The following is the text of a report, prepared for the purpose of incorporation in this document, received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong.

KPMG

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

[●]

The Directors
China All Access (Holdings) Limited
Guotai Junan Capital Limited

Dear Sirs,

INTRODUCTION

We set out below our report on the financial information relating to China All Access (Holdings) Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") including the combined income statements, combined statements of comprehensive income, combined statements of changes in equity and the combined cash flow statements of the Group for each of the years ended 31 December 2006, 2007 and 2008 and the five months ended 31 May 2009 (the "Track Record Period") and the combined balance sheets of the Group as at 31 December 2006, 2007 and 2008 and 31 May 2009, together with the notes thereto (the "Financial Information"), for inclusion in the document of the Company dated [●] (the "Document") in connection with the initial listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited ("Stock Exchange").

The Company was incorporated in the Cayman Islands on 4 December 2007 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Pursuant to a group reorganisation (the "Reorganisation") as detailed in the paragraph headed "The Reorganisation" in the section "History and Development" of the Document, which was completed on [●], certain business operations of Hebei Sky Communication Co., Ltd. ("Hebei SkyComm") and Shanghai Sky Communication Co., Ltd. ("Shanghai SkyComm") (hereinafter collectively referred to as the "Predecessor Entities"), together with their relevant assets and liabilities (hereinafter collectively referred to as the "Transferred Businesses"), were transferred to the Group and the Company became the holding company of the companies now comprising the Group, details of which are set out in Section A below. The Company has not carried on any business since the date of its incorporation save for the aforesaid Reorganisation.

As at the date of this report, no audited financial statements have been prepared for the Company and the companies comprising the Group, except for Hebei Noter Communication Technology Co., Ltd. ("Noter"), as they were incorporated shortly before or dormant up until 31 May 2009, or are investment holding companies and have not carried on any business since their respective dates of establishment/incorporation or are not subject to statutory audit requirements under the relevant rules and regulations in their jurisdictions of incorporation. We have, however, reviewed all significant transactions of these companies from their respective dates of establishment/incorporation to 31 May 2009 for the purpose of this report.

The statutory financial statements of Noter for the financial period from 21 August 2006 (date of incorporation) to 31 December 2006 and for the years ended 31 December 2007 and 2008, which were prepared in accordance with the relevant accounting rules and regulations applicable to enterprises in the People's Republic of China (the "PRC"), were audited by Hebei Tianhua CPAs (河北天華會計師事務所) *(note)*, Certified Public Accountants registered in the PRC.

Note: The English translation of the entity's name is for reference only. The official name of this entity is in Chinese.

BASIS OF PREPARATION

The Financial Information has been prepared by the directors of the Company based on the audited financial statements or, where appropriate, unaudited management accounts of the companies now comprising the Group and the Transferred Businesses of the Predecessor Entities, on the basis set out in Section A below, after making such adjustments as are appropriate. Adjustments have been made for the purpose of this report to restate the Financial Information to conform with accounting policies as referred to in Section C, which are in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange. HKFRSs include all individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the HKICPA.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND REPORTING ACCOUNTANTS

The directors of the Company are responsible for the preparation and the true and fair presentation of the Financial Information in accordance with HKFRSs. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the Financial Information that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Our responsibility is to form an opinion on the Financial Information based on our audit procedures.

BASIS OF OPINION

As a basis for forming an opinion on the Financial Information, for the purpose of this report, we have carried out appropriate audit procedures in respect of the Financial Information for the Track Record Period in accordance with Hong Kong Standards on Auditing issued by the HKICPA and have carried out such additional procedures as we considered necessary in accordance with Auditing Guideline "Prospectuses and the Reporting Accountant" (Statement 3.340) issued by the HKICPA. Those standards require that we comply with ethical requirements and plan and perform our work to obtain reasonable assurance as to whether the Financial Information is free from material misstatement.

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

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

We have not audited any financial statements of the companies now comprising the Group in respect of any period subsequent to 31 May 2009.

OPINION

In our opinion, for the purpose of this report, all adjustments considered necessary have been made and the Financial Information, on the basis of presentation set out in Section A below and in accordance with the accounting policies set out in Section C below, gives a true and fair view of the Group's combined results and cash flows for the Track Record Period, and the state of affairs of the Group as at 31 December 2006, 2007 and 2008 and 31 May 2009.

Corresponding financial information

For the purpose of this report, we have also reviewed the unaudited corresponding interim financial information of the Group comprising the combined income statement, combined statement of comprehensive income, combined statement of changes in equity and combined cash flow statement for the five months ended 31 May 2008, together with the notes thereon (the "Corresponding Financial Information"), for which the directors are responsible, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of interim financial information performed by the independent auditor of the entity" issued by the HKICPA. Our responsibility is to express a conclusion on the Corresponding Financial Information based on our review.

A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion on the Corresponding Financial Information.

Based on our review, for the purpose of this report, nothing has come to our attention that causes us to believe that the Corresponding Financial Information is not prepared, in all material respects, in accordance with the same basis adopted in respect of the Financial Information.

A BASIS OF PRESENTATION

The Company was incorporated in the Cayman Islands on 4 December 2007 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and has its registered office at Cricket Square, Hutchins Drive, PO Box 2,681, Grand Cayman. KY1-1111, Cayman Islands and principal place of business at Room 406, 4/F, Empire Centre, 68 Mody Road, Kowloon, Hong Kong. Following the Reorganisation completed on [●] as detailed in the paragraph headed "The Reorganisation" in the section "History and Development" of the Document, the Company had direct or indirect interests in the following subsidiaries, which are private companies and, if established/incorporated outside Hong Kong have substantially the same characteristics as a Hong Kong private company. The particulars of these subsidiaries are set out below:

Name of company	Place and date of incorporation/ establishment	Issued and fully paid up/ registered capital	Attributable equity interest Direct	Attributable equity interest Indirect	Principal activity
			%	%	
China All Access Group Limited ("CAA BVI")	The British Virgin Islands/ 15 June 2006	USD10,000	100	—	Investment holding
All Access Global Limited ("CAA HK")	Hong Kong/ 18 June 2008	HKD10,000	—	100	Investment holding
Hebei Noter Communication Technology Company Limited ("Noter") (河北諾特通信技術有限公司)(i)	The PRC/ 21 August 2006	USD19,500,000	—	100	Development and provision of communication application solutions and trading of communication equipment and application services including system operation management, application upgrade and system maintenance

(i) The English translation of the entity' name is for reference only. The official name of this entity is in Chinese. This entity is a wholly foreign owned limited liability enterprise established in the PRC.

Noter was established for the purpose of taking over the Transferred Businesses from Hebei SkyComm and Shanghai SkyComm. On 31 August 2006, Noter, Hebei SkyComm and Shanghai SkyComm entered into a Business Transfer Agreement pursuant to which Hebei SkyComm and Shanghai SkyComm agreed to sell to Noter the entire interests of their business operations, mainly the non-licensed businesses which comprised service contracts covering the provision of systems integration, installation, testing and commissioning, maintenance, upgrading and advisory services, together with the relevant assets and liabilities at a consideration of RMB102,600,000 (hereinafter referred to as the "Business Transfer"). The consideration was determined by reference to the valuation of the Transferred Businesses performed by an independent valuer. The effective date of the Business Transfer was agreed to be at 30 June 2006 (the "effective business transfer date"). During the period from the effective business transfer date up to 31 December 2007 (the "Transition Period"), Hebei SkyComm and Shanghai SkyComm agreed to assist Noter to carry out the performance obligations under the extant contracts, including collection of sales proceeds from customers and making payments to suppliers.

The ultimate equity holders, referred to as "the Controlling Shareholders", which is defined in the section "Definitions" of the Document, controlled the operations of the Transferred Businesses of the Predecessor Entities before the Reorganisation and continue to control the companies comprising the Group after the Reorganisation. There was a continuation of the risks and benefits to the controlling parties, and therefore this is considered as a business combination under common control and Accounting Guideline 5 "Merger Accounting for Common Control Combinations" has been applied for this transaction. The Financial Information has been prepared using the merger basis of accounting as if the Transferred Businesses had been operated by the companies comprising the Group and the current group structure had been in existence throughout the Track Record Period.

The combined income statements, combined statements of comprehensive income, combined statements of changes in equity and combined cash flow statements of the Group as set out in Section B include the results of operations of the companies now comprising the Group for the Track Record Period (or where the companies were incorporated/established/acquired at a date later than 1 January 2006, for the period from the date of incorporation/establishment/acquisition to 31 May 2009) as if the current group structure had been in existence throughout the Track Record Period. The combined balance sheets of the Group as at 31 December 2006, 2007 and 2008 and 31 May 2009 as set out in Section B have been prepared to present the state of affairs of the companies now comprising the Group as at the respective dates as if the current group structure had been in existence as at the respective dates. All material intra-group transactions and balances have been eliminated on combination.

The particulars of Hebei SkyComm and Shanghai SkyComm are set out below:

Name of predecessor entity	Place and date of incorporation/ establishment	Registered capital	Attributable equity interest(ii)
Hebei Sky Communication Co., Ltd(i) (河北天宇通信有限公司)	The PRC/ 5 December 2002	RMB20,000,000	81%
Shanghai Sky Communication Co., Ltd(i) (上海天宇通信有限公司)	The PRC/ 11 March 2002	RMB20,000,000	77%

(i) The English translation of the entities' names is for reference only. The official names of these entities are in Chinese. These entities are limited liability enterprises established in the PRC.

(ii) These represent the effective interests of the Transferred Businesses attributable to the Controlling Shareholders of the Group prior to the transfer of business operations from the Predecessor Entities to Noter.

(iii) The principal activities of the Predecessor Entities included domestic very small aperture terminal communication business and related network, internet business, call centre business, wireless data transmission business and various non-regulated business.

As detailed in the paragraph headed "Corporate Development" in the section "History and Development" of the Document, the Predecessor Entities were under common control of the Controlling Shareholders before the Business Transfer in August 2006.

The interests of equity holders other than the Controlling Shareholders in the Transferred Businesses have been presented as minority interests in the Financial Information prior to the effective business transfer date. Minority interests were acquired at the effective business transfer date since the Controlling Shareholders owned the entire equity interests of the companies comprising the Group which took over the Transferred Businesses.

Assets and liabilities of the Transferred Businesses as at the effective business transfer date are summarised as follows:

	RMB'000
Property, plant and equipment	3,660
Inventories	5,491
Trade and other receivables	20,516
Trade and other payables	(11,208)
Net identifiable assets and liabilities	18,459
Premium on acquisition	84,141
Consideration paid, satisfied in cash	102,600

B FINANCIAL INFORMATION

1 Combined income statements

	Section C Note	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)	
Revenue	2	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	4	—	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	5(a)	—	(615)	(7,116)	(1,163)	(2,899)
Profit before tax	5	19,627	46,479	69,534	1,222	8,281
Income tax	6	(4,372)	—	(1,738)	—	(1,339)
Profit for the year/ period		15,255	46,479	67,796	1,222	6,942
Attributable to:						
Equity holders of the Company		14,436	46,479	67,796	1,222	6,942
Minority interests		819	—	—	—	—
Profit for the year/ period		15,255	46,479	67,796	1,222	6,942
Earnings per share	10					
Basic (RMB)		0.019	0.062	0.090	0.002	0.009
Diluted (RMB)		0.019	0.060	0.079	0.002	0.009

The accompanying notes form part of the Financial Information.

2 Combined statements of comprehensive income

	Section C Note	**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

The accompanying notes form part of the Financial Information.

3 Combined balance sheets

	Section C Note	At 31 December 2006	At 31 December 2007	At 31 December 2008	At 31 May 2009
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets					
Property, plant and equipment	11	3,060	2,618	57,476	53,161
Trade and other receivables	13	—	—	21,263	21,620
		3,060	2,618	78,739	74,781
Current assets					
Inventories	12	3,071	2,861	3,156	795
Trade and other receivables	13	10,281	45,601	88,667	94,163
Amounts due from related parties	23(d)	—	11,807	8,621	—
Cash and cash equivalents	14	76	23,559	174,711	158,755
		13,428	83,828	275,155	253,713
Current liabilities					
Interest-bearing borrowings	16	—	18,413	149,653	128,442
Trade and other payables	15	11,343	37,735	44,245	32,017
Amounts due to related parties	23(d)	72,783	480	—	312
Amount due to a shareholder	23(e)	1,176	39,822	3,861	3,918
Income tax payable	6(b)	4,372	4,372	4,372	5,817
		89,674	100,822	202,131	170,506
Net current (liabilities)/assets		(76,246)	(16,994)	73,024	83,207
Total assets less current liabilities		(73,186)	(14,376)	151,763	157,988
Non-current liabilities					
Interest-bearing borrowings	16	—	8,964	8,346	8,223
Deferred tax liabilities	6(c)	—	—	1,738	1,632
		—	8,964	10,084	9,855
Net (liabilities)/assets		(73,186)	(23,340)	141,679	148,133
Capital and reserves					
Paid-in capital	19	—	—	73	73
Reserves	20	(73,186)	(23,340)	141,606	148,060
Total equity		(73,186)	(23,340)	141,679	148,133

The accompanying notes form part of the Financial Information.

4 Combined statements of changes in equity

	Section C *Note*	Attributable to equity holders of the Company								
		Paid in capital	**Capital reserve**	**Statutory general reserve**	**Translation reserve**	**Merger reserve**	**Retained profits**	**Sub-total**	**Minority interests**	**Total equity**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2006		—	—	—	—	—	11,494	11,494	2,655	14,149
Acquisition of Transferred Businesses	20(c)	—	(14,985)	—	—	(84,141)	—	(99,126)	(3,474)	(102,600)
Total comprehensive income for the year		—	—	—	10	—	14,436	14,446	819	15,265
Appropriation of reserve		—	—	1,182	—	—	(1,182)	—	—	—
At 31 December 2006		—	(14,985)	1,182	10	(84,141)	24,748	(73,186)	—	(73,186)
At 1 January 2007		—	(14,985)	1,182	10	(84,141)	24,748	(73,186)	—	(73,186)
Issuance of share capital	19	—	—	—	—	—	—	—	—	—
Issuance of convertible notes	16	—	1,207	—	—	—	—	1,207	—	1,207
Total comprehensive income for the year		—	—	—	2,160	—	46,479	48,639		48,639
Appropriation of reserve		—	—	4,783	—	—	(4,783)	—	—	—
At 31 December 2007		—	(13,778)	5,965	2,170	(84,141)	66,444	(23,340)	—	(23,340)
At 1 January 2008		—	(13,778)	5,965	2,170	(84,141)	66,444	(23,340)	—	(23,340)
Issuance of share capital	19	73	33,955	—	—	—	—	34,028	—	34,028
Capital investments	20(b)(ii)	—	61,673	—	—	—	—	61,673	—	61,673
Issuance of convertible notes	16	—	1,353	—	—	—	—	1,353	—	1,353
Repayment of convertible notes	16	—	(600)	—	—	—	—	(600)	—	(600)
Total comprehensive income for the year		—	—	—	769	—	67,796	68,565	—	68,565
Appropriation of reserve		—	—	7,174	—	—	(7,174)	—	—	—
At 31 December 2008		73	82,603	13,139	2,939	(84,141)	127,066	141,679	—	141,679
At 1 January 2009		73	82,603	13,139	2,939	(84,141)	127,066	141,679	—	141,679
Repayment of convertible notes	16	—	(297)	—	—	—	—	(297)	—	(297)
Total comprehensive income for the period		—	—	—	(191)	—	6,942	6,751	—	6,751
At 31 May 2009		73	82,306	13,139	2,748	(84,141)	134,008	148,133	—	148,133
(Unaudited)										
At 1 January 2008		—	(13,778)	5,965	2,170	(84,141)	66,444	(23,340)	—	(23,340)
Issuance of share capital	19	73	33,955	—	—	—	—	34,028	—	34,028
Capital investments	20(b)(ii)	—	61,673	—	—	—	—	61,673	—	61,673
Issuance of convertible notes	16	—	1,353	—	—	—	—	1,353	—	1,353
Repayment of convertible notes	16	—	(257)	—	—	—	—	(257)	—	(257)
Total comprehensive income for the period		—	—	—	785	—	1,222	2,007	—	2,007
At 31 May 2008		73	82,946	5,965	2,955	(84,141)	67,666	75,464	—	75,464

The accompanying notes form part of the Financial Information.

5 Combined cash flow statements

	Section C	Years ended 31 December			Five months ended 31 May	
	Note	**2006**	**2007**	**2008**	**2008**	**2009**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*unaudited*)	*RMB'000*
Operating activities						
Cash generated from/(used in) operations	14(b)	77,466	(20,937)	27,453	(97,227)	8,089
Income tax paid		—	—	—	—	—
Net cash generated from/(used in) operating activities		77,466	(20,937)	27,453	(97,227)	8,089
Investing activities						
Bank interest income received		—	16	89	50	541
Payments for purchase of property, plant and equipment		(99)	(252)	(55,604)	(735)	(118)
Proceeds from sales of property, plant and equipment		—	4	—	—	—
Net cash (used in)/generated from investing activities		(99)	(232)	(55,515)	(685)	423
Financing activities						
Payments to Predecessor Entities for Transferred Businesses		(78,477)	(24,123)	—	—	—
Increase/(decrease) in amount due to a shareholder		1,186	40,806	(2,768)	(5,500)	(343)
Proceeds from issuance of convertible notes		—	28,092	34,006	34,006	—
Proceeds from issuance of fixed-coupon notes		—	—	68,788	—	—
Capital injection from shareholders		—	—	61,673	61,673	—
Proceeds from bank loans		—	—	28,478	24,329	—
Repayment of bank loans		—	—	—	—	(14,730)
Repayment of convertible notes		—	—	(8,819)	(3,780)	(8,813)
Interests paid		—	—	(2,040)	(418)	(558)
Other finance costs paid		—	(123)	(104)	(43)	(24)
Net cash (used in)/generated from financing activities		(77,291)	44,652	179,214	110,267	(24,468)
Net increase/(decrease) in cash and cash equivalents		76	23,483	151,152	12,355	(15,956)
Cash and cash equivalents at beginning of the year/period		—	76	23,559	23,559	174,711
Cash and cash equivalents at end of the year/period	14(a)	76	23,559	174,711	35,914	158,755

The accompanying notes form part of the Financial Information.

C NOTES TO THE FINANCIAL INFORMATION

1 Significant accounting policies

(a) *Statement of compliance*

The Financial Information has been prepared in accordance with HKFRSs, which collective term includes all applicable individual Hong Kong Financial Reporting Standards, HKASs and Interpretations issued by the HKICPA, and accounting principles generally accepted in Hong Kong. The Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange and disclosure requirements of the Hong Kong Companies Ordinance.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. For the purposes of preparing the Financial Information, the Group has not applied any new or revised HKFRSs that are not yet effective for the Track Record Period. The revised and new accounting standards and interpretations issued but not yet effective for the accounting period beginning on 1 June 2009, which have not adopted by the Group during the Track Record Period, are set out in note 28. The Group considers the adoption of these new and revised HKFRSs will have no significant impact on the Financial Information.

The Group did not prepare any HKFRSs financial statements previously. This is the Group's first HKFRSs Financial Information.

The accounting policies set out below have been applied consistently to all periods presented in the Financial Information.

(b) *Basis of preparation of the Financial Informations*

The Financial Information includes the results of operations of the companies comprising the Group.

The Financial Information is presented in Renminbi ("RMB"), which is the functional currency of the Group's major operating unit. The Financial Information is prepared on the historical cost basis. The Financial Information presented in RMB has been rounded to the nearest thousands.

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. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

Judgements made by the management in the application of HKFRSs that have a significant effect on the Financial Information and estimates with a significant risk of material adjustment in the next year are disclosed in note 25.

(c) ***Subsidiaries and minority interests***

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

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

Minority interests represent the portion of the net assets of subsidiaries attributable to interests that are not owned by the Company, whether directly or indirectly through subsidiaries, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. Minority interests are presented in the balance sheet within equity, separately from equity attributable to the equity holders of the Company. Minority interests in the results of the Group are presented on the face of the income statement as an allocation of the total profit or loss for the year between minority interests and the equity shareholders of the Company.

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

(d) ***Property, plant and equipment***

(i) *Recognition and measurement*

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses (note 1(f)).

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

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

(ii) *Subsequent costs*

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

(iii) *Depreciation*

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

Electronic equipment	5 years
Office equipment	5 years
Computer software	5 years

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

Depreciation methods, useful lives of assets and residual values, if any, are reviewed at the reporting date.

(e) ***Operating lease charges***

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

(f) ***Impairment of assets***

(i) *Impairment of trade and other receivables*

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

— significant financial difficulty of the debtor;

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

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

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

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

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

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

(ii) *Impairment of property, plant and equipment*

Internal and external sources of information are reviewed at each balance sheet date to identify indications that property, plant and equipment may be impaired or an impairment loss previously recognised no longer exists or may have decreased.

If any such indication exists, the asset's recoverable amount is estimated.

— Calculation of recoverable amount

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

— Recognition of impairment losses

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

— Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

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

(g) ***Inventories***

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

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

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

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

(h) ***Trade and other receivables***

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment of doubtful debts (see note 1(f)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(i) ***Convertible notes***

Convertible notes that can be converted to equity share capital at the option of the holder, where the number of shares that would be issued on conversion and the value of the consideration that would be received at that time do not vary, are accounted for as compound financial instruments which contain both a liability component and an equity component.

At initial recognition the liability component of the convertible notes is measured as the present value of the future interest and principal payments, discounted at the market rate of interest applicable at the time of initial recognition to similar liabilities that do not have a conversion option. Any excess of proceeds over the amount initially recognised as the liability component is recognised as the equity component. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds.

The liability component is subsequently carried at amortised cost. The interest expense recognised in the income statement on the liability component is calculated using the effective interest method. The equity component is recognised as part of the equity until either the note is converted or redeemed.

If the note is converted, the equity component, together with the carrying amount of the liability component at the time of conversion, is transferred to share capital and share premium as consideration for the shares issued. If the note is redeemed, the equity component is released directly to retained profits.

(j) ***Cash and cash equivalents***

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

(k) ***Interest-bearing borrowings***

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

(l) ***Trade and other payables***

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with note 1(o)(i), trade and other payables are thereafter stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(m) ***Employee benefits***

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

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

(iii) Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(n) ***Income tax***

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

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

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

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

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

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

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

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

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

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

  — the same taxable entity; or

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

(o) ***Financial guarantees issued, provisions and contingent liabilities***

(i) *Financial guarantees issued*

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Where the Group issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in the income statement on initial recognition of any deferred income. The amount of the guarantee initially recognised as deferred income is amortised in the income statement over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 1(o)(ii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

(ii) *Other provisions and contingent liabilities*

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

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

(p) ***Revenue recognition***

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the income statement as follows:

(i) *Sales of goods*

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

(ii) *Integrated system revenue*

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

(iii) *Application service income*

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

(iv) *Interest income*

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

(v) *Government grants*

Government grants are recognised in the balance sheet initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the group for expenses incurred are recognised as revenue in the income statement on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in the income statement over the useful life of the asset by way of reduced depreciation expense.

(q) ***Translation of foreign currencies***

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

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

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

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

(r) ***Borrowing costs***

Borrowing costs are expensed in the income statement in the period in which they are incurred.

(s) ***Related parties***

For the purposes of this Financial Information, a party is considered to be related to the Group if:

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

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

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

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

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

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

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

(t) ***Segment reporting***

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

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

2 Revenue

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

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

	Years ended 31 December			**Five months ended 31 May**	
	2006	**2007**	**2008**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Provision of satellite communication application solutions and services	21,640	90,169	120,074	826	25,001
Provision of wireless data communication application solutions and services	29,254	33,962	62,718	5,701	20,500
Provision of call centre application solutions and services	2,976	2,921	4,282	1,734	1,779
	53,870	127,052	187,074	8,261	47,280

The Group's operations are subject to cyclical fluctuations during a year. Generally, higher sales will be generated during the second half of a year because most of the customers' annual budgets are prepared during the first two quarters of each year. These customers normally carry out their procurement activities during the second half of each year after their budgets are concluded.

3 Segment reporting

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

- Provision of satellite communication application solutions and services include project design, installation, testing, application service provision for satellite communication, as well as distribution of satellite receivers and equipment.

- Provision of wireless data communication application solutions and services include installation, testing, application service provision for wireless data communication, as well as distribution of wireless terminals and equipment.

- Provision of call centre application solutions and services including system design, software development, technical support, system installation, quality control for call centres.

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

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

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

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

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

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

	Year ended 31 December 2006			
	Provision of satellite communication application solutions and services	**Provision of wireless data communication application solutions and services**	**Provision of call centre application solutions and services**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue from external customers (note)	21,640	29,254	2,976	53,870
Segment operating profit	8,877	11,315	1,230	21,422
Depreciation for the year	7	92	1,125	1,224
Reportable segment assets	2,871	10,221	2,914	16,006
Additions to non-current segment assets during the year	—	—	99	99
Reportable segment liabilities	3,146	3,631	—	6,777

Note: Major customers

Revenues of two customers, each of them amounted to 10 percent or more of the Group's revenue for the year, are set out below:

	Provision of satellite communication application solutions and services	**Provision of wireless data communication application solutions and services**	**Provision of call centre application solutions and services**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Customer A	7,732	10,420	—	18,152
Customer B	5,738	—	—	5,738
	13,470	10,420	—	23,890

Further details of concentrations of credit risk arising from these customers are set out in note 24(a).

	Year ended 31 December 2007			
	Provision of satellite communication application solutions and services	**Provision of wireless data communication application solutions and services**	**Provision of call centre application solutions and services**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue from external customers (note)	90,169	33,962	2,921	127,052
Segment operating profit	33,463	14,776	1,713	49,952
Depreciation for the year	—	42	599	641
Reportable segment assets	25,650	21,183	2,589	49,422
Additions to non-current segment assets during the year	—	188	47	235
Reportable segment liabilities	12,015	2,455	18	14,488

Note: Major customers

Revenues of two customers, each of them amounted to 10 percent or more of the Group's revenue for the year, are set out below:

	Provision of satellite communication application solutions and services	**Provision of wireless data communication application solutions and services**	**Provision of call centre application solutions and services**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Customer A	21,532	10,758	—	32,290
Customer C	18,769	—	—	18,769
	40,301	10,758	—	51,059

Further details of concentrations of credit risk arising from these customers are set out in note 24(a).

	Year ended 31 December 2008			
	Provision of satellite communication application solutions and services	**Provision of wireless data communication application solutions and services**	**Provision of call centre application solutions and services**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue from external customers (note)	120,074	62,718	4,282	187,074
Segment operating profit	52,952	27,802	2,356	83,110
Depreciation for the year	—	65	599	664
Reportable segment assets	29,541	46,471	3,391	79,403
Additions to non-current segment assets during the year	8,036	46,653	375	55,064
Reportable segment liabilities	31,388	5,225	—	36,613

Note: Major customers

Revenues of two customers, each of them amounted to 10 percent or more of the Group's revenue for the year, are set out below:

	Provision of satellite communication application solutions and services	**Provision of wireless data communication application solutions and services**	**Provision of call centre application solutions and services**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Customer D	19,855		—	19,855
Customer E	18,971		—	18,971
	38,826	—	—	38,826

Further details of concentrations of credit risk arising from these customers are set out in note 24(a).

	Five months ended 31 May 2008 *(unaudited)*			
	Provision of satellite communication application solutions and services	**Provision of wireless data communication application solutions and services**	**Provision of call centre application solutions and services**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue from external customers (note)	826	5,701	1,734	8,261
Segment operating profit	275	3,411	1,056	4,742
Depreciation for the period	—	23	237	260
Reportable segment assets	35,166	11,697	3,684	50,547
Additions to non-current segment assets during the period	448	—	25	473
Reportable segment liabilities	14,615	3,831	—	18,446

Note: Major customers

Revenues of a customer which amounted to 10 percent or more of the Group's revenue for the period is set out below:

	Provision of satellite communication application solutions and services	**Provision of wireless data communication application solutions and services**	**Provision of call centre application solutions and services**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Customer A	—	3,610	—	3,610

Further details of concentrations of credit risk arising from these customers are set out in note 24(a).

	Five months ended 31 May 2009			
	Provision of satellite communication application solutions and services	**Provision of wireless data communication application solutions and services**	**Provision of call centre application solutions and services**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue from external customers (note)	25,001	20,500	1,779	47,280
Segment operating profit	8,100	8,371	1,091	17,562
Depreciation for the period	87	30	255	372
Reportable segment assets	36,763	37,165	3,724	77,652
Additions to non-current segment assets during the period	—	—	—	—
Reportable segment liabilities	15,368	3,470	3	18,841

Note: Major customers

Revenues of three customers, each of them amounted to 10 percent or more of the Group's revenue for the period, are set out below:

	Provision of satellite communication application solutions and services	**Provision of wireless data communication application solutions and services**	**Provision of call centre application solutions and services**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Customer D	11,517	9,971	—	21,488
Customer E	6,147	—	—	6,147
Customer F	—	5,041	—	5,041
	17,664	15,012	—	32,676

Further details of concentrations of credit risk arising from these customers are set out in note 24(a).

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

	Years ended 31 December			Five months ended 31 May	
	2006	**2007**	**2008**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*unaudited*)	*RMB'000*
Profit					
Reportable segment profit derived from the Group's external customers	21,422	49,952	83,110	4,742	17,562
Other net income	—	91	805	524	1,681
Unallocated depreciation	—	(8)	(82)	(10)	(4,061)
Finance costs	—	(615)	(7,116)	(1,163)	(2,899)
Other unallocated income and expense	(1,795)	(2,941)	(7,183)	(2,871)	(4,002)
Combined profit before tax	19,627	46,479	69,534	1,222	8,281
Assets					
Reportable segment assets	16,006	49,422	79,403	50,547	77,652
Unallocated corporate assets	482	37,024	274,491	140,489	250,842
Combined total assets	16,488	86,446	353,894	191,036	328,494
Liabilities					
Reportable segment liabilities	6,777	14,488	36,613	18,446	18,841
Unallocated corporate liabilities	82,897	95,298	175,602	97,126	161,520
Combined total liabilities	89,674	109,786	212,215	115,572	180,361

Unallocated income and expense mainly includes directors' and auditors' remuneration, consulting fees and other corporate administration costs.

Unallocated corporate assets mainly includes cash and cash equivalent, prepayments and deposits and fixed assets which are not specifically attributed to individual segments.

Unallocated corporate liabilities mainly includes interest-bearing borrowings which are not specifically attributed to individual segments.

Geographical segments

Substantially all the Group's activities are based in the PRC and all of the Group's turnover and contribution to profit before tax are derived from the PRC during the Track Record Period.

4 Other net income

	Years ended 31 December			Five months ended 31 May	
	2006	**2007**	**2008**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Interest income on trade and other receivable	—	—	—	—	658
Gain on early repayment of convertible notes (note 16)	—	—	189	52	196
Bank interest income	—	16	89	50	541
Government grants	—	120	—	—	—
Loss on disposal of property, plant and equipment	—	(41)	—	—	—
Net exchange gain	—	—	848	622	286
Donation	—	—	(200)	(200)	—
Others	—	(4)	(121)	—	—
	—	91	805	524	1,681

5 Profit before tax

Profit before tax is arrived at after charging:

	Years ended 31 December			Five months ended 31 May	
	2006	**2007**	**2008**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
(a) Finance costs:					
Discount charges on non-current receivables	—	—	2,878	—	—
Interest expense on borrowings wholly repayable within five years	—	492	4,134	1,120	2,875
Bank charges	—	123	104	43	24
	—	615	7,116	1,163	2,899
(b) Staff costs:					
Contributions to defined contribution retirement plans	119	199	374	114	164
Salaries, wages and other benefits	2,787	2,492	5,296	1,953	2,723
	2,906	2,691	5,670	2,067	2,887

As stipulated by the regulations in the PRC, the Group is required to participate in employee pension schemes organised by the PRC government whereby the Group is required to pay annual contributions at a rate of 20% of the standard wages determined by the relevant authorities in the PRC during the Track Record Period.

The Group also operates a Mandatory Provident Fund Scheme ("the MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance and not previously covered by the defined benefit retirement plan. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$20,000. Contributions to the plan vest immediately.

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

	Years ended 31 December			**Five months ended 31 May**	
	2006	**2007**	**2008**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
(c) Other items:					
Operating lease charges	245	460	720	292	591
Depreciation of property, plant and machinery	1,224	649	746	270	4,433
Impairment losses on trade receivables	—	—	645	—	—
Auditors' remuneration	—	800	—	—	—
Cost of inventories	25,449	69,143	96,665	1,351	27,021

6 Income tax

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

No provision has been made for Hong Kong Profits Tax as the Group did not earn any income subject to Hong Kong Profits Tax during the Track Record Period.

The Group assumed no income tax liabilities from its Predecessor Entities under the Business Transfer pursuant to the Business Transfer Agreement.

Prior to 1 January 2008, PRC entities are generally subject to PRC enterprise income tax at 33%, consisting of 30% state tax and 3% local tax. 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"). The Group considered it was probable that it was liable to PRC income tax via Noter, its 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 will allow Noter to settle its 2006 income tax liability after the Group is listed. In addition, the local tax bureau approved 2007 as 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. The Group has 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.

(a) *Income tax in the combined income statements represents:*

	Years ended 31 December			**Five months ended 31 May**	
	2006	**2007**	**2008**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
PRC income tax					
- Current income tax expense					
- Provision for income tax for the year/period	4,372	—	—	—	1,445
- Deferred tax expense/(credit)					
- Origination and reversal of temporary difference	—	—	1,738	—	(106)
	4,372	—	1,738	—	1,339

A reconciliation of income tax calculated at the applicable tax rates with profit before tax is as follows:

	Years ended 31 December			Five months ended 31 May	
	2006	**2007**	**2008**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Profit before tax	19,627	46,479	69,534	1,222	8,281
PRC statutory income tax rate	33%	33%	25%	25%	25%
Computed "expected" income tax expense	6,477	15,338	17,384	306	2,070
Effect of tax holiday	—	(12,914)	(16,609)	(907)	(1,594)
Effect of preferential tax rate	(1,178)	(2,870)	—	—	—
Effect of tax assumed by the Predecessor Entities *(note)*	(930)	—	—	—	—
Effect of non-deductible expenses	—	—	—	—	(255)
Effect of non-PRC entities not subject to income tax	3	446	963	601	1,118
Actual income tax expense	4,372	—	1,738	—	1,339

Note: Income tax, if any, was assumed by the Predecessor Entities prior to the effective business transfer date of 30 June 2006 (i.e. from 1 January 2006 to 30 June 2006) pursuant to the Business Transfer Agreement.

(b) Current taxation in the combined balance sheets represents:

	At 31 December			At May
	2006	**2007**	**2008**	**2009**
Provision for the PRC Corporate Income Tax for the year/period	4,372	—	—	1,445
Balance of Corporate Income Tax provision relating to prior years	—	4,372	4,372	4,372
	4,372	4,372	4,372	5,817

(c) Deferred taxation in the combined balance sheets represents:

The components of deferred tax (assets)/liabilities in the combined balance sheets and the movements during the years/period are as follows:

Deferred tax arising from:	**Revenue recognition**	**Provisions**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2006, 31 December 2006, 1 January 2007 and 31 December 2007	—	—	—
At 1 January 2008	—	—	—
Charged/(credited) to the combined income statement	1,823	(85)	1,738
	1,823	(85)	1,738
At 1 January 2009	1,823	(85)	1,738
Credited to the combined income statement	(106)	—	(106)
At 31 May 2009	1,717	(85)	1,632

7 Directors' remuneration

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

	Five months ended 31 May 2009				
	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
CHAN Yuen Ming	—	278	—	10	288
SHAO Kwok Keung	—	529	—	10	539
GAO Hou Ming	—	132	—	—	132
Independent non-executive directors					
PUN Yan Chak	—	—	—	—	—
WONG Che Man, Eddy	—	—	—	—	—
LAM Kin Hung, Patrick	—	—	—	—	—
	—	939	—	20	959

	Five months ended 31 May 2008 (unaudited)				
	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
CHAN Yuen Ming	—	238	—	10	248
SHAO Kwok Keung	—	543	—	10	553
GAO Hou Ming	—	—	—	—	—
Independent non-executive directors					
PUN Yan Chak	—	—	—	—	—
WONG Che Man, Eddy	—	—	—	—	—
LAM Kin Hung, Patrick	—	—	—	—	—
	—	781	—	20	801

Year ended 31 December 2008

	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
CHAN Yuen Ming	—	645	—	10	655
SHAO Kwok Keung	—	1,388	—	10	1,398
GAO Hou Ming	—	58	—	—	58
Independent non-executive directors					
PUN Yan Chak	—	—	—	—	—
WONG Che Man, Eddy	—	—	—	—	—
LAM Kin Hung, Patrick	—	—	—	—	—
	—	2,091	—	20	2,111

Year ended 31 December 2007

	Directors' fees	Salaries, allowances and benefits-in-kind	Discretionary bonuses	Retirement scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
CHAN Yuen Ming	—	137	—	—	137
SHAO Kwok Keung	—	—	—	—	—
GAO Hou Ming	—	—	—	—	—
Independent non-executive directors					
PUN Yan Chak	—	—	—	—	—
WONG Che Man, Eddy	—	—	—	—	—
LAM Kin Hung, Patrick	—	—	—	—	—
	—	137	—	—	137

	Year ended 31 December 2006				
	Directors' fees	Salaries, allowances and benefits-in-kind	Discretionary bonuses	Retirement scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
CHAN Yuen Ming	—	259	—	—	259
SHAO Kwok Keung	—	—	—	—	—
GAO Hou Ming	—	—	—	—	—
Independent non-executive directors					
PUN Yan Chak	—	—	—	—	—
WONG Che Man, Eddy	—	—	—	—	—
LAM Kin Hung, Patrick	—	—	—	—	—
	—	259	—	—	259

During the Track Record Period, no director received any emoluments from the Group as an inducement to join or leave the Group or compensation for loss of office and, no director waived or has agreed to waive any emoluments.

8 Individuals with highest emoluments

The five individuals whose emoluments were the highest in the Group include two directors of the Company during the Track Record Period and are reflected in the analysis presented above. Details of remuneration paid to remaining highest paid individuals of the Group are as follows:

	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)	
Salaries and other benefits	587	469	2,931	1,117	1,269
Retirement scheme contributions	14	18	39	27	28
Discretionary bonuses	—	—	—	—	—
	601	487	2,970	1,144	1,297

The above individuals' emoluments are within the following bands:

	Years ended 31 December			Five months ended 31 May	
	2006	**2007**	**2008**	**2008**	**2009**
	Number of individuals	*Number of individuals*	*Number of individuals*	*Number of individuals (unaudited)*	*Number of individuals*
Nil to RMB1,000,000	3	3	3	3	3

No emoluments have been paid to these individuals as an inducement to join or upon joining the Group or as compensation for loss of office during the Track Record Period.

9 Dividends

No dividends have been declared or paid by the Company, CAA BVI, CAA HK and Noter since their incorporation.

10 Earnings per share

(a) *Basic earnings per share*

The calculation of basic earnings per share for the Track Record Period is based on the profit attributable to equity holders for each year of the Track Record Period and on the assumption that 750,000,000 shares of the Company are in issue and issuable, comprising 2,000,000 shares in issue at the date of the Document and 748,000,000 shares to be issued pursuant to the Capitalisation Issue as if the shares were outstanding throughout the entire Track Record Period.

(b) *Diluted earnings per share*

The calculation of diluted earnings per share is based on the diluted profit attributable to equity holders of the Company and the diluted weighted average number of ordinary shares in respective year/period, calculated as follows:

Profit attributable to equity holders of the Company (diluted)

	Years ended 31 December			Five months ended 31 May	
	2006	**2007**	**2008**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Profit attributable to ordinary equity holders of the Company	14,436	46,479	67,796	1,222	6,942
After tax effect of effective interest on the liability component of convertible notes	—	1,124	2,419	505	118
Profit attributable to equity holders (diluted)	14,436	47,603	70,215	1,727	7,060

Weighted average number of ordinary shares (diluted)

	Years ended 31 December			Five months ended 31 May	
	2006	**2007**	**2008**	**2008**	**2009**
	Number of shares '000	*Number of shares '000*	*Number of shares '000*	*Number of shares '000 (Unaudited)*	*Number of shares '000*
Weighted average number of ordinary shares at 31 December/31 May	750,000	750,000	750,000	750,000	750,000
Effect of conversion of convertible notes (note 16)	—	44,726	142,836	61,359	7,467
Weighed average number of ordinary shares (diluted) at 31 December/ 31 May	750,000	794,726	892,836	811,359	757,467

11 Property, plant and equipment

	Electronic equipment	Office equipment	Computer software	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cost:				
At 1 January 2006	3,273	1,383	4,928	9,584
Additions	—	—	99	99
At 31 December 2006	3,273	1,383	5,027	9,683
At 1 January 2007	3,273	1,383	5,027	9,683
Additions	—	209	43	252
Disposals	(452)	(967)	—	(1,419)
At 31 December 2007	2,821	625	5,070	8,516
At 1 January 2008	2,821	625	5,070	8,516
Additions	54,547	780	277	55,604
At 31 December 2008	57,368	1,405	5,347	64,120
At 1 January 2009	57,368	1,405	5,347	64,120
Additions	—	106	12	118
At 31 May 2009	57,368	1,511	5,359	64,238

	Electronic equipment	Office equipment	Computer software	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Accumulated depreciation:				
At 1 January 2006	2,486	942	1,971	5,399
Depreciation charge for the year	567	156	501	1,224
At 31 December 2006	3,053	1,098	2,472	6,623
At 1 January 2007	3,053	1,098	2,472	6,623
Depreciation charge for the year	92	96	461	649
Written back on disposals	(439)	(935)	—	(1,374)
At 31 December 2007	2,706	259	2,933	5,898
At 1 January 2008	2,706	259	2,933	5,898
Depreciation charge for the year	39	188	519	746
At 31 December 2008	2,745	447	3,452	6,644
At 1 January 2009	2,745	447	3,452	6,644
Depreciation charge for the period	4,086	124	223	4,433
At 31 May 2009	6,831	571	3,675	11,077
Net book value:				
At 31 December 2006	220	285	2,555	3,060
At 31 December 2007	115	366	2,137	2,618
At 31 December 2008	54,623	958	1,895	57,476
At 31 May 2009	50,537	940	1,684	53,161

On 20 December 2008, Noter entered into an asset purchase agreement with each of Hebei SkyComm and Shanghai SkyComm pursuant to which Noter acquired equipment and facilities in respect of the ALL ACCESS integrated application service platform ("the ALL ACCESS platform") at the cash consideration of RMB35,465,000 and RMB17,629,000, respectively, based on the value of the equipment and facilities as of 30 September 2008 as appraised by Hebei Tin Wha CPAs, qualified valuers in the PRC. The equipment and facilities were historically owned and operated by Hebei SkyComm and Shanghai SkyComm prior to such acquisition and had been used by Noter on a cost-reimbursement basis since the Business Transfer in August 2006 as stipulated in the supplemental agreement entered into between Noter, Hebei Skycomm and Shanghai Skycomm.

In 2009, Noter entered into a lease agreement with SkyComm which allows SkyComm to have access to certain functions of the ALL ACCESS platform for an annual lease charge of RMB574,800 until 2018.

12 Inventories

(a) *Inventories in the combined balance sheets comprise:*

	At 31 December			At 31 May
	2006	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Merchandise inventories	3,071	2,861	3,156	795

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

	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)	
Carrying amount of inventories sold	25,449	69,143	96,665	1,351	27,021

13 Trade and other receivables

	At 31 December			At 31 May
	2006	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current				
Trade receivables (i)	—	—	7,463	7,570
Performance guarantee deposit (ii)	—	—	13,800	14,050
	—	—	21,263	21,620
Current				
Trade receivables	8,858	43,350	64,617	65,711
Less: Allowance for doubtful debts	—	—	(530)	(530)
	8,858	43,350	64,087	65,181
Performance guarantee deposit (ii)	—	—	14,400	14,650
Other receivables, prepayments and deposits	1,423	2,251	10,180	14,332
	10,281	45,601	88,667	94,163

(i) 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.

(ii) On 28 February 2008, Noter and the Sky Communication Group Co., Limited ("SkyComm"), the parent company of the Predecessor Entities, entered into a Long Term Co-operation Agreement for a period of five years until December 2012. During this period, Noter provided a lump sum of RMB30,000,000 to SkyComm as performance guarantee deposit which is subject to an annual adjustment in the manner as specified therein. Under the Long Term Co-operation Agreement, SkyComm will act as an agent of the Group in dealing with certain customers while the Group bears all risks and rewards associated with these customers. The performance guarantee deposit is to secure SkyComm during its operations in case of the Group's failure in performance to its customers. Such performance guarantee deposit will be refunded to Noter when the retention period of the projects for which SkyComm acts as the agent for the Group 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.

At 31 December 2008, the performance guarantee deposit has been discounted to its net present value of RMB28,200,000, of which RMB13,800,000 and RMB14,400,000 have been classified as non-current assets and current assets respectively, based on the estimated receivable amounts during the said period.

At 31 May 2009, the present value of the performance guarantee deposit increased to RMB28,700,000, of which RMB14,050,000 and RMB14,650,000 have been classified as non-current assets and current assets respectively. The increase in present value of RMB500,000 has been accounted for as an interest income during the five months ended 31 May 2009.

(iii) For certain of our contracts, retention money representing 5% to 10% of our contract amount is not due until the warranty period expired. Included in trade receivables as at 31 December 2006, 2007 and 2008 and 31 May 2009 are retention money of RMB860,000, RMB1,568,000, RMB1,251,000 and RMB1,512,000, respectively.

All of the current trade and other receivables are expected to be recovered within one year.

(a) *Ageing Analysis*

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

	At 31 December			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

The Group's credit policy is set out in note 24(a).

Receivables that were current relate to a wide range of customers for whom there was no recent history of default.

(b) *Impairment of trade debtors*

Impairment losses in respect of trade debtors are recorded using an allowance account unless the company is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade debtors directly (see note 1(f)).

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

	2006	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January	—	—	—	530
Impairment loss recognised	—	—	645	—
Uncollectible amounts written off	—	—	(115)	—
At 31 December/31 May 2009	—	—	530	530

At 31 December 2008 and 31 May 2009, trade debtors of RMB849,000, which have been overdued for more one year, were individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties and management assessed that only a portion of the receivables is expected to be recovered. Consequently, specific allowances for doubtful debts of RMB645,000 were recognised of which RMB115,000 has been written off during 2008. The Group does not hold any collateral over these balances. No trade debtors were determined to be impaired at 31 December 2006 and 2007.

(c) *Receivables that were past due but not impaired*

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

14 Cash and cash equivalents

(a) Cash and cash equivalent to the combined balance sheets and combined cash flow statements comprise:

		At 31 December		**At 31 May**
	2006	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash at bank and on hand	76	23,559	174,711	158,755

(b) Reconciliation of profit before tax to cash generated from/(used in) operations:

		Years ended 31 December			Five months ended 31 May	
	Section C	**2006**	**2007**	**2008**	**2008**	**2009**
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Profit before tax		19,627	46,479	69,534	1,222	8,281
Adjustments for:						
- Bank interest income	4	—	(16)	(89)	(50)	(541)
- Gain on early repayment of convertible notes	4	—	—	(189)	(52)	(196)
- Loss on disposals of property, plant and equipment	4	—	41	—	—	—
- Finance costs	5(a)	—	615	7,116	1,163	2,899
- Impairment losses on trade receivables	5(c)	—	—	645	—	—
- Interest income on trade and other receivables	5(a)	—	—	—	—	(658)
- Depreciation	5(c)	1,224	649	746	270	4,433
Changes in working capital:						
Decrease/(increase) in inventories		3,659	210	(295)	(8,869)	2,361
Increase in trade and other receivables		(1,459)	(35,320)	(67,852)	(87,235)	(5,195)
(Decrease)/increase in trade and other payables		(1,151)	26,392	6,510	(15,793)	(12,228)
(Increase)/decrease in amounts due from related parties		9,724	(11,807)	11,807	12,597	8,621
Increase/(decrease) in amounts due to related parties		45,842	(48,180)	(480)	(480)	312
Cash generated from/(used in) operations		77,466	(20,937)	27,453	(97,227)	8,089

15 Trade and other payables

	At 31 December			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
Receipts in advance	729	379	1,785	576
Other payables and accruals	4,567	16,727	17,115	15,371
	11,343	37,735	44,245	32,017

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

On 28 February 2008, the Controlling Shareholders have disposed of their interests in the SkyComm. Consequently, these entities became normal business partners of the Group. Accordingly, transactions with these entities do not constitute related party transactions subsequent to 28 February 2008.

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

	At 31 December			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

16 Interest-bearing borrowings

	At 31 December			At 31 May
	2006	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current portion				
Bank loans (note 17)	—	—	28,753	14,026
Convertible notes	—	18,413	51,856	44,095
Fixed coupon notes	—	—	69,044	70,321
	—	18,413	149,653	128,442
Non-current portion				
Bank loans (note 17)	—	—	8,346	8,223
Convertible notes	—	8,964	—	—
	—	8,964	8,346	8,223
	—	27,377	157,999	136,665

On 13 September, 2007, 21 September 2007 and 13 November 2007, CAA BVI issued 3 tranches of convertible notes to three unrelated parties, namely Smart King Group Limited ("Smart King"), Profit Concept International Limited ("Profit Concept") and Guofu (Hong Kong) Holdings Limited ("Guofu"). Each tranche has a principal value of HK$10,000,000 (equivalent to RMB9,364,000) with a maturity of one to two years.

The notes bear interest at 4% per annum and are guaranteed by the Controlling Shareholders.

Each tranche of convertible notes provides a right to the note holder to convert the notes into 3.8% to 7% of the Company’s share capital prior to share capital enlargement arising on the initial public offer (“IPO”) (“share capital enlargement”) on or before the earlier of the proposed listing date or the maturity date of the convertible notes.

On 1 February 2008, pursuant to a supplemental agreement entered into between CAA BVI and Smart King, CAA BVI repaid HK$4,285,714 (equivalent to RMB3,780,000) to this noteholder. Consequently, the conversion into ordinary shares was reduced from 7% to 4% of the Company’s share capital before share capital enlargement, while other terms remained the same. On 1 June 2008, pursuant to another supplemental agreement entered into between CAA BVI and Smart King, the remaining convertible notes held by Smart King were redeemed and the remaining principal of HK$5,714,286 (equivalent to RMB5,039,000) repaid to Smart King. The equity component of the convertible notes of RMB600,000 was released to retained profits upon redemption.

On 15 May 2008 CAA BVI issued a tranche of convertible notes to Even Grow Investments Limited (“Even Grow”), with a principal value of HK$38,560,000 (equivalent to RMB34,006,000) and with a maturity of 18 months. The notes bear interest at 4% per annum and are guaranteed by the Controlling Shareholders. The convertible notes provide a right to the noteholder to convert the note into 7% of the Company’s share capital prior to share capital enlargement, before the earlier of the proposed listing date or the maturity date.

Pursuant to the supplemental agreements entered into between CAA BVI and Profit Concept, and between CAA BVI and Even Grow on 24 November 2008, the terms of the original convertible notes issued to Profit Concept and Even Grow were amended such that holders of the convertible notes would have the right to request settlement of the convertible notes before the maturity date by, and will be requested by CAA BVI and the Controlling Shareholders to settle the convertible notes upon success of the IPO by, the Controlling Shareholders transferring the prescribed percentage of the issued share capital of the Company to the convertible note holders, and the Controlling Shareholders shall waive all their rights and benefits against CAA BVI and the Company in respect of the principal amount, any accrued interest and/or other amounts payable in respect of the loans under the convertible notes. The convertible notes will be repaid at the maturity date if the conversion does not take place. As a result of the amendment of terms, the conversion obligation of the convertible notes were transferred from CAA BVI to the Controlling Shareholders.

On 23 September 2008, CAA BVI issued a tranche of fixed coupon notes to Chengwei Ventures Evergreen Fund, L.P. (“Chengwei”). The tranche has a principal value of US$10,000,000 (equivalent to RMB68,788,000) with a maturity of 12 months. The notes bear interest at 4% per annum and are guaranteed by the Controlling Shareholders. Similar to the modified notes mentioned above, the fixed coupon note holders would have the right to request for the settlement of the note before the maturity date by, and will be requested by CAA BVI and the Controlling Shareholders to settle the note upon success of the IPO by, the Controlling Shareholders transferring 14.16% of the issued share capital of the Company to Chengwei, and the Controlling Shareholders shall waive all their rights and benefits against CAA BVI and the Company in respect of the principal amount or accrued interest or any money as otherwise payable to Chengwei by CAA BVI under the notes. The fixed coupon notes will be repaid at the maturity date if the conversion does not take place.

The tranche of convertible notes to Guofu of principal HK$10,000,000 (approximately RMB8,819,000) has been subsequently repaid in full on 30 April 2009 pursuant to a supplemental agreement entered into between CAA BVI and Guofu.

Movements of the convertible notes are as follows:

	Liability component	Equity component	Total
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2006 and 31 December 2006	—	—	—
At 1 January 2007	—	—	—
Issuance of convertible notes	26,885	1,207	28,092
Accrual of interest costs	492	—	492
At 31 December 2007	27,377	1,207	28,584
At 1 January 2008	27,377	1,207	28,584
Exchange adjustments	(1,593)	—	(1,593)
Issuance of convertible notes	32,653	1,353	34,006
Accrual of interest costs	2,386	—	2,386
Repayment of convertible notes	(8,967)	(600)	(9,567)
At 31 December 2008	51,856	1,960	53,816
At 1 January 2009	51,856	1,960	53,816
Exchange adjustments	(211)	—	(211)
Accrual of interest costs	1,298	—	1,298
Repayment of convertible notes	(8,848)	(297)	(9,145)
At 31 May 2009	44,095	1,663	45,758

17 Bank loans

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

	At 31 December			At 31 May
	2006	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year or on demand	—	—	28,753	14,026
After 1 year but within 2 years	—	—	281	283
After 2 years but within 5 years	—	—	881	888
After 5 years	—	—	7,184	7,052
	—	—	37,099	22,249
Representing:				
Term loan (i)	—	—	20,636	13,748
Mortgage loan (ii)	—	—	8,621	8,501
Short term borrowing (iii)	—	—	7,842	—
	—	—	37,099	22,249

(i) The term loan was secured by charges over certain directors' land and buildings. The term loan facility amounted to US$3,000,000 (equivalent to RMB20,636,000) which was fully utilised as at 31 December 2008. The Group repaid US$1,000,000 in January 2009. At 31 May 2009, the term loan outstanding amounted to US$2,000,000 (equivalent to RMB14,026,000).

(ii) The loan represents a mortgage loan to Ms. Wong Yuk Lan, a director of CAA BVI, through the Group. Such mortgage loan was secured by a property owned by Ms. Wong Yuk Lan. Principal and interest are paid by her directly to the bank and a corresponding loan to officer in the same amount is included in "amounts due from related parties" (note 23(d)). The key terms of the loan to officer are disclosed in note 18 to this Financial Information.

(iii) Short term borrowing was secured by charges over certain directors' land and buildings. Such short term borrowing facility amounted to US$2,000,000 (note 22) and was utilised to the extent of US$1,140,000 (equivalent to RMB7,842,000) as at 31 December 2008. The borrowing has been repaid during the five months ended 31 May 2009. At 31 May 2009, the facility amounted to US$2,000,000, none of which was utilised.

The Group's banking facilities are not subject to fulfilment of financial covenants.

18 Loan to an officer

At 31 December 2008, the following loan to officer of the Group was outstanding:

Name of borrower	Ms Wong Yuk Lan
Position	Director of CAA BVI
Terms of the loan	
- duration and repayment terms	300 equal monthly instalments starting April 2008
- loan amount	HK$10,000,000
- interest rate	2.1% (Hong Kong Dollar Prime rate less 2.9%)
- security	Property owned by Ms Wong Yuk Lan
Balance of the loan	
- at 1 January 2008	Nil
- at 31 December 2008	HK$9,776,000 (equivalent to RMB8,621,000 (note 23(d))
- at 31 May 2009	Nil
Maximum balance outstanding	
- during 2008	HK$10,000,000 (equivalent to RMB8,819,000)
- during the five months ended 31 May 2009	HK$9,776,000 (equivalent to RMB8,621,000)

There was no amount due but unpaid, nor any provision made against the principal amount of or interest on this loan at 31 December 2008.

The loan to Ms Wong Yuk Lan has been repaid in full in April 2009. The related bank mortgage loan as disclosed in note 17(ii) remained outstanding as at 31 May 2009.

19 Paid-in capital

For the purpose of this report, the paid-in capital in the combined balance sheets as at the respective balance sheet dates is presented as follows:

The paid-in capital as at 31 December 2006 represents the aggregate amounts of paid in capital of CAA BVI and its subsidiary, Noter, after elimination of the investment in subsidiary.

The paid-in capital as at 31 December 2007 and 2008 and 31 May 2009 represented the aggregate amounts of paid-in capital of the Company, CAA BVI and its subsidiary, Noter, after elimination of investment in subsidiary.

CAA BVI was incorporated on 12 May 2006 in the British Virgin Islands with an authorised share capital of US$50,000 divided into 50,000 shares of US$1 each and became the holding company now comprising the Group. On 15 June 2006, one share of US$1, equivalent to RMB8, was allotted and issued as fully paid by CAA BVI to the Controlling Shareholders. At 31 December 2006 and 2007, 1 ordinary share of US$1, equivalent to RMB8, was held by the Controlling Shareholders.

Pursuant to a shareholders' resolution of CAA BVI on 14 January 2008, 9,999 new shares of CAA BVI were issued and allotted to the Controlling Shareholders in consideration of capitalisation of the amount due to the Controlling Shareholders of HK$36,600,000, equivalent to RMB34,028,000, of which RMB73,000 and RMB33,955,000 were credited to paid-in capital and capital reserve (note 20(b)(i)) respectively. At 31 December 2008 and 31 May 2009, 10,000 ordinary shares of US$1 each, equivalent to RMB73,000, were held by the Controlling Shareholders.

The Company was incorporated on 4 December 2007 with an authorised capital of HK$380,000 divided into 38,000,000 shares of HK$0.01 each and one nil-paid share was issued thereafter. At 31 December 2007 and 2008 and 31 May 2009, one nil-paid share was held by the Controlling Shareholders. On completion of the Reorganisation on [●], the paid-up capital of CAA BVI will be transferred from the Controlling Shareholders to the Company.

20 Reserves

The nature and purpose of reserves are set out below:

(a) *Share premium*

The application of the share premium account is governed by the Companies Law of the Cayman Islands.

(b) *Capital reserve*

(i) On 14 January 2008, an amount of RMB33,955,000 was credited to capital reserve upon capitalisation of the amounts due to the Controlling Shareholders as disclosed in note 19.

(ii) On 15 January 2008, Atlantis Investment Management Limited and FMG China Fund Limited acquired 1,299 shares and 81 shares respectively from the Controlling Shareholders of CAA BVI at a consideration of US$8,000,000 (approximately RMB58,051,000) and US$500,000 (approximately RMB3,622,000) respectively. The proceeds received by the Controlling Shareholders were injected into CAA BVI as shareholder loans. The shareholder loans were immediately waived by the Controlling Shareholders and capitalised into the capital reserve of CAA BVI.

(c) *Merger reserve*

On 31 August 2006, Noter acquired the Transferred Businesses from Hebei SkyComm and Shanghai SkyComm for a consideration of RMB102,600,000. The difference between the consideration over the historical net assets value, including the interest attributable to minority shareholders, of the Transferred Businesses at the effective business transfer date amounting to RMB84,141,000 was debited to the merger reserve.

(d) *Statutory general reserve*

This represents the statutory general reserve of Noter. Transfers from retained earnings to the statutory general reserve were made in accordance with the articles of association of Noter.

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

(e) *Minority interests*

Interests of equity holders other than the Controlling Shareholders in the Transferred Businesses have been presented as minority interests in the Financial Information prior to the effective business transfer date. Minority interests were acquired at the effective business transfer date as disclosed in note 20(c), as the Controlling Shareholders then held the entire equity interests of the companies comprising the Group.

(f) *Distributability of reserve*

There was no reserve available for distribution to shareholders by the Company as at 31 May 2009.

On the basis set out in Section A above, the aggregate amounts of distributable reserves of the companies comprising the Group at 31 December 2006, 2007 and 2008 and 31 May 2009 were RMB9,763,000, RMB51,459,000 and RMB112,081,000 and RMB119,023,000, respectively. The retained profits of the Transferred Businesses before the Business Transfer of RMB14,985,000 were not distributable.

(g) *Capital management*

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

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

The Group monitors its capital on the basis of a gearing ratio, being the total interest-bearing borrowings divided by total assets. The Group had no debt prior to 2007. The gearing ratio at 31 December 2007 and 2008 and 31 May 2009 were 32%, 45% and 42% respectively. The Group is at the early stage of developing its business. In order to raise additional capital to grow the business rapidly, the Group issued several tranches of convertible notes and fixed coupon notes in 2007 and 2008. As a result, the directors consider the historical gearing ratio to be within a reasonable range.

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

21 Commitments

(a) The Group has no capital commitments at 31 December 2006, 2007 and 2008 and 31 May 2009.

(b) At 31 December 2006, 2007 and 2008 and 31 May 2009, the total future minimum lease payments under non-cancellable operating leases were payable as follows:

	At 31 December			**At 31 May**
	2006	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	460	324	1,087	1,271
After 1 year but within 5 years	724	393	771	1,768
After 5 years	140	—	—	1,503
	1,324	717	1,858	4,542

The Group is the lessee in respect of a number of properties. The leases typically run for an initial period of one to ten years, with an option to renew the leases when all the terms are renegotiated. Leasing arrangements with related parties are set out in note 23. None of the leases include contingent rentals.

22 Contingent assets and liabilities

Financial guarantees issued

No financial guarantee was issued as at 31 December 2006 and 2007. As at 31 December 2008 and 31 May 2009, the Company, the Director of CAA BVI and the Controlling Shareholders provided financial guarantees to CAA BVI in respect of certain banking facilities granted to the company as disclosed in note 17 to this Financial Information. The amounts guaranteed by the Director of CAA BVI and the Controlling Shareholders were HK$49,000,000 and HK$49,000,000, respectively, while the amount guaranteed by the Company was unlimited.

As at the balance sheet date, the directors do not consider it probable that a claim will be made against the Company under the guarantees. The maximum liability of the Company as at 31 December 2008 and 31 May 2009 under the guarantees were the outstanding amount of the bank loans of RMB37,099,000 and RMB22,249,000 respectively.

The above guarantee arrangement is expected to be released prior to or upon the listing of the Company's shares in the Stock Exchange.

23 Material related party transactions

The Group had the following material related party transactions during the Track Record Period.

(a) *Name and relationship with related parties*

During the Track Record Period, transactions with the following parties are considered as related party transactions:

Name of party	**Relationships**
Sky Communication Group Co. Limited (iii)	Holding company of Hebei SkyComm and Shanghai SkyComm, effectively 81% owned by Mr. Chan Yuen Ming (i)
Hebei Sky Communication Company Limited (iii) 河北天宇通信有限公司 (ii)	Subsidiary of Sky Communication Group Co. Limited, effectively 81% owned by Mr. Chan Yuen Ming (i)
Shanghai Sky Communication Company Limited (iv) 上海天宇通信有限公司 (ii)	Subsidiary of Sky Communication Group Co. Limited, effectively 76.95% owned by Mr. Chan Yuen Ming (i)
Hebei Sky Communication Technology Company Limited ("Sky Comm Tech") (iii) 河北天宇通信技術有限公司 (ii)	Wholly owned by Mr. Chan Yuen Ming (i)
Beijing Asia Satellite SkyCommunication Technology Company Limited ("Beijing ASST") (iii) 北京亞衛天宇通信技術有限公司 (ii)	A joint venture of Sky Communication Group Co. Limited
Ms. Wong Yuk Lan 王玉蘭	Director of CAA BVI

(i) Mr. Chan Yuen Ming is one of the Controlling Shareholders of the Group. Creative Sector Limited was incorporated on 18 January 2008 and is wholly owned by Mr. Chan Yuen Ming. Mr. Chan Yuen Ming and Creative Sector Limited are the Controlling Shareholders of the Group as defined in the section "Definition" of the Document.

(ii) The English translation of the entity names is for reference only. The official names of these entities are in Chinese.

(iii) Following the Business Transfer to Noter on 30 June 2006, these entities were related parties of the Group until 28 February 2008 when the Controlling Shareholders disposed of their interests in SkyComm. Accordingly, transactions with these entities, do not constitute related party transactions subsequent to 28 February 2008. Consequently, these entities became normal business partners to the Group.

(iv) Following the disposal by Mr. Chan of his interests in SkyComm on 28 February 2008, Mr. Chan remained as the chairman of the board of directors of Shanghai SkyComm until 9 December 2008. Accordingly, transactions with Shanghai SkyComm are classified as related party transactions until 9 December 2008. Since then, Shanghai SkyComm became a normal business partner of the Group.

(b) *Significant related party transactions*

Particulars of significant related party transactions during the Track Record Period are as follows:

	Years ended 31 December			Five months ended 31 May	
	2006	**2007**	**2008**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Recurring transactions:					
Rental expenses charged by					
- Mr. Chan Yuen Ming	—	—	216	77	77
Non-recurring transactions:					
Technical support and service income from:					
- Hebei SkyComm	4,091	4,328	154	154	—
- Shanghai SkyComm	455	674	517	94	—
	4,546	5,002	671	248	—
Sale of equipment to Beijing ASST	—	1,333	—	—	—
Purchase of equipment from:					
- Hebei SkyComm	—	4,660	—	—	—
- SkyComm Tech	1,807	425	—	—	—
	1,807	5,085	—	—	—
Rental expenses charged by:					
- Hebei SkyComm	117	140	—	—	—
- SkyComm Group	54	108	18	18	—
	171	248	18	18	—
Reimbursement of operating expenses to (i):					
- Hebei SkyComm	581	383	71	71	—
- Shanghai SkyComm	880	973	884	371	—
	1,461	1,356	955	442	—
Business Transfer consideration to:					
- Hebei SkyComm	90,500	—	—	—	—
- Shanghai SkyComm	12,100	—	—	—	—
	102,600	—	—	—	—

The directors are of the opinion that the above transactions with related parties were conducted on normal commercial terms in the ordinary course of business and the terms are fair and reasonable so far as the shareholders of the Company are concerned.

(i) It represents reimbursement of operating expenses of ALL ACCESS platform, excluding depreciation charges, to Hebei SkyComm and Shanghai SkyComm, before the platform was acquired.

(c) *Key management personnel remuneration*

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 7 and certain of the highest paid employees as disclosed in note 8, is as follows:

	Years ended 31 December			Five months ended 31 May	
	2006	**2007**	**2008**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Short term employee benefits	587	529	2,377	260	180
Post-employment benefits	13	19	43	25	12
	600	548	2,420	285	192

Total remuneration was included in "staff costs" (see note 5(b)).

(d) *Amounts due from/(to) related parties*

	At 31 December			At 31 May
	2006	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Hebei Skycomm	(58,613)	8,376	—	—
Shanghai SkyComm	(13,800)	3,431	—	—
SkyComm Tech	(316)	(318)	—	—
SkyComm	(54)	(162)	—	—
Ms. Wong Yuk Lan (note 18)	—	—	8,621	(312)
Representing:				
Amounts due from related parties	—	11,807	8,621	—
Amounts due to related parties	(72,783)	(480)	—	(312)

The amounts due from/(to) Hebei SkyComm, Shanghai SkyComm, SkyComm Tech and SkyComm are unsecured, interest free and have no fixed terms of repayment.

The amount due from Ms Wong Yuk Lan is subject to the details as set out in note 18. The outstanding balance as at 31 December 2008 has been settled by Ms Wong Yuk Lan in April 2009.

(e) *Amount due to a shareholder*

This represents amount advanced by the Controlling Shareholder, Mr. Chan Yuen Ming, to finance the Group's working capital requirements. It is interest-free and is repayable on demand. On 14 January 2008, an amount of HK$36,600,000 was capitalised in consideration of the allotment of 9,999 shares to Mr. Chan Yuen Ming (note 19).

The outstanding amount as at 31 May 2009 is expected to be repaid in full by the Group out of its internal resources prior to or upon listing of the Company's shares in the Stock Exchange.

24 Financial risk management and fair values

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

(a) *Credit risk*

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

The Group's cash and bank deposits are placed with major financial institutions which management believe are of high credit rating. In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Contract sums for the provision of application solutions (other than for sales of terminal equipment) are generally due and payable by installments at different stages which comprised of (i) downpayment payable upon signing of contract; (ii) remaining balance within three months after acceptance of project, subject to 5%-10% retention money, if any, to be withheld by customers in our projects until expiry of the warranty period. For sale of terminal equipment, contract sums are normally payable upon delivery of the relevant terminal equipment. The Group may grant credit from 0 to 180 day to its customer according to the negotiation and relationship with these customers. Normally, the Group does not obtain collateral from customers.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk but to lesser extent. As at 31 December 2006, 2007 and 2008 and 31 May 2009 the Group has a certain concentration of credit risk as 22.06%, 44.52%, 0% and 9.72% and 35.60%, 62.50%, 33.04% and 26.35% of the total trade and other receivables was due from the Group's largest customer and the five largest customers respectively. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet after deducting any impairment allowance.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 13.

(b) *Liquidity risk*

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

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

	At 31 December 2006 Contractual undiscounted cash outflow					
	Within 1 year or on demand	**More than 1 year but less than 2 years**	**More than 2 years but less than 5 years**	**More than 5 years**	**Total**	**Balance sheet carrying amount**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Interest-bearing borrowings	—	—	—	—	—	—
Trade and other payables	11,343	—	—	—	11,343	11,343
Amounts due to related parties	72,783	—	—	—	72,783	72,783
Amount due to a shareholder	1,176	—	—	—	1,176	1,176
	85,302	—	—	—	85,302	85,302

	At 31 December 2007 Contractual undiscounted cash outflow					
	Within 1 year or on demand	**More than 1 year but less than 2 years**	**More than 2 years but less than 5 years**	**More than 5 years**	**Total**	**Balance sheet carrying amount**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Interest-bearing borrowings	21,200	10,400	—	—	31,600	27,377
Trade and other payables	37,735	—	—	—	37,735	37,735
Amounts due to related parties	480	—	—	—	480	480
Amount due to a shareholder	39,822	—	—	—	39,822	39,822
	99,237	10,400	—	—	109,637	105,414

At 31 December 2008

Contractual undiscounted cash outflow

	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Balance sheet carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Interest-bearing borrowings	155,431	454	1,362	8,739	165,986	157,999
Trade and other payables	44,245	—	—	—	44,245	44,245
Amounts due to related parties	—	—	—	—	—	—
Amount due to a shareholder	3,861	—	—	—	3,861	3,861
	203,537	454	1,362	8,739	214,092	206,105

At 31 May 2009

Contractual undiscounted cash outflow

	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Balance sheet carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Interest-bearing borrowings	127,154	454	1,361	8,544	137,513	136,665
Trade and other payables	32,017	—	—	—	32,017	32,017
Amounts due to related parties	312	—	—	—	312	312
Amount due to a shareholder	3,918	—	—	—	3,918	3,918
	163,401	454	1,361	8,544	173,760	172,912

For the purpose of above analysis, convertible notes are assumed to be repaid at maturity.

(c) *Interest rate risk*

The Group's interest rate risk arises primarily from bank borrowings issued at variable rates and convertible notes issued at fixed rates that expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The Group adopts a policy of ensuring at least 50% of its borrowings are on a fixed rate basis. The Group's interest rate profile as monitored by management is set out in (i) below.

(i) Interest rate profile

The following table details the interest rate profile of the Group's net borrowings (as defined above) at the balance sheet date:

	At 31 December						At 31 May	
	2006		2007		2008		2009	
	Effective interest rate		Effective interest rate		Effective interest rate		Effective interest rate	
	%	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*
Fixed rate borrowings:								
- Convertible notes	—	—	4.0%	27,377	4.0%	51,856	4.0%	44,095
- Fixed coupon notes	—	—	—	—	4.0%	69,044	4.0%	70,321
		—		27,377		120,900		114,416
Variable rate borrowings:								
- Bank loans	—	—	—	—	4.0%	37,099	4.0%	22,249
Total borrowings		—		27,377		157,999		136,665
Fixed rate borrowings as a percentage of total borrowings		—		100%		77%		84%

(ii) Sensitivity analysis

At 31 December 2008 and 31 May 2009, it is estimated that a general increase/decrease of 25 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's profit for the year/period and retained profits by approximately RMB93,000 and RMB56,000 respectively.

The sensitivity analysis above indicates the instantaneous change in the Group's profit for the year/period (and retained profits) that would arise assuming that the change in interest rates had occurred at the balance sheet date and had been applied to re-measure those financial instruments held by the Group which expose the Group to cash flow interest rate risk at the balance sheet date. The analysis for 2006 and 2007 is not presented as there were no variable rate borrowings as at 31 December 2006 and 2007.

(d) *Currency risk*

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

During the Track Record Period, sales and purchases made by Noter were mainly denominated in Renminbi, which is 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, the Group considers 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 Hong Kong dollars. CAA BVI did not have any significant exposure to foreign currency at 31 December 2006. CAA BVI has financial liabilities denominated in United States dollars amounted to US$1,440,000, US$16,295,000 and US$12,000,000 at 31 December 2007 and 2008 and 31 May 2009 respectively. The Group believes that the pegged rate between the Hong Kong dollar and the United States dollar will be materially unaffected by any changes in the value of the United States dollars against other currencies. In this respect, the Group considers the foreign currency risk which CAA BVI is exposed to is insignificant.

(e) *Fair values*

All financial instruments are carried at amounts not materially different from their fair values as at 31 December 2006, 2007 and 2008 and 31 May 2009.

25 Accounting estimates and judgements

Key sources of estimation uncertainty

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

(a) *Impairment of assets*

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

Impairment losses for bad and doubtful debts are assessed and provided for based on the directors' regular review of ageing analysis and evaluation of collectibility. A considerable level of judgement is exercised by the directors when assessing the credit worthiness and past collection history of each individual customer.

An increase or decrease in the above impairment loss would affect the Group's results in future years.

(b) *Provision for inventories*

The Group reviews the carrying amounts of the inventories at each balance sheet date to determine whether the inventories are carried at lower of cost and net realisable value as in accordance with accounting policy as set out in note 1(g). Management estimates the net realisable value based on current market situation and historical experience on similar inventories. Any change in the assumptions would increase or decrease the amount of inventories write-down or the related reversals of write-down made in prior years and affect the Group's results in future years.

(c) *Depreciation*

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

(d) *Income tax*

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

26 Financial information of the Company

The Company was incorporated in the Cayman Islands on 4 December 2007. The issued capital as at the date of incorporation was HK$0.01 which was issued at nil consideration. The Company has not carried on any business since its date of incorporation.

27 Immediate and ultimate holding company

The directors consider the immediate parent and ultimate holding company of the Company as at 31 May 2009 to be Creative Sector Limited which was incorporated on 18 January 2008 in the British Virgin Islands and does not produce financial statements available for public use.

28 Possible impact of amendments, new standards and interpretations issued but not yet effective during the Track Record Period

Up to the date of issue of this Financial Information, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective during the Track Record Period and which have not been adopted in the Financial Information.

	Effective for annual accounting periods beginning on or after
HKFRS 3 (revised), Business combinations	1 July 2009
Amendments to HKAS 27, Consolidated and separate financial statements	1 July 2009
Amendment to HKAS39, Financial instruments: Recognition and measurement	1 July 2009
HK(IFRIC) 17, Distributions of non-cash assets to owners	1 July 2009
Improvements to HKFRSs 2009	1 July 2009 or 1 January 2010

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

D Subsequent events

The following significant events took place subsequent to 31 May 2009:

(i) *Group reorganisation*

On [●], the Group completed the Reorganisation to rationalise the Group's structure in preparation for the listing of the Company's shares on the Stock Exchange. Further details of the Reorganisation are set out in the Section headed "The Reorganisation" in "History and Development" to the Document. As a result of the Reorganisation, the Company became the holding company of the Group.

E Subsequent financial statements

No audited financial statements have been prepared by the Company in respect of any period subsequent to 31 May 2009.

Yours faithfully,

KPMG
Certified Public Accountants
Hong Kong,