all or any portion of the then outstanding principal amount and accrued interest of the Note.
- (e) Guarantee: Mr. Chan acts as the guarantor to guarantee the repayment obligations of CAA BVI under the Note and the due and punctual performance by CAA BVI of all its obligations under the Note and the Note Purchase Agreement, until the occurrence of the earlier of the following events: (i) no sum remains payable and all obligations have been duly performed under the Note, the Note Purchase Agreement or the guarantee; (ii) the date on which Chengwei has assigned all its rights, interest, title, claims and benefits to, of and in the Note to Mr. Chan pursuant to the Assignment Agreement; and (iii) the Listing Date.

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- (f) Mandatory assignment: Unless Chengwei has exercised the put option (as referred to in the paragraph (g) below) under the Assignment Agreement previously, Mr. Chan should serve a mandatory assignment notice (“**Mandatory Assignment Notice**”) whereby Chengwei shall assign all its rights, interest, title, claims and benefits to, of and in the Note to Mr. Chan in consideration of and in exchange for Mr. Chan procuring the transfer of such number of Shares representing 14.16% of the issued share capital of our Company then in issue.

Provided that, (i) if completion of the Assignment does not take place within two months after the date of the Mandatory Assignment Notice, the Mandatory Assignment Notice will lapse upon expiry of the said two month period, the parties shall no longer be required to complete the Assignment pursuant to the Mandatory Assignment Notice.

- (g) Put Option Chengwei may, during the exercise period as mentioned in paragraph (h) below, serve an exercise notice (“**Put Option Exercise Notice**”) to Mr. Chan, pursuant to which Chengwei shall have the right (“**Put Option**”) to require Mr. Chan to acquire from Chengwei all its rights, interest, title, claims and benefits to, of and in the Note in consideration of and in exchange for Mr. Chan and Creative Sector transferring or procuring the transfer of such number of shares in CAA BVI representing 14.16% of the issued share capital of CAA BVI or, where the completion of the Assignment takes place after our Company becoming the holding company of CAA BVI pursuant to the Reorganisation, such number of Shares representing 14.16% of the issued share capital of our Company then in issue to Chengwei.

The completion of the Assignment pursuant to the exercise of the Put Option shall take place on the date and time as set forth in the Put Option Exercise Notice but shall in any event not less than three Business Days and not more than five Business Days after the date of the Put Option Exercise Notice.

- (h) Waiver of loan: Mr. Chan has irrevocably waived all his rights under the Note against CAA BVI upon completion of the Assignment, and acknowledged that he will not have any further claim against CAA BVI in respect of the principal amount or accrued interest or any money as otherwise payable to the holder of the Note by CAA BVI under the Note, and the Note will be cancelled immediately after completion of the Assignment.

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- (i) Repurchase option
- In the event that, after completion of the Assignment, the Listing does not take place on or before 30 September 2009, Chengwei shall have the right (“**Repurchase Option**”) to demand Mr. Chan to repurchase such number of shares in CAA BVI or (as the case may be) Shares (together with all such shares in CAA BVI or Shares allotted, issued or transferred to it attributable to these shares or Shares) at a total purchase price equal to (i) the outstanding principal amount of the Note previously assigned to Mr. Chan at the completion of the Assignment; and (ii) the interest accrued on such outstanding principal amount of the Note from the date on which the Note was first issued to Chengwei by CAA BVI and up to and including the date of closing of such Repurchase Option at the rate of 4% per annum, calculated on a yearly, 365-day year basis.

The Repurchase Option shall lapse and cease to have any effect (a) upon the Listing; or (b) if the Repurchase Option is not exercised on or before 31 March 2010, and may only be executed by proceeding with the closing of the Repurchase Option once.

On 17 November 2008, our Company, CAA BVI, Mr. Chan, Creative Sector and Chengwei entered into the Investors Rights’ Agreement to regulate the relationship among themselves.

Certain rights of Chengwei under the Investors’ Rights Agreement are as follows:

- (A) Anti-dilution:
- Save for any shares, debentures, convertible securities, exchangeable securities, options, warrants or other equity or debt securities to be issued (i) upon conversion of the Note or the convertible loans to Profit Concept and Even Grow; or (ii) pursuant to the Reorganisation; or (iii) pursuant to any employee incentive scheme in compliance with the Listing Rules, all new securities (“**New Securities**”) proposed to be issued by CAA BVI or our Company (other than those new securities to be offered, allotted and issued to Atlantis and FMG in the manner described in paragraph “Shareholders’ Agreement with Atlantis and FMG — (a) Anti-dilution” above) must first be offered in writing to Chengwei prior to giving effect to the proposed issued of such New Securities (“**Pre-Emptive Rights Offer**”). The Pre-Emptive Rights Offer shall be made on the same terms as such New Securities are proposed to be offered generally and shall be specified by CAA BVI or our Company. The Pre-Emptive Rights Offer shall remain open and irrevocable for 30 days from the date of such written notice to Chengwei.

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- (B) Restriction on transfer of Shares by Mr. Chan and/or Creative Sector: Unless with the prior written consent of Chengwei and other than pursuant to (i) conversion of the Note or the convertible loans to Profit Concept and Even Grow; or (ii) the Reorganisation; or (v) the performance of the Note Purchase Agreement, the Assignment Agreement and the Investors’ Rights Agreement, Mr. Chan may not, and shall procure Creative Sector not to, and Creative Sector may not transfer, pledge, charge, dispose of or otherwise deal with any right or interest in any shares of CAA BVI or our Company until the Note has either matured, been redeemed or been waived in full.
- (C) Right of first refusal: At any time after conversion of the Note and during the term of the Investors’ Rights Agreement, subject to the transfer restrictions mentioned in paragraph (B) above, in a proposed sale or transfer of the shares in CAA BVI or our Company by Mr. Chan or Creative Sector, Mr. Chan or Creative Sector shall give Chengwei a notice of such proposed transfer and details thereof. On receipt of such transfer notice, Chengwei shall have the right to buy all (but not some) of such shares offered for sale under the proposed transfer within five Business Days of the date of the transfer notice.
- (D) Tag-along right: Subject to the transfer restrictions mentioned in paragraph (B) above, in a proposed sale or transfer of the shares in CAA BVI or our Company by Mr. Chan or Creative Sector, Chengwei shall have the right to require Mr. Chan or Creative Sector to procure the proposed transferee to purchase the same number of shares in CAA BVI or our Company from Chengwei as such proposed transferee has agreed to buy from Mr. Chan or Creative Sector on the same term and price.
- (E) Appointment or removal of senior management and auditors: Prior approval from Chengwei is required for any appointment or removal of (i) chairman of the board and chief executive officer of CAA BVI; and (ii) auditors of any member of our Group.
- (F) Information rights: Chengwei is entitled to receive from our Group periodic financial information. Chengwei also has the right to request for information regarding operations, business affairs and financial condition of the Group.

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(d) Redeemed convertible loans

Pursuant to a convertible loan agreement dated 13 September 2007 entered into between Smart King Group Limited (“**Smart King**”) as lender, CAA BVI as debtor and Mr. Chan as guarantor, and another convertible loan agreement dated 13 November 2007 entered into between Guofu (Hong Kong) Holdings Limited (“**Guofu**”) (as supplemented by a supplemental agreement dated 21 July 2008), CAA BVI as debtor, and Mr. Chan as guarantor, CAA BVI has previously issued convertible loans for the principal amount of HK\$10 million to each of Smart King and Guofu, with the respective rights to convert such principal amount of the loan into such number of shares representing 7% and 3.8% respectively of the issued share capital of CAA BVI or, as the case may be, such number of Shares representing 7% and 3.8% respectively of the issued share capital of our Company. Each of Smart King and Guofu is an investment holding vehicle and they invested in the convertible loan of CAA BVI for investment purposes. The proceeds from these convertible loans had been used as the general working capital of our Group. These convertible loans had been fully redeemed and repaid by CAA BVI prior to the Latest Practicable Date, and none of them have been converted into any shares of CAA BVI or our Company pursuant to their respective terms and conditions.