The following discussion and analysis should be read in conjunction with the audited combined financial statements as of and for the three financial years ended 31 December 2008 and the five months ended 31 May 2009, in each case with the related notes thereto, included elsewhere in this document. The combined financial statements of the companies comprising the Group have been prepared in accordance with HKFRSs, which differs in certain significant respects from generally accepted accounting principles in certain other countries. For further information, see "Appendix I — Accountants' Report". Any discrepancies in any table or elsewhere in this document between totals and sums of amounts listed herein are due to rounding.

This discussion and analysis contains forward-looking statements that involve risks and uncertainties. Our actual results may differ significantly from those projected in the forward-looking statements. Factors that might cause future results to differ significantly from those projected in the forward-looking statements include, but are not limited to, those discussed below and elsewhere in this document, particularly in "Risk Factors."

OVERVIEW OF OUR OPERATIONS

We have been an integrated information communication application solution provider and application service provider since 2003. As an application solutions and application service provider, we design and develop information communication application solutions for our customers. Our application solutions are customised according to our customers' different needs. Our application solutions include satellite communication application solutions, wireless data communication application solutions and call centre application solutions. After the sales of our application solutions, we provide application services to our customers by assisting them to manage, upgrade and maintain the application solutions.

During the Track Record Period, some of our customers engaged us to provide application services for the application solution provided by us after the warranty period or project completion. Our application solutions are utilised by our customers for public safety, city emergency communication and city integrated management purposes. For example, our application solutions enable our customers to remotely monitor and co-ordinate emergency rescue exercises, remotely monitor the operation of fire alarm systems or traffic law enforcement officers to issue and collect fines for traffic offences at the scene or for public utilities institutions to remotely collect data from and receive information of public utilities services usage meter. For further details of our application solutions, please refer to the section headed "Business — Application solutions and application services" in this document.

Our application solutions require a telecommunication network, such as satellite or wireless telecommunication networks, for it to function. As we are not a telecommunication network providers, we do not own or operate any telecommunication networks. Our customers have to use the data transmission services provided by other satellite and wireless telecommunication network operators, such as SkyComm, in order to support the operation of our application solutions. Our reliance on the co-operation with SkyComm Group and other satellite and wireless telecommunication network operators expose us to certain risks. For details, please refer to the section headed "Risk Factors — "We are dependent on the co-operation with SkyComm Group" and "We rely on the co-operation with other satellite and wireless telecommunication network operator in the PRC" in this document.

Our application solutions serve mainly governmental departments or agencies, public utilities institutions and business enterprises in the PRC. Our application solutions are mainly divided into three categories:

1. Satellite communication application solutions: the users of this type of application solutions mainly include different governmental departments or agencies, public utilities institutions and business enterprises in Beijing, Shanghai, Tianjin, Chongqing, Hebei Province, Shandong Province, Zhejiang Province, Guangdong Province, Hainan Province, Anhui Province, Inner Mongolia Autonomous Region and Guangxi Zhuang Autonomous Region. Our application solutions satisfy our customers' need of satellite communication for emergency visual communication, communication during disaster rescues and satellite surveillance and supervision. We provide project design, project construction, provision of terminals, installation and testing, maintenance and technical support to our satellite communication application solutions.

2. Wireless data communication application solutions: the users of this type of application solutions mainly include different governmental departments or agencies, public utilities institutions and business enterprises. Our application solutions satisfy our customers' needs of wireless communication for traffic management, remote surveillance, remote control, remote adjustment and data collection. We provide project design, project construction, provision of terminals, installation and testing, maintenance and technical support to our wireless data communication application solutions.

3. Call centre application solutions: the users of this type of application solutions mainly include business enterprises in the area of telecommunication, banking and broadcasting. We provide the equipment, network support and technical support including overall software design for product requirements and specifications, software programming and technical support, system installation and configuration, and quality control and testing for the outsourced call centre operator in order for them to satisfy our customers' need in standardising, regulating and controlling the quality of customer service, handling of end customer enquiries and business information despatching. During the Track Record Period, we provided our call centre application solutions to our customers in Hebei Province.

In addition to our provision of application solutions, we also sell and/or distributed terminal equipment. Among which, we have been the exclusive distributor of StealthRay Products, which are two-way satellite systems to provide communications for vehicles in motion, in the PRC, Hong Kong and Macau, since May 2007.

For the year ended 31 December 2006, our turnover attributable to provision of satellite communication application solutions and services, wireless data communication application solutions and services and call centre application solutions and services amounted to approximately RMB21.64 million, RMB29.25 million and RMB2.98 million respectively, representing 40%, 54% and 6% of our total turnover. For the year ended 31 December 2007, our turnover attributable to provision of satellite communication application solutions and services, wireless data communication application solutions and services and call centre application solutions and services amounted to approximately RMB90.17 million, RMB33.96 million and RMB2.92 million respectively, representing 71%, 27% and 2% of our total turnover. For the year ended 31 December 2008, our turnover attributable to provision of satellite communication application solutions and services, wireless data communication application solutions and services and call centre application solutions and services amounted to approximately RMB120.07 million, RMB62.72 million and RMB4.28 million respectively, representing 64%, 34% and 2% of our total turnover. For the five months ended 31 May 2009, our turnover attributable to provision of satellite communication application solutions and services, wireless data communication applications and services and call centre application solutions and services amounted to approximately RMB25.00 million, RMB20.50 million and RMB1.78 million respectively, representing approximately 53%, 43% and 4% of our total turnover.

Our application solutions and application services are all sold and provided within the PRC domestic market.

Our main office is currently located in Shijiazhuang, Hebei Province, the PRC. In order to provide timely support and services to our customers located in Shanghai and nearby area, we established a sales office in Shanghai in October 2007. We leased our office in Shijiazhuang from SkyComm Group for a period of three years commencing from 1 July 2008, and leased our sales office in Shanghai from Mr. Chan for a period of three years commencing from 1 November 2007.

We have also leased another office in Beijing from SkyComm which is used as our operational centre of our ALL ACCESS platform and our sales office in Beijing. The lease is for a term of 10 years commencing from 1 January 2009, with an option by us to renew the lease on the same term (other than the option to renew and at the then market rent subject to a cap of 120% of the existing rent) for another 10 years commencing from the expiry of the initial term, unless terminated by us by giving a written notice of at least three months. Under the relevant tenancy agreement, we have also been granted a purchase option pursuant to which we may, during the term of the lease, request SkyComm to sell the office premises to us at its then fair market value.

BASIS OF PRESENTATION

The combined income statements, combined statements of changes in equity and combined cash flow statements of our Group as set out in the Accountants' Report in Appendix I to this document include the results of operations of the companies comprising our Group for the Track Record Period (or where the companies were incorporated/established at a date later than 1 January 2006, for the period from the date of incorporation/establishment to 31 December 2008) as if the combined entity had been in existence throughout the Track Record Period.

SIGNIFICANT FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Evolving technologies in the satellite communication application solution, wireless data communication application solution and call centre application solution industry

The satellite communication, wireless data communication and call centre application solution industry is generally characterised by ongoing technological changes. Satellite communication, wireless data communication and call centre application solution technology, in turn, evolves in accordance with the needs of the market. We believe that a key to our success will be our ability to identify important technological and market trends and to adjust our research and development activities accordingly. We have devoted efforts to identifying the particular needs of our customers in China.

The long-term growth of our business will depend on our success in identifying and capitalising on key technological and market trends in the satellite communication, wireless data communication and call centre application solution provision industry.

Development of various industries in China

We are principally engaged in providing application solutions to different governmental departments or agencies, public utilities institutions and business enterprises. Demand for our products in China depends primarily on capital spending by these customers. Our business is particularly dependent on securing application solution provision contracts or tenders from these customers. Accordingly, changes in the businesses, infrastructures and capital spending plans of these customers will have a direct impact on our results of operations.

Capital spending by these customers is influenced by a variety of factors, generally including the evolution of technologies of their respective sectors, the intensity of competition in their respective industry, governmental policies and government expenditure.

Competition

We face competition from domestic and overseas competitors. It is possible that domestic and overseas competitors may develop and have competitive advantages over us in certain areas such as access to capital, technology, product quality, economies of scale and brand recognition.

Our market position depends on our ability to anticipate and proactively deal with changes in economic and market conditions and evolving industry trends, as well as the following factors: introduction of new or superior application solutions and application services or more advanced technologies, adoption of more flexible pricing strategies by our competitors and changes in customers' needs and preferences. Our current or potential competitors may produce similar application solutions of better quality and/or provide similar or higher quality application services at the same or lower prices. Our competitors may also react more quickly to new or emerging technologies or changes in customer preferences. In addition, we may face greater than expected downward pricing pressure as a result of possible price competition by competitors seeking to stimulate demand in order to maintain or increase market share. Such competition could materially and adversely affect our results of operations and business prospects. Any adverse changes in our competitive environment could cause a reduction in the sales quantity or the selling price of our application solutions and application services, which would lower our profitability.

Our sales are subject to cyclical fluctuations

Our sales are subject to cyclical fluctuations during a year. Generally, we experience higher sales during the second half of the year because most of our customers' annual budgets are finalized in

March and April of each year. They normally carry out their procurement activities starting from May and June, however, they may vary considerably from time to time as a result of changes in customer demand. During the Track Record Period, excluding the sales generated from January to June each year, our aggregated second half year's sales were approximately 77%, 91% and 84% of the three years ended 31 December 2008 respectively.

Income taxes

Our major operating subsidiary, Noter, and our predecessors established in the PRC are subject to PRC income tax and different preferential tax treatment as summarised below.

We have not assumed any income tax liability from our predecessors under the Business Transfer. Noter, being a foreign invested production oriented enterprise established in Hebei Province on 21 August 2006, was entitled to a preferential income tax rate of 27% and was granted a full exemption from income tax for two years followed by a 50% exemption from income tax for three years starting from its first profit-making year (the "2+3 tax holiday"). We consider it was probable that we were liable to PRC income tax via Noter, our only subsidiary in the PRC, for taxable income derived subsequent to the effective business transfer date of 30 June 2006. Given Noter was established in the second half of 2006, it elected to start its 2+3 tax holiday in 2007 under the relevant tax regulations. As such, it was subjected to income tax at 27% for 2006. Based on the local practice, the local tax bureau allowed Noter to settle its 2006 income tax liability after the Group is listed. In addition, the local tax bureau approved that 2007 was the first profit-making year of Noter and therefore it was exempt from income tax for 2007.

On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Congress passed the Corporate Income Tax Law of the PRC (the "new CIT Law"), which unified the income tax rate to 25% for all enterprises. The new CIT Law was effective on 1 January 2008. The new CIT Law provides a five-year transition period from its effective date for those enterprises which were established before 16 March 2007 and which were entitled to tax holidays under the then effective tax laws and regulations. Accordingly, Noter is able to enjoy its 2+3 tax holiday until expiry in 2011. Noter is subject to income tax at 0% for 2008, 12.5% from 2009 to 2010 and 25% from 2012 onwards.

The new 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 exempt from such withholding tax. We have not provided for deferred taxes on accumulated earnings of Noter as of 31 May 2009 since these earnings are not intended to be distributed in the foreseeable future.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The financial information sets out in the Accountants' Report in Appendix I to this document has been prepared in accordance with HKFRSs. The preparation of the financial information 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. Our Group bases the assumptions and estimates on historical experience and on various other assumptions that we believe to be reasonable and which form the basis for making judgments about matters that are not readily apparent from other sources. On an on-going basis, management evaluates its estimates. Actual results may differ from those estimates as facts, circumstances and conditions change.

The selection of critical accounting policies, the judgements and other uncertainties affecting application of those policies and the sensitivity of reported results to changes in conditions and assumptions are factors to be considered when reviewing the combined financial statements. The principal accounting policies are set forth in note 1 to the Accountants' Report in Appendix I to this document. We believe the following critical accounting policies involve the most significant judgements and estimates used in the preparation of the financial information.

(i) **Impairment of assets**

If circumstances indicate that the carrying amount of an asset may not be recoverable, this asset may be considered "impaired", and an impairment loss may be recognised in the combined income statements. The carrying amounts of asset are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to the recoverable amount. The recoverable amount is the greater of the fair value less costs to sell and the value in use. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to the level of sales revenue and amount of operating costs. We use all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of sales revenue and the amount of operating costs.

Our impairment losses for bad and doubtful debts are assessed and provided for based on a regular review of the ageing analysis and an evaluation of collectivity. A considerable level of judgement is exercised by us when assessing the credit worthiness and past collection history of each individual customer.

(ii) **Inventory provision**

We perform regular reviews of the carrying amounts of inventories with reference to aged inventory analyses, projections of expected future saleability of goods and management experience and judgements. Based on this review, write-downs of inventories will be made when the carrying amounts of inventories decline below their estimated net realizable value. Due to changes in customers' preference, actual saleability of goods may be different from the estimates and profit or loss could be affected by such differences.

(iii) **Depreciation**

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives, after taking into the account the estimated residual value. We review the estimated useful lives of the assets annually in order to determine the amount of depreciation expense to be recorded during any reporting period. The useful lives are based on our historical experience with similar assets and taking into account anticipated technological changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

(iv) **Income taxes**

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. We carefully evaluate tax implications of transactions and tax provisions are established accordingly. The tax treatment of such transactions is reconsidered periodically by taking into account all changes in tax legislations. Deferred tax assets are recognised for tax losses not yet used and temporary deductible differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profit will be available against which the unused tax credits can be utilised, management's judgement is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax asset to be recovered.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS

The following discussion addresses the principal trends that affected our results of operations during the periods under review and should be read in conjunction with the combined financial statements during the Track Record Period as set forth in the Accountants' Report, the text of which is set forth in Appendix I to this document.

	For the year ended 31 December			For the five months ended 31 May	
	2006	**2007**	**2008**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Revenue	53,870	127,052	187,074	8,261	47,280
Cost of sales	(32,079)	(76,381)	(104,085)	(3,873)	(33,389)
Gross profit	21,791	50,671	82,989	4,388	13,891
Other net income	—	91	805	524	1,681
Administrative and distribution expenses	(2,164)	(3,668)	(7,144)	(2,527)	(4,392)
Profit from operations	19,627	47,094	76,650	2,385	11,180
Finance costs	—	(615)	(7,116)	(1,163)	(2,899)
Profit before tax	19,627	46,479	69,534	1,222	8,281
Income tax	(4,372)	—	(1,738)	—	(1,339)
Profit for the year/period	15,255	46,479	67,796	1,222	6,942

Combined statements of comprehensive income

	Years ended 31 December			Five months ended 31 May	
	2006	**2007**	**2008**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Profit for the year/period	15,255	46,479	67,796	1,222	6,942
Other comprehensive income for the year/period					
- Exchange differences on translation of financial statements of subsidiaries outside the PRC	10	2,160	769	785	(191)
Total comprehensive income for the year/period	15,265	48,639	68,565	2,007	6,751
Attributable to:					
Equity holders of the Company	14,446	48,639	68,565	2,007	6,751
Minority interests	819	—	—	—	—
	15,265	48,639	68,565	2,007	6,751

Revenue

Revenues are generated from the provision of satellite communication application solutions, wireless data communication application solutions and call centre application solutions which include system design, software development, system installation and sourcing the suitable terminals and provision of application services for satellite communication, wireless data communication and call centres. Revenue is net of returns, discounts and sales taxes. The table below sets forth our revenue for the periods indicated by the main product categories, which are also expressed as a percentage of total revenue for the periods indicated.

	For the year ended 31 December						For the five months ended 31 May			
	2006		2007		2008		2008		2009	
		% of		*% of*		*% of*		*% of*		*% of*
	RMB'000	*turnover*	*RMB'000*	*turnover*	*RMB'000*	*turnover*	*RMB'000*	*turnover*	*RMB'000*	*turnover*
Satellite communication application solutions and services	21,640	40%	90,169	71%	120,074	64%	826	10%	25,001	53%
Wireless data communication application solutions and services	29,254	54%	33,962	27%	62,718	34%	5,701	69%	20,500	43%
Call centre application solutions and services	2,976	6%	2,921	2%	4,282	2%	1,734	21%	1,779	4%
Total	53,870	100%	127,052	100%	187,074	100%	8,261	100%	47,280	100%

Cost of sales

Cost of sales includes cost of materials, staff cost of developing our application solutions, overhead such as utility charges and travel expenses of our own engineers, installation costs and shipping costs.

During the Track Record Period, cost of materials is the major component of the total cost of sales which included satellite antenna, wireless data terminals, modems, servers, power supply and other peripheral equipment.

Gross profit

Gross profit amounted to approximately RMB21.79 million, RMB50.67 million, RMB82.99 million and RMB13.89 million respectively for each of the three years ended 31 December 2006, 2007 and 2008 and the five months ended 31 May 2009, whilst gross profit margin maintained at 40% in the first two years and increased to 44% in the last year of the Track Record Period. It dropped to 29% for the five months ended 31 May 2009 mainly because (i) we had large portion of gross profit generated from Stationary Satellite Communication Solutions which are of relatively lower gross profit margin than other Satellite communication solution products such as the Dynamic Satellite Communication Solutions which has a higher gross profit margin attributable to the application of more advanced technology and (ii) significant increase in unallocated cost due to depreciation expense provided for the ALL ACCESS platform which was acquired on 20 December 2008. The table below sets forth gross profit and gross profit margin for the periods indicated by the main product categories.

	For the year ended 31 December						For the five months ended 31 May			
	2006		2007		2008		2008		2009	
	RMB'000	*gross profit margin*	*RMB'000*	*gross profit margin*	*RMB'000*	*gross profit margin*	*RMB'000*	*gross profit margin*	*RMB'000*	*gross profit margin*
Satellite communication application solutions and services	8,983	42%	33,794	37%	53,429	44%	343	42%	8,203	33%
Wireless data communication application solutions and services	12,891	44%	16,056	47%	28,474	45%	3,461	61%	8,526	42%
Call centre application solutions and services	1,308	44%	1,785	61%	2,553	60%	1,137	66%	1,205	68%
Unallocated cost[1]	(1,391)	—	(964)	—	(1,467)	—	(553)	—	(4,043)	—
Total	21,791	40%	50,671	40%	82,989	44%	4,388	53%	13,891	29%

Note:

1. *Unallocated cost represents general cost items incurred to generate the total turnover. Therefore, they cannot be allocated to a particular segment.*

Other net income

Other net income mainly represent losses on disposals of property, plant and equipment, interest income, donations, net exchange gain, and government grants received in the PRC.

Administrative and distribution expenses

Administrative and distribution expenses primarily consist of salaries and benefits for administrative staff, office expenses, depreciation, entertainment and other expenses. The following table provides a breakdown of our major administrative and distribution expenses for the periods indicated:

	For the year ended 31 December			For the five months ended 31 May	
	2006	**2007**	**2008**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Salaries and benefits	716	526	3,340	1,248	2,008
Office expenses	595	1,004	1,271	611	1,173
Depreciation	113	82	101	10	79
Entertainment expenses	505	691	607	287	354
Other expenses	235	1,365	1,825	371	778
Total	2,164	3,668	7,144	2,527	4,392

Finance costs

Finance costs consist of interest expenses on interest bearing borrowings and bank charges for handling all kinds of banking services.

Research and development costs

Research and development costs mainly include salaries and benefits of the technical staff, research and development materials, travelling expenses and office expenses. As technical staff are also responsible for technical support and maintenance work which can be directly related to turnover, the research and development costs are recorded as part of the cost of sales.

FIVE MONTHS ENDED 31 MAY 2009 COMPARED TO FIVE MONTHS ENDED 31 MAY 2008

Turnover

Turnover increased from approximately RMB8.26 million for the five months ended 31 May 2008 to approximately RMB47.28 million for the five months ended 31 May 2009 which represented a 472% growth. The increase in turnover was mainly attributable to the following factors :

- Increase in the business of satellite communication application solutions and services by approximately RMB24.18 million driven by the increase in number of projects and number of customers.

- Increase in the business of wireless data communication application solutions and services by approximately RMB14.80 million. In addition more wireless data terminals were installed for projects done during the period and more services were provided to our customers.

Cost of sales

Cost of sales were approximately RMB3.87 million and RMB33.39 million for the five months ended 31 May 2008 and 2009 respectively representing an increase of 763%. The increase was not in line with the growth in sales of the same period mainly because of the following factors :

- More Stationary Satellite Communications Solutions were sold for the five months ended 31 May 2009 and their gross profit margins were relatively lower than the other satellite communication solutions products such as the Dynamic Satellite Communication Solutions which has a higher gross profit margin attributable to the application of more advanced technology.

- The provision of depreciation expense of ALL ACCESS platform commenced in January 2009 after its acquisition on 20 December 2008. Such depreciation charge was higher than the operating lease charge of the ALL ACCESS platform before acquisition during the five months ended 31 May 2008. Both the depreciation and operating lease charges were treated as an unallocated cost item under the classification of cost of sales.

Gross profit margin

Gross profit for the five months ended 31 May 2008 was approximately RMB4.39 million and the gross profit margin was approximately 53%. Gross profit for the five months ended 31 May 2009 was approximately RMB13.89 million and the gross profit margin was approximately 29%.

The increase in gross profit was 217% whilst the increase in turnover was 472%. The factors causing the inconsistency between the growth in gross profit and the growth in turnover and the significant decrease in gross profit margin were covered in the discussion of cost of sales.

Other net income

Other net income for the five months ended 31 May 2008 and 31 May 2009 was approximately RMB0.52 million and RMB1.68 million respectively, representing a growth of 223%. The increase was mainly due to higher amounts of interest income generated by the substantial cash balance and income arose from reversal of the discounting effect of non-current trade and other receivables. We recorded the non-current trade and other receivables in our book in February 2008 and December 2008 respectively. As the receivables approach maturity, their present values increase, as such the discounting effect was reversed and income arose during the five months ended 31 May 2009. No such income was recorded for the five months ended 31 May 2008.

Administrative and distribution expenses

Administration and distribution expenses for the five months ended 31 May 2008 and 31 May 2009 was approximately RMB2.53 million and RMB4.39 million respectively, representing a growth of 74%. All five major items of administration and distribution expense exhibited very significant increases as a result of the expansion of our business operations.

Finance costs

Finance costs for the five months ended 31 May 2008 and 31 May 2009 were approximately RMB1.16 million and RMB2.90 million respectively, representing a growth of 150%. The increase was attributable to the substantial increase in interest-bearing borrowings comprising of banks loans, convertible notes and fixed coupon borrowings between the 31 December 2008 and 31 May 2009. In particular, a convertible loan of approximately HK$38.56 million was raised in May 2008 and a fixed coupon notes of approximately US$10 million was raised in September 2008.

YEAR ENDED 31 DECEMBER 2008 COMPARED TO YEAR ENDED 31 DECEMBER 2007

Turnover

Turnover increased from approximately RMB127.05 million for the year ended 31 December 2007 to approximately RMB187.07 million for the year ended 31 December 2008 which represented a 47% growth. The increase in turnover in 2008 was mainly attributable to the following factors:

- increase in the business of satellite communication application solutions and services by approximately RMB29.91 million mainly due to increases in number of customers and number of projects. Amongst all product categories, the turnover amount of satellite communication systems was the highest.

- increase in the business of wireless data communication application solutions and services by approximately RMB28.76 million mainly attributable to the increase in sales of wireless data terminals which was driven by the launch of a new technology wireless data terminal.

Cost of sales

Cost of sales were approximately RMB76.38 million and RMB104.09 million for the year ended 31 December 2007 and 2008 respectively, representing an increase of approximately 36% in 2008.

Cost of materials and other costs of sales amounted to approximately RMB69.14 million and RMB7.24 million respectively for the year ended 31 December 2007 representing 91% and 9% of the cost of sales. Cost of materials and other costs of sales amounted to approximately RMB96.67 million and RMB7.42 million respectively for the year ended 31 December 2008 representing 93% and 7% of the cost of sales.

For the two years ended 31 December 2008, cost of materials increased by approximately 40% which was similar to the increase in turnover.

Gross profit margin

Gross profit for the year ended 31 December 2007 was approximately RMB50.67 million and the gross profit margin was approximately 40%. Our gross profit for the year ended 31 December 2008 was approximately RMB82.99 million and the gross profit margin was approximately 44%.

The increase in gross profit was mainly attributable to the overall increase in the selling price of satellite communication application solutions as a result of our effort in differentiating our technology and our ability to increase selling price in the market. Therefore, the overall gross margin increased from approximately 40% for the year ended 31 December 2007 to approximately 44% for the year ended 31 December 2008.

Other net income

For the two years ended 31 December 2007 and 2008, other net income amounted to approximately RMB0.09 million and RMB0.81 million respectively. Other net income for the year ended 31 December 2008 mainly represented net exchange gains recognised due to the appreciation of the Renminbi against the HK dollars and US dollars.

Administrative and distribution expenses

For each of the two years ended 31 December 2007 and 2008, administrative and distribution expenses were approximately RMB3.67 million and RMB7.14 million respectively. The increase in administrative and distribution expenses was mainly due to the implementation of our business development strategy including recruitment of senior executives, set up of the office in Hong Kong, and the increase in marketing and promotion activities.

Finance costs

For the year ended 31 December 2007 and 2008, finance costs were approximately RMB0.62 million and RMB7.12 million, respectively. The increase in finance costs in 2008 was attributable to the substantial increase in interest-bearing borrowings comprising of banks loans, convertible notes and fixed coupon borrowings in 2008.

YEAR ENDED 31 DECEMBER 2007 COMPARED TO YEAR ENDED 31 DECEMBER 2006

Turnover

Turnover increased from approximately RMB53.87 million for the year ended 31 December 2006 to approximately RMB127.05 million for the year ended 31 December 2007 which represented a 136% growth. The increase in turnover in 2007 was mainly attributable to the increase in our business of satellite communication application solutions and services by approximately RMB68.53 million subsequent to obtaining the exclusive distributorship of StealthRay Products.

Cost of sales

Cost of sales were approximately RMB32.08 million and RMB76.38 million for the year ended 31 December 2006 and 2007 respectively representing an increase of 138%.

Cost of materials and other costs of sales amounted to approximately RMB25.45 million and RMB6.63 million respectively for the year ended 31 December 2006 representing approximately 79% and 21% of the cost of sales. Cost of materials and other costs of sales amounted to approximately RMB69.14 million and RMB7.24 million respectively for the year ended 31 December 2007 representing approximately 91% and 9% of the cost of sales. The increase in the proportion of cost of materials in 2007 was due to the increase in sales of satellite systems and wireless data terminals. Overall, the increase in cost of sales was in line with the increase in turnover.

Gross profit margin

Gross profit for the year ended 31 December 2006 was approximately RMB21.79 million and the gross profit margin was approximately 40%. Gross profit for the year ended 31 December 2007 was approximately RMB50.67 million and the gross profit margin was approximately 40% as well. We maintained stable gross profit margin for each of the two years ended 31 December 2007.

Other net income

There was no other net income for the year ended 31 December 2006. Other net income for the year ended 31 December 2007 amounted to approximately RMB0.09 million was mainly attributable to government grant received.

Administrative and distribution expenses

For each of the two years ended 31 December 2006 and 2007, administrative and distribution expenses were approximately RMB2.16 million and RMB3.67 million respectively. The increase in administrative and distribution expenses in 2007 was mainly related to professional fees incurred under the classification of other expenses.

Finance costs

For each of the two years ended 31 December 2006 and 2007, our finance costs were nil and approximately RMB0.62 million respectively. The finance costs in 2007 were mainly related to interest expense on convertible notes issued.

ANALYSIS ON MAJOR BALANCE SHEET ITEMS

Trade and other receivables analysis

Trade receivables as of each balance sheet date are as follows:

	As at 31 December			As at 31 May
	2006	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables				
— current portion	8,858	43,350	64,087	65,181
— non-current portion[1]	—	—	7,463	7,570
	8,858	43,350	71,550	72,751

Note:

(1) *The balance represents the non-current portion of proceeds on merchandise sales receivable by 10 semi-annual instalments of RMB1,060,000 over a five-year period from a customer discounted at a rate generally available for discounting similar instruments with commercial banks in the PRC. This customer is a bank which provide settlement services to a governmental department responsible for traffic management. We provided the terminal equipment for the bank to receive payments in our Traffic Offence Electronic Ticketing and Payment Solution.*

Trade receivables balances as at 31 December 2006, 2007 and 2008 and 31 May 2009 amounted to approximately RMB8.86 million, RMB43.35 million, RMB71.55 million and RMB72.75 million respectively. The increase in trade receivables balances were consistent with our increase in turnover. Non-current portion of trade receivables relate to sales proceeds of merchandise which is due after 12 months. Trade receivables turnover days were 60 days, 125 days, 140 days and 232 days respectively for each of the three years ended 31 December 2008 and the five months ended 31 May 2009. Turnover of trade receivables (in days) equals to net trade receivables at the end of the period divided by sales and multiplied by 365 days or 151 days as the case may be. The increase in trade receivables turnover day from 2006 to 2007 was mainly attributable to higher concentrations of sales in the second half as the aggregate second half year's sales increased from approximately 77% in 2006 to 91% in 2007. The trade receivables turnover day increased from 125 days in 2007 to 140 days in 2008 was mainly driven by the non-current portion of trade receivables. It further increased to 232 days for the five months ended 31 May 2009 mainly due to the non-current portion of trade receivables which is not yet due, and delays in payment from the customers. The delays in payment from customer were mainly due to the lengthy budgeting and payment process of those customers which were government departments or agencies.

The ageing analysis (based on date of invoices) of our trade receivables as of each balance sheet date is as follows:

	As at 31 December			As at 31 May
	2006	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current	419	20,281	21,318	26,872
Less than 1 month past due	4,996	17,012	31,001	7,721
1 to 3 months past due	705	2,083	5,922	9,986
More than 3 months but less than 12 months past due	1,603	1,544	6,254	21,393
Over 12 months past due	1,135	2,430	7,055	6,779
Amounts past due	8,439	23,069	50,232	45,879
	8,858	43,350	71,550	72,751

Trade receivables that were past due relate to a number of customers with high credit status. Our staff in sales and marketing and finance team are responsible for monitoring collection and following up with the customers when payment is due. In addition, our management periodically monitors all outstanding receivables and assesses the creditworthiness of the customers.

Impairment for doubtful debts is made based on the evaluation of recoverability, ageing analysis of receivable and the judgment of our management on a case-by-case basis. We continue to attempt to collect account receivables from our customers even after the credit period and our staff will follow up with these customers and request payment from them. A considerable amount of judgment is required in assessing the ultimate realisation of these receivables, including the current creditworthiness, the past collection history of each customer and subsequent collection. We will only deem trade receivables uncollectible upon careful consideration after having attempted to collect the same from our customers and by reference to the aforementioned factors, appropriate impairment will be recognised in our accounts.

The majority of the past due balances as at 31 May 2009 were due from government departments or agencies. Due to their lengthy budgeting and payment process, we may experience delay in our collection from them. However, there have been no significant dispute or default in payments from these customers. We have made full allowance for long overdue balances which are considered irrecoverable. The amount of bad debts expense for both the year ended 31 December 2006 and 31 December 2007 was nil whilst an amount of approximately RMB0.65 million was made for the year ended 31 December 2008 of which approximately RMB0.12 million was bad debt written off during the year. No bad debts expense was provided for the five months ended 31 May 2009.

As at 31 July 2009, approximately RMB[●] million out of approximately RMB72.75 million of our trade receivable as at 31 May 2009 has been settled.

Other receivables as of each balance sheet date are as follows:

	As at 31 December			As at 31 May
	2006	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Performance guarantee deposit				
— current portion[(1)]	—	—	14,400	14,650
— non-current portion[(2)]	—	—	13,800	14,050
Prepaid expense	—	1,639	9,198	11,004
Other receivables, prepayments and deposits	1,423	612	982	3,328
	1,423	2,251	38,380	43,032

Notes:

(1) The current portion as at 31 December 2008 related to the performance guarantee is expected to be refunded from SkyComm within 12 months. Since the estimated amount of contract contributed by SkyComm in connection with the Long Term Cooperation Agreement in 2008 was lower than expected, it is the intention of SkyComm and our Group to conduct an year-end review to revise the amount of the performance guarantee to be maintained under the Long Term Cooperation Agreement in 2009, and it is expected that SkyComm will refund the current portion of the performance guarantee deposit to us before the end of 2009.

(2) The non-current portion as at 31 December 2008 related to the performance guarantee is expected to be reviewed by SkyComm and us in 2009 and thereafter annually.

On 28 February 2008, we entered into a Long Term Co-operation Agreement with SkyComm for a period of five years until December 2012. In connection with that agreement, we provided a lump sum of RMB30.00 million to SkyComm as performance guarantee deposit which is subject to an annual adjustment. Under the Long Term Co-operation Agreement, SkyComm will act as an agent for us in dealing with certain customers while we would bear all risks and rewards associated with these customers. The performance guarantee deposit is to secure SkyComm during its operations in case of our failure in performance to our customers. Such performance guarantee will be refunded to us when the retention period of the projects for which SkyComm acts as the agent for us has expired. The amount of performance guarantee deposit which is expected to be refunded after one year is classified as a long term receivable and was discounted at a rate generally available for discounting similar instruments with commercial banks in the PRC.

No impairment loss on other receivables was made during the Track Record Period.

Inventory analysis

Inventory balances as of each balance sheet date are as follows:

	As at 31 December			As at 31 May
	2006	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Inventory	3,071	2,861	3,156	795

Inventory turnover days were 21 days, 8 days, 6 days and 3 days, respectively for each of the three years ended 31 December 2008 and the five months ended 31 May 2009. Inventory turnover days equal to the inventory balance at the end of the period divided by sales and multiplied by 365 days or 151 days as the case may be. Despite the increase in turnover, we maintained inventory balances at low level during the Track Record Period because majority of our turnover was project based of which inventory was only ordered when sales contracts were signed with customers.

We made no provisions for inventory during the Track Record Period.

As at 31 July 2009, approximately RMB[●] million out of approximately RMB0.80 million of our inventory as at 31 May 2009 has been used.

Trade and other payable analysis

Trade payable balances as of each balance sheet date are as follows:

	As at 31 December			As at 31 May
	2006	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	6,047	20,629	25,345	16,070

Trade payables turnover days were 69 days, 99 days, 89 days and 73 days respectively for each of the three years ended 31 December 2008 and the five months ended 31 May 2009. Trade payable turnover days equal to the trade payable balance at the end of the period divided by cost of sales and multiplied by 365 days or 151 days as the case may be. The substantial increase in creditors' turnover days in 2007 as compared with 2006 was in line with our policy of negotiating longer credit period from our suppliers.

As at 31 July 2009, approximately RMB[●] million out of approximately RMB16.07 million of our trade payable as at 31 May 2009 has been settled.

The ageing analysis of trade payables are as follows:

	As at 31 December			As at 31 May
	2006	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Due within 1 month or on demand	5,664	20,108	17,456	16,070
Due after 1 month but within 3 months	—	521	7,889	—
Due after 3 months but within 6 months	82	—	—	—
Due after 6 months	301	—	—	—
	6,047	20,629	25,345	16,070

Other payable balances as of each balance sheet date are as follows:

	As at 31 December			As at 31 May
	2006	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Receipts in advance	729	379	1,785	576
Accrued taxes and surcharges	3,837	11,602	11,867	8,691
Warranty provision	—	—	154	154
Other accruals and payables	730	5,125	5,094	6,526
	5,296	17,106	18,900	15,947

Other payables represents business taxes and value-added taxes payable to the PRC tax authority arising from our sales transactions. The increase during the years was consistent with the increases in turnover.

Property, plant and equipment analysis

Property, plant and equipment as of each balance sheet date are as follows:

	As at 31 December			As at 31 May
	2006	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Property, plant and equipment	3,060	2,618	57,476	53,161

The increase in property, plant and equipment in 2008 was mainly due to the purchase of the ALL ACCESS platform. The equipment and facilities comprising the ALL ACCESS platform were owned by SkyComm Group and were licensed to Noter since the transfer of business to us in August 2006 on a cost reimbursement basis excluding depreciation charges, which amounted to approximately RMB1.46 million, RMB1.36 million and RMB1.31 million for each of the three years ended 31 December 2008. On 20 December 2008, we acquired these equipment and facilities of the ALL ACCESS platform from Hebei SkyComm and Shanghai SkyComm for a total cash consideration of RMB53.09 million.

LIQUIDITY AND CAPITAL RESOURCES

Overview

Since the commencement of our business, we have generally relied on internal cash flows, bank borrowings, convertible loans and shareholders' equity to meet the requirements for our operations. We expect to meet our anticipated cash needs, including capital commitments, repayment of borrowings and working capital, principally through cash generated from operations.

Net current liabilities/assets

Net current liabilities as at 31 December 2006 and 2007 were approximately RMB76.25 million and RMB16.99 million respectively, which were mainly attributable to (i) the amounts due to related parties of approximately RMB72.78 million in 2006 representing mainly the consideration payable for the Business Transfer; and (ii) the amount due to a shareholder of approximately RMB39.82 million in 2007, representing amount advanced by the Controlling Shareholder, Mr. Chan, to finance the Group's working capital requirements as the Group was not fully capitalized in these two years.

As at 31 December 2008 and 31 May 2009, the Group had net current assets of approximately RMB73.02 million and RMB83.21 million respectively.

Capital and reserves

Capital and reserves as of each balance sheet date are as follows:

	As at 31 December			As at 31 May
	2006	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Paid in capital	—	—	73	73
Capital reserve	(14,985)	(13,778)	82,603	82,306
Statutory general reserve	1,182	5,965	13,139	13,139
Translation reserve	10	2,170	2,939	2,748
Merger reserve	(84,141)	(84,141)	(84,141)	(84,141)
Retained profits	24,748	66,444	127,066	134,008
Total equity	(73,186)	(23,340)	141,679	148,133

Total equities as at 31 December 2006 and 2007 were at the negative amount of approximately RMB73.19 million and RMB23.34 million respectively whilst total equities as at 31 December 2008 and 31 May 2009 were at the positive amounts of approximately RMB141.68 million and RMB148.13 million respectively. There was merger reserve, arising from the difference between the consideration over the historical net asset value, including the interest attributable to minority shareholders, of the Transferred Businesses at the effective transfer date, standing at the negative amount of approximately RMB84.14 million at all four balance sheet dates. Therefore, it washed away the retained profits of approximately RMB24.75 million as at 31 December 2006 and approximately RMB66.44 million as at 31 December 2007 respectively to result in negative total equity positions at those two balance sheet dates. The retained profit as at 31 December 2008 and 31 May 2009 were approximately RMB127.07 million and RMB134.01 million respectively which could cover the negative merger reserve to result in positive total equity positions.

The Group's distributable reserves at 31 December 2006, 2007 and 2008 and 31 May 2009 were approximately RMB9.76 million, RMB51.46 million, RMB112.08 million and RMB119.02 million respectively. The retained profits of the Transferred Businesses before the Business Transfer of approximately RMB14.99 million were not distributable.

Cash flow

The following table sets forth certain information about our combined cash flows during the three years ended 31 December 2008 and five months ended 31 May 2009.

	For the year ended 31 December			For the five months ended 31 May
	2006	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Net cash generated from/(used in) operating activities	77,466	(20,937)	27,453	8,089
Net cash (used in)/generated from investing activities	(99)	(232)	(55,515)	423
Net cash (used in)/generated from financing activities	(77,291)	44,652	179,214	(24,468)
Net increase/(decrease) in cash and cash equivalents	76	23,483	151,152	(15,956)
Cash and cash equivalents at the end of the year/period	76	23,559	174,711	158,755

Fluctuation in the net cash flow from operating activities was mainly due to the changes in operating profit and changes in working capital. The net cash inflow from operating activities of approximately RMB77.47 million for the year ended 31 December 2006 was mainly affected by increase in the amount due to related parties which amounted to approximately RMB45.84 million. The net cash outflow from operating activities of approximately RMB20.94 million for the year ended 31 December 2007 was mainly derived from the reduction in the amount due to related parties amounting to approximately RMB48.18 million. The cashflow movements relating to the amount due to related parties in 2006 and 2007 were attributable to the assistance provided by Hebei SkyComm and Shanghai SkyComm to Noter in carrying out the performance obligations under the extant contracts, including collection of sales proceeds from customers and making payments to suppliers during the period from the effective business transfer date up to 31 December 2007. The net cash inflow from operating activities of approximately RMB27.45 million for the year ended 31 December 2008 was mainly attributable to the profit before tax of approximately RMB69.53 million offset by the effect of the performance guarantee deposit of RMB30 million placed at SkyComm. The net cash inflow from operating activities of approximately RMB8.09 million for the five months ended 31 May 2009 was mainly attributable to operating cashflow with no significant changes in working capital.

The net cash outflow in investing activities increased from approximately RMB0.10 million for the year ended 31 December 2006 to approximately RMB0.23 million for the year ended 31 December 2007, mainly due to the additional fixed assets acquired in 2007. The net cash outflow in investing activities increased to approximately RMB55.52 million for the year ended 31 December 2008 mainly due to the purchase of the ALL ACCESS platform. The net cash inflow in investing activities was approximately RMB0.42 million for the five months ended 31 May 2009 mainly due to interest received during the period.

The net cash outflow from financing activities for the year ended 31 December 2006 was approximately RMB77.29 million, which was mainly related to payments to Hebei SkyComm and Shanghai SkyComm for the Transferred Businesses amounted to RMB78.48 million. The net cash inflow from the financing activities for the year ended 31 December 2007 amounted to RMB44.65 million was mainly due to increase in advances from a shareholder and issuance of convertible notes offset by the remaining payments to Hebei SkyComm and Shanghai SkyComm for the Transferred Businesses amounted to approximately RMB24.12 million. The net cash inflow from financing activities for the year ended 31 December 2008 amounted to approximately RMB179.21 million, which was mainly due to issuance of convertible notes and fixed coupon notes and capital injections from shareholders. The net cash outflow in financing activities was approximately RMB24.47 million for the five months ended 31 May 2009 mainly due to repayments of bank loans and convertible notes during the period.

Our primary sources of funds were capital contributions from shareholders, proceeds from interest-bearing borrowings including the issuance of convertible notes and fixed coupon notes and operating cashflow generated from our operating activities.

As at the Latest Practicable Date, we had not experienced any liquidity problems in settling the payables in the normal course of business and repaying bank loans as and when such bank loans fall due.

For further details of our debt financing, please refer to the paragraph headed "Indebtedness" in this section. All capital contribution from the Shareholders were made during the Track Record Period.

CAPITAL EXPENDITURE

Historical capital expenditure

Capital expenditure was approximately RMB0.10 million, RMB0.25 million, RMB55.60 million and RMB0.12 million for each of the three year ended 31 December 2008 and five months ended 31 May 2009 respectively.

Capital Expenditure[1]	**For the year ended 31 December**			**For the five months ended 31 May**
	2006	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Purchase of electronic equipment	—	—	54,547	—
Purchase of office equipment	—	209	780	106
Purchase of computer software	99	43	277	12
Total	99	252	55,604	118

Note:

(1) All our historical capital expenditures were funded partially by cash from operations, partially by cash raised from interest bearing borrowings and partially by capital contribution from shareholders.

Capital expenditure for the year ended 31 December 2006 and 2007 were approximately RMB0.1 million and RMB0.25 million, respectively, which were primarily spent on acquiring office equipment and computer software. Capital expenditure for the year ended 31 December 2008 was approximately RMB55.60 million, which was primarily related to the purchase of the ALL ACCESS platform from Hebei Skycomm and Shanghai SkyComm. Capital expenditure for the five months ended 31 May 2009 was approximately RMB0.12 million which was primarily spent on office equipment and computer software.

Planned Capital Expenditure

Planned capital expenditure for the year ending 31 December 2009, totalling approximately RMB46.48 million, is as follows:

- Approximately RMB22.06 million is expected to be used to purchase satellite communication application solutions demo products and wireless data communication solutions demo products. The purpose of these demo products is to improve our sales and marketing ability. In line with our plan to expand our sales and distribution network, we plan to increase the number of demo products so that our sales and marketing team can introduce our application solutions and services to potential customers more effectively by demonstrating to them the functions of our application solutions and services.

- Approximately RMB24.42 million is expected to be used to upgrade office facilities and set up office facilities in new office in the course of expanding our sales and distribution network.

We intend to fund these projects from our cash from operating activities, undistributed profits and existing or new banking facilities.

No assurance can be given that we will undertake these projects, or that if completed, they will be completed in the expected timeframe or within the estimated budget or that they will achieve capacities in the targeted amounts. For details, please refer to the section headed "Risk Factors — Risks related to our business".

CONTRACTUAL OBLIGATIONS AND CONTINGENT LIABILITIES

The following table sets forth our contractual obligations for the periods indicated.

	As at 31 December			As at 31 May
	2006	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Operating lease commitments				
Within one year	460	324	1,087	1,271
After one year but within five years	724	393	771	1,768
After five years	140	—	—	1,503
Total	1,324	717	1,858	4,542

As at 31 May 2009, we had total contractual obligations in the amount of approximately RMB4.54 million.

We are the lessee in respect of three properties in the PRC and one property in Hong Kong. The leases typically run for an initial period of two to three years except that the lease of Beijing office and operational centre, entered by us in 2009, is for a period of 10 years, with an option to renew. For details, please refer to the property valuation report in Appendix IV to this document.

Disclaimer

Save as disclosed in this document, as at the Latest Practicable Date, our Company did not, have any outstanding mortgages, charges, debentures, debt securities or other loan capital or bank overdrafts or other similar indebtedness or finance lease commitments, guarantees or other material contingent liabilities.

INDEBTEDNESS

Borrowings

The following table sets out an analysis of borrowings as at the dates indicated.

	As at 31 December			As at 31 May
	2006	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current portion				
Bank loans	—	—	28,753	14,026
Convertible notes	—	18,413	51,856	44,095
Fixed coupon borrowings	—	—	69,044	70,321
	—	18,413	149,653	128,442
Non current portion				
Bank loans	—	—	8,346	8,223
Convertible notes	—	8,964	—	—
	—	8,964	8,346	8,223
Total borrowings	—	27,377	157,999	136,665

The maturity of our interest-bearing borrowings classified as non-current liabilities as of 31 December 2006, 2007 and 2008 and 31 May 2009 are as follows.

	As at 31 December			As at 31 May
	2006	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
After one year but within two years	—	8,964	281	283
After two years but within five years	—	—	881	888
Over five years	—	—	7,184	7,052
Total	—	8,964	8,346	8,223

Short-term and long term debt increased from nil as at 31 December 2006, to approximately RMB18.41 million and RMB8.96 million respectively as at 31 December 2007, primarily because of convertible notes issued to finance business development.

Short-term debt increased from approximately RMB18.41 million as at 31 December 2007 to approximately RMB149.65 million as at 31 December 2008. The increase in short-term debt was primarily because of additional bank loans obtained and the issuance new convertible notes and fixed coupon notes to finance business development during 2008. Meanwhile, long-term debt decreased from approximately RMB8.96 million as at 31 December 2007 to approximately RMB8.35 million as at 31 December 2008 as certain convertible notes were early repaid, offset by additional bank loans obtained during in the year. Short-term debt decreased from approximately RMB149.65 million as at 31 December 2008 to approximately RMB128.44 million as at 31 May 2009 mainly due to repayments of bank loans and convertible notes whilst long-term debt remained no substantial change.

All convertible notes and fixed coupon notes issued in 2007 and 2008 bear fixed interest rate of 4%, which were guaranteed by our then sole shareholder, Mr. Chan. Further, as security for the performance by CAA BVI and Mr. Chan under the fixed coupon note of US$10 million, Mr. Chan and Creative Sector have charged 51% of the issued share capital of CAA BVI and our company as the case may be in favour of Chengwei. Our bank loans as at 31 May 2009 were secured by certain land and buildings of our directors. Our banking facilities are not subject to fulfilment of financial covenants.

The Group's gearing ratio, being the total interest-bearing borrowings divided by total assets, at 31 December 2007 and 2008 and 31 May 2009 was 32%, 45% and 42% respectively. The Group is at the early stage of developing its business. In order to capture more capital to grow the business rapidly, it issued several tranches of convertible notes and fixed coupon notes in 2007 and 2008. As a result, it considers its historical gearing ratio has been within a reasonable range.

As of 31 July 2009, being the latest practicable date for the purpose of this indebtedness statement in this document, our total indebtedness amounted to approximately RMB[●] million, consisting of current portion of bank loans of approximately HKD[●] million, convertible notes of approximately HKD[●] million, fixed coupon borrowings of approximately HKD[●] million and non-current portion of bank loans of approximately HKD[●] million.

As of 31 July 2009, being the latest practicable date for the purpose of this indebtedness statement in this document, we had banking facilities in the total amount of USD[●] million and HKD[●] million.

Except as described above, as of 31 July 2009, being the latest practicable date for the purpose of this indebtedness statement in this document, we did not have any other outstanding loan capital issued or agreed to be issued, bank overdrafts, loans, debt securities, borrowings or other similar indebtedness, liabilities under acceptance (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, finance leases, hire purchase commitments, guarantees or other material contingent liabilities.

The Directors confirm that there is no material adverse change in indebtedness and contingent liabilities since 31 July 2009, being the date for determining our indebtedness.

The following table sets forth our current assets, current liabilities and net current liabilities as at 31 July 2009:

	As at 31 July 2009
	RMB'000
CURRENT ASSETS	
Inventories	[●]
Trade and other receivables	[●]
Cash and cash equivalents	[●]
Total	[●]
CURRENT LIABILITIES	
Interest-bearing borrowings	[●]
Trade and other payables	[●]
Amount due to related parties	[●]
Amount due to a shareholder	[●]
Income tax payable	[●]
Total	[●]
Net current assets	[●]

Liquidity ratios

a) Current ratio

Our current ratios (defined as current assets divided by current liabilities) were 0.15, 0.83, 1.36 and 1.49 as at 31 December 2006, 2007, 2008 and 31 May 2009 respectively. Increase in the current ratios was mainly attributable to the increase in cash balance at the end of year. The increase of cash balance from 2006 to 2007 was mainly due to the substantial increase in net cash generated from financing activities which compensated the cash used in operating activities and the net cash used in investing activities. In 2008, the increase of cash balance was resulted from the cash generated from operating activities and the net cash generated from financing activities which was offset by the net cash used in investing activities. As at 31 May 2009, the cash balance was slightly reduced to approximately RMB158.76 million, but the current trade and other receivables was increased to approximately RMB94.16 million.

b) Quick ratio

Our quick ratios (defined as current assets minus stock divided by current liabilities) were 0.12, 0.80, 1.35 and 1.48 as at 31 December 2006, 2007 and 2008 and 31 May 2009 respectively. Increase in the current ratios was mainly attributable to the fact that the balances of inventories as at 31 December 2006, 2007 and 2008 and 31 May 2009 were maintained relatively stable at the range of approximately RMB0.80 million to RMB3.16 million. This low level of inventories made the quick ratio almost equivalent to the current ratio.

QUATITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

We are, in the normal course of business, exposed to risks relating to fluctuations in interest rates and exchange rates, as well as credit risks. Our risk management strategy aims to minimise the adverse effects of these risks on our financial performance.

Interest rate risk

Our interest rate risk arises primarily from convertible notes and fixed coupon notes issued at a fixed rate that expose the Group to fair value interest rate risk. We also have short term bank borrowings that issued at variable rates that expose the Group to cash flow interest risk. The interest rate and terms of repayment of the our interest-bearing borrowings, including convertible notes, fixed coupon notes and bank loans are disclosed in note 16, 17 and 24(c) to the Accountants' Report set out in Appendix I to this document.

We do not account for any fixed rate financial liabilities at fair value through income statement and we do not have any derivatives relating to interest rate during the Track Record Period.

Foreign currency exchange risk

Most of our sales and purchases made by Noter are denominated in Renminbi, which is also its functional currency. Noter did not have any financial assets and liabilities that are denominated in a currency other than its functional currency as at the balance sheet dates of 31 December 2006, 2007, and 2008 and 31 May 2009. Accordingly, we consider Noter has no significant exposure to foreign currency risk at the balance sheet dates of 31 December 2006, 2007 and 2008 and 31 May 2009.

The functional currency of CAA BVI is HK dollars. CAA BVI had financial liabilities denominated in US dollars amounted to US$1.40 million, US$16.30 million and US$12.00 million at 31 December 2007 and 2008 and 31 May 2009 respectively. We assumed that the pegged rate between the HK dollar and the US dollar would be materially unaffected by any changes in the value of the US dollars against other currencies. In this respect, we consider the foreign currency risk which CAA BVI is exposed to is insignificant.

Based on the above, we consider our Group does not have exposure to any significant foreign exchange risk.

Credit risk

Our credit risk is primarily attributable to cash and bank deposits, trade and other receivables. We have a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

Our cash and bank deposits are placed with major financial institutions which we believe are of high credit rating. In respect of trade and other receivables, our staff in marketing and finance departments are responsible for monitoring collection and following up with the customers when payment is due. In addition, our management periodically monitors all outstanding receivables and assesses the credit worthiness of the customers. Our customers are required to pay us according to the contractual payment terms.

Individual credit evaluations are performed on all customers requiring credit over a certain amount. Generally, we do not obtain collateral from customers. The Group's exposure to credit risk is influenced mainly by the creditworthiness of each customer. As at 31 December 2006, 2007 and 2008 and 31 May 2009 approximately 22.06%, 44.52%, 0% and 9.72% respectively, of the total trade and other receivables was due from the Group's largest customer and approximately 35.60%, 62.50%, 33.04% and 26.35% was due from the five largest customers respectively. The maximum exposure to credit risk is represented by the carrying amount of each financial asset, in the combined balance sheets.

OFF-BALANCE SHEET ARRANGEMENTS

We have no off-balance sheet transactions.

DIRECTORS' CONFIRMATION ON NO MATERIAL ADVERSE CHANGE

Up to the date of this document, the Directors confirm that there has been no material adverse change in the financial or trading positions or prospects of the Company since 31 May 2009, the date of the latest combined financial statements of the Group.

Our Directors confirm that they have performed sufficient due diligence on our Company to ensure that, up to the date of this document, there has been no material adverse change in our financial or trading position or prospects since 31 May 2009, the date to which the latest combined financial statements of our Group were made up, and that there is no event since 31 May 2009 which would materially affect the information shown in the Accountants' Reports, contained in Appendix I to this document.

DIVIDEND POLICY AND DISTRIBUTABLE RESERVES

Our Directors may declare dividends out of the distributable profits for the year ended 31 December 2009 and thereafter, if any, after taking into account, among other things, our results of operations, cash flows and financial condition, operating and capital requirements, the amount of distributable profits based on HKFRSs, our Memorandum and Articles of Association, the Companies Law, applicable laws and regulations and other factors that our Directors deem relevant. The distribution of dividend for any financial year shall be subject to Shareholders' approval.

We did not declare any dividends during the Track Record Period.

WORKING CAPITAL

Taking into account cash from operating activities and credit facilities available to the Group, our Directors are of the opinion that we will have sufficient funds to meet our working capital requirements and financial requirements for capital expenditures for at least the next 12 months from the date of this document.

PROFIT ESTIMATE

Our Directors estimate that, on the bases set out in Appendix III to this document and in the absence of unforeseen circumstances, the estimate combined profit attributable to equity holders of the Company prepared in accordance with HKFRS for the six months ended 30 June 2009 will not be less than RMB18 million. The profit estimate for the six months ended 30 June 2009 is the best estimate of our Directors and prepared by us based on the results of our financial statements of the Group for the five months ended 31 May 2009, included in the Accountants' Report as set out in the Appendix I to this document, and our unaudited management accounts for the one month ended 30 June 2009. We have undertaken to the Stock Exchange that our interim financial report for the six months ended 30 June 2009 will be audited pursuant to Rule 11.18 of the Listing Rules.

Our estimate combined profit attributable to our shareholders for the six months ended 30 June 2009 may not necessarily give any indication on, and should not be interpreted as a guidance of, our full year financial results for 2009, and will be different from the actual combined net profit attributable to our equityholders due to a number of factors, which have affected in past, and will continue to affect our business. For further details of such factors, please refer to the sections headed "Risk factors'' and ''Financial information — Significant Factors Affecting our Results of Operations'' in this document.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Pursuant to Rules 13.13 to 13.19 of the Listing Rules, a general disclosure obligation arises where the relevant advance to an entity, financial assistance or guarantees to affiliated companies of the Group exceeds 8% under the assets ratio as defined under Rule 14.07(1) of the Listing Rules.

As disclosed in the section headed " Our relationship with SkyComm Group and our Controlling Shareholders — Relationship with SkyComm Group — Long Term Co-operation Agreement" of this document, our Group and SkyComm entered into the Long Term Co-operation Agreement on 28 February 2008 (as supplemented by a supplemental agreement dated 14 April 2009) to reinforce and regulate our business relationship and collaboration with SkyComm Group whereby SkyComm Group will, for a period of five years until December 2012, refer all the business opportunities relating to the provisions of integrated wireless and satellite communication application solutions (including but not limited to the research and development of communication solutions and related software, development of the related technical solutions, installation, testing, maintenance, consultation and technical support services for communication equipment) to our Group by either procuring such end customers to appoint or contract with our Group directly for the provisions of the services, or entering into contracts for provision of such services with end customers as agent on behalf of our Group for provision of such relevant services by our Group. Pursuant to the Long Term Co-operation Agreement, our Group is required, and has provided a lump sum of RMB30 million to SkyComm as performance guarantee deposit for contracts entered into by SkyComm Group as agent for our Group. The amount of the performance guarantee deposit is subject to annual adjustment in the manner specified therein, and a sum equal to 10% of the contract fee of each of such contracts, shall be refundable upon completion of, and the expiry of the warranty period under, such contract. Any balance of the performance guarantee deposit will be refunded to our Group upon expiry of the Long Term Co-operation Agreement. As at the Latest Practicable Date, the amount of performance guarantee deposit retained by SkyComm pursuant to the Long Term Co-operation Agreement had not been adjusted nor utilised to secure performance of the relevant contracts. Based on the combined balance sheet of our Group as at 31 May 2009, the performance guarantee deposit, which is regarded as advance to an entity under Rule 13.13 of the Listing Rules, represented more than 8% of the assets ratio as defined under Rule 14.07(1) of the Listing Rules.

Creative Sector, one of our Controlling Shareholder, had charged 51% of the issued Shares of our Company in favour of Chengwei as security for the performance by CAA BVI and Mr. Chan under a senior secured promissory note of US$10 million dated 17 November 2008 and issued by CAA BVI to Chengwei, as more particularly described in the section headed "History and Development Convertible Loans" in this document. Such share charge will be released on or prior to the Listing.

Save as disclosed above, our Directors have confirmed that, as at the Latest Practicable Date, there were no circumstances that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.