



中國全通（控股）有限公司

CHINA ALL ACCESS (HOLDINGS) LIMITED

*(incorporated in the Cayman Islands with limited liability)*

Stock Code : 633

## PLACING AND PUBLIC OFFER



*Sole Sponsor*



**Guotai Junan Capital Limited**

*Sole Global Coordinator, Bookrunner and Lead Manager*



**Guotai Junan Securities (Hong Kong) Limited**

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## IMPORTANT

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*If you are in any doubt about the contents of this prospectus, you should obtain independent professional advice.*



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

*(incorporated in the Cayman Islands with limited liability)*

## PLACING AND PUBLIC OFFER

<b>Number of Offer Shares</b>	<b>: 250,000,000 Shares (subject to the Over-allotment Option)</b>
<b>Number of Hong Kong Offer Shares</b>	<b>: 25,000,000 Shares (subject to reallocation)</b>
<b>Number of International Placing Shares</b>	<b>: 225,000,000 Shares (subject to the Over-allotment Option and reallocation)</b>
<b>Offer Price</b>	<b>: Not more than HK\$1.78 and expected to be not less than HK\$1.38 per Offer Share (payable in full upon application in Hong Kong dollars and subject to refund on final pricing), plus brokerage of 1%, SFC transaction levy of 0.004% and Stock Exchange trading fee of 0.005%</b>
<b>Par Value</b>	<b>: HK\$0.01 per Share</b>
<b>Stock Code</b>	<b>: 633</b>

*Sole Sponsor*



**Guotai Junan Capital Limited**

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**Guotai Junan Securities (Hong Kong) Limited**

The Stock Exchange of Hong Kong Limited, (the "Stock Exchange"), and Hong Kong Securities Clearing Company Limited, ("HKSCC") take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in the paragraph headed "Documents delivered to the Registrar of Companies" in Appendix VII to this prospectus, has been registered with the Registrar of Companies in Hong Kong as required by section 342C of the Companies Ordinance of Hong Kong, Chapter 32 of the Laws of Hong Kong, The Securities and Futures Commission of Hong Kong, (the "SFC"), and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this prospectus or any other documents referred to above.

The Offer Price is expected to be determined by agreement between us and the Lead Manager (acting for itself and on behalf of the other Underwriters) on the Price Determination Date or such later date as may be agreed between us and the Lead Manager but in any event no later than Monday, 14 September 2009. The Offer Price will be not more than HK\$1.78 per Offer Share and is currently expected to be not less than HK\$1.38 per Offer Share. The Lead Manager (acting for itself and on behalf of the other Underwriters) may reduce the number of Hong Kong Offer Shares and/or the indicative Offer Price range stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, a notice of the reduction of the number of the Hong Kong Offer Shares and/or the indicative Offer Price range will be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) not later than the morning of the last day for lodging applications under the Share Offer. If applications for Hong Kong Offer Shares have been submitted prior to the day which is the last day for lodging applications under the Hong Kong Public Offering, then even if the number of Hong Kong Offer Shares and/or the indicative Offer Price range is so reduced, such applications cannot subsequently be withdrawn. If, for any reason, the Offer Price is not agreed between the Company and the Lead Manager (on behalf of the Underwriters) on or before Monday, 14 September 2009, the Share Offer will not become unconditional and will lapse immediately.

We are incorporated under the laws of the Cayman Islands and our businesses are located in the PRC. Potential investors should be aware of the differences in the legal, economic and financial systems between these countries and Hong Kong. Potential investors should also be aware that the regulatory frameworks in these countries are different from the regulatory framework in Hong Kong and should take into consideration the different market nature of the Shares. Such differences and risk factors are set out in the section headed "Risk Factors" and "Appendix V — Summary of the Constitution of our Company and the Cayman Islands Company Law" in this prospectus.

Pursuant to the force majeure provisions contained in the Underwriting Agreement in respect of the Offer Shares, the Lead Manager, on behalf of the Underwriters, has the right in certain circumstances, in the sole and absolute discretion of the Lead Manager, to terminate the obligations of the Underwriters pursuant to the Underwriting Agreement at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date (which is currently expected to be Wednesday, 16 September 2009). Further details of the terms of the force majeure provisions are set out in the section headed "Underwriting — Underwriting arrangements and expenses — (a) Hong Kong Public Offering — Grounds for termination" in this prospectus.

The Offer Shares have not been and will not be registered under the U.S. Securities Act and may not be offered, sold, pledged or transferred within the United States.

4 September 2009

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## EXPECTED TIMETABLE

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The Company will issue an announcement in Hong Kong to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) if there is any change in the following expected timetable (*note 1*) of the Hong Kong Public Offering.

*Date*

Application lists of the Hong Kong

Public Offering open at (*note 2*) .....11:45 a.m. on Wednesday, 9 September 2009

Latest time for lodging **WHITE** and **YELLOW**

Application Forms at .....12:00 noon on Wednesday, 9 September 2009

Latest time to give **electronic application**

**instructions** to HKSCC at (*notes 2 and 3*) .....12:00 noon on Wednesday, 9 September 2009

Application Lists of the Hong Kong

Public Offering close at .....12:00 noon on Wednesday, 9 September 2009

Price Determination Date (*note 4*) .....Thursday, 10 September 2009

Announcement of the final Offer Price,

level of applications of the Hong Kong

Public Offering, indication of the level of

interests in the International Placing,

basis of allocation of the Hong Kong Offer

Shares to be published (a) in the South China

Morning Post (in English) and the Hong Kong

Economic Times (in Chinese); (b) on the

website of the Company at

[www.chinaallaccess.com](http://www.chinaallaccess.com); and

(c) on the website of the Stock Exchange

at [www.hkex.com.hk](http://www.hkex.com.hk) on or before .....Tuesday, 15 September 2009

Results of applications and Hong Kong identity cards,

passport numbers or Hong Kong business registration

certificate numbers (where applicable) of successful

applicantsof the Hong Kong Offer Shares are available

on the website of the Company at [www.chinaallaccess.com](http://www.chinaallaccess.com)

or the website of the Stock Exchange at

[www.hkex.com.hk](http://www.hkex.com.hk) on or before.....Tuesday, 15 September 2009

Despatch of Share certificates and refund

cheques in respect of wholly or partially

unsuccessful applications and in respect of successful

application if the final Offer Price is less than

the price payable on application pursuant to

the Hong Kong Public Offering on (*notes 5, 6 and 7*) .....Tuesday, 15 September 2009

Dealings in Shares on the Stock Exchange

to commence at .....9:30 a.m. on Wednesday, 16 September 2009

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## EXPECTED TIMETABLE

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*Notes:*

- (1) All times refer to Hong Kong local time. Details of the structure of the Share Offer, including its conditions, are set out in the section headed “Structure of the Share Offer” in this prospectus.
- (2) If there is a “black” rainstorm warning or a tropical cyclone warning signal number eight (8) or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, 9 September 2009, the application lists will not open on that day. Further information is set out in the paragraph headed “Effect of bad weather on the opening of the application lists” under the section headed “How to apply for Hong Kong Offer Shares” in this prospectus.
- (3) Applicants who apply for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC should refer to the paragraph headed “Applying by giving electronic application instructions to HKSCC” under the section headed “How to apply for Hong Kong Offer Shares” in this prospectus.
- (4) The Price Determination Date is expected to be on or about Thursday, 10 September 2009, and in any event will be on or before Monday, 14 September 2009. If, for any reason, the Offer Price is not agreed on or before Monday, 14 September 2009, the Share Offer will not proceed.
- (5) The Company will not issue any temporary documents of title in respect of the Offer Shares. Share certificates will only become valid certificates of title at 8:00 a.m. on Wednesday, 16 September 2009 (Hong Kong time), provided that (i) the Share Offer has become unconditional in all respects; and (ii) neither of the Underwriting Agreements has been terminated in accordance with its terms. Investors who trade Shares on the basis of publicly available allocation details prior to the receipt of Share certificates or prior to the Share certificates becoming valid certificates of title do so entirely at their own risk.
- (6) Refund cheques will be issued in respect of wholly or partially unsuccessful applications and in respect of successful applications if the final Offer Price is less than the price payable on application. Part of the applicant’s Hong Kong identity card number or passport number, or, if the application is made by joint applicants, part of the Hong Kong identity card number or passport number of the first-named applicant, provided by the applicant(s) may be printed on the refund cheque, if any. Such data would also be transferred to a third party for refund purpose. Banks may require verification of an applicant’s Hong Kong identity card number or passport number before cashing the refund cheque. Inaccurate completion of an applicant’s Hong Kong identity card number or passport number may lead to a delay in encashment of, or may invalidate, the refund cheque.
- (7) Applicants who apply on **WHITE** Application Forms for 1,000,000 Hong Kong Offer Shares or more under the Hong Kong Public Offering and have indicated in their Application Forms that they wish to collect their refund cheques (where applicable) and Share certificates (where applicable) in person from our Company’s Hong Kong branch share registrar may collect their refund cheques (where applicable) and Share certificates (where applicable) in person from our Company’s Hong Kong branch share registrar, Union Registrars Limited at Rooms 1901-02 Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wan Chai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Tuesday, 15 September 2009 or any other date as notified by our Company in the newspaper as the date of collection/despatch of refund cheques/Share certificates. Identification and (where applicable) authorisation documents acceptable to Union Registrars Limited must be produced at the time of collection.

Applicants who apply on **YELLOW** Application Forms for 1,000,000 Hong Kong Offer Shares or more under the Hong Kong Public Offering and have indicated in their Application Forms that they wish to collect their refund cheques (where applicable) in person may collect their refund cheques (where applicable) but may not elect to collect their Share certificates (where applicable), which will be deposited into CCASS for credit to their designated CCASS Participants’ stock accounts or CCASS Investor Participants’ stock accounts, as appropriate. The procedure for collection of refund cheques for applicants who apply on **YELLOW** Application Forms for Hong Kong Offer Shares is the same as that for **WHITE** Application Form applicants.

Applicants who opt for personal collection must not authorize any person to make collection on their behalf. Applicants being corporation which opt for personal collection must attend by their authorized representatives with letters of authorization of their corporations stamped with the corporation’s chops (being the name of the corporations). Both individuals and authorized representatives of corporations (as applicable) must produce, at the time of collection, evidence of identity and authority (as applicable) acceptable to the Company’s Hong Kong branch share registrar.

Uncollected Share certificates and refund cheques will be despatched by ordinary post at the applicants’ own risk to the addresses specified in the relevant Application Forms. Further information is set out in the section headed “How to apply for Hong Kong Offer Shares” in this prospectus.

For details of the structure of the Share Offer, including conditions of the Hong Kong Public Offering, please refer to the section headed “Structure of the Share Offer”.

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*You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. We have not authorised anyone to provide you with information which is different from that contained in this prospectus. Any information or representation not made in this prospectus must not be relied upon by you as having been authorised by us, the Lead Manager, the Underwriters, any of their respective Directors or any other person or party involved in the Share Offer.*

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## SUMMARY

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*This summary aims to give you an overview of the information contained in this prospectus. As this is a summary, it does not contain all of the information which may be important to you. You should read the whole document before you decide to invest in the Shares.*

*There are risks associated with any investment. Some of the particular risks in investing in the Shares are summarised in the section headed “Risk factors” in this prospectus. You should read that section carefully before you decide to invest in the Shares.*

### OVERVIEW

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

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

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

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## SUMMARY

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

1. Satellite communication application solutions: the users of this type of application solutions mainly include different governmental departments or agencies, public utilities institutions and business enterprises in Beijing, Shanghai, Tianjin, Chongqing, Hebei Province, Shandong Province, Zhejiang Province, Guangdong Province, Hainan Province, Anhui Province, Inner Mongolia Autonomous Region and Guangxi Zhuang Autonomous Region. Our application solutions satisfy our customers' needs of satellite communication for emergency visual communication, communication during disaster rescues and satellite surveillance and supervision. We provide project design, project construction, provision of terminals, installation and testing, maintenance and technical support to our satellite communication application solutions.
2. Wireless data communication application solutions: the users of this type of application solutions mainly include different governmental departments or agencies, public utilities institutions and business enterprises in Hebei Province and Shanghai. Our application solutions satisfy our customers' needs of wireless communication for traffic management, remote surveillance, remote control, remote adjustment and data collection. We provide project design, project construction, provision of terminals, installation and testing, maintenance and technical support to our wireless data communication application solutions.
3. Call centre application solutions: the users of this type of application solutions mainly include business enterprises in the area of telecommunication, banking and broadcasting. We provide the equipment, network support and technical support including overall software design for product requirements and specifications, software programming and technical support, system installation and configuration, and quality control and testing for the outsourced call centre operator in order for them to satisfy our customers' needs in standardising, regulating and controlling the quality of customer service, handling of end customer enquiries and business information despatching. During the Track Record Period, we provided our call centre application solutions and services to our customers in Hebei Province.

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

For the year ended 31 December 2006, our turnover attributable to provision of satellite communication application solutions and services, wireless data communication application solutions and services and call centre application solutions and services amounted to approximately RMB21.64 million, RMB29.25 million and RMB2.98 million respectively, representing approximately 40%, 54% and 6% of our total turnover. For the year ended 31 December 2007, our turnover attributable to provision of satellite communication application solutions and services, wireless data communication



## SUMMARY

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

The breakdown of our Group's turnover by application solutions and application services during the Track Record Period is as follows:

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

Our application solutions and application services are all sold and provided within the PRC domestic market. The business of our Group was initially founded by SkyComm, the holding company of the SkyComm Group. After the Business Transfer and up to the Latest Practicable Date, we became and remain a separate legal entity from SkyComm Group and have been cooperating with SkyComm Group in a number of aspects, particulars of which are set out in the section headed “Our relationship with SkyComm Group and our Controlling Shareholders — Our relationship with SkyComm Group” of this prospectus.

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

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## SUMMARY

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

### COMPETITIVE STRENGTHS

We possess the following principal competition strengths:

- We are an experienced application solution and application service provider with strong customisation capabilities
- We benefit from the China's Informatization Development Strategy (2006-2020) policy (國家資訊化發展戰略(2006-2020年))
- We are one of the few providers of integrated application solutions comprising satellite communication, wireless data communication and call centre application solution in the PRC
- Our satellite communication application solutions, wireless data communication application solutions and call centre application solutions create a synergy effect and a competitive cost structure
- We own an integrated application platform called "ALL ACCESS platform" which enables our customers to utilise our application solutions and complete the processing of data from different geographical locations through the use of various private and public satellite, wireless and wired networks
- We have strong research, design and development capabilities
- We have experienced management and staff with sound industry knowledge, management skills and technical know-how

### STRATEGY

Our goal is to become one of the leading integrated information communication application solutions providers and application services providers in China. We aim to position ourselves as a one-stop application solution provider whereby we provide both the application solutions and application services to our customers. To this end, we intend to carry out the following plans:

- Creating a steady stream of income by providing more application services

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## SUMMARY

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- Further enhancement of research, design and development capabilities
- Promoting the awareness of our company and our application solutions
- Expanding sales, distribution and services network
- Deepening relationships with existing customers and suppliers and increasing cross-selling opportunities

### RISK FACTORS

We believe that there are certain risks involved in our operations. Many of these risks are beyond our control and can be categorised into (i) risks related to our business; (ii) risks related to the industries in which we operate; (iii) risks related to the PRC; and (iv) risks related to the Share Offer.

#### Risks related to our business

- Our results may be adversely affected by global financial crisis and global economic slowdown
- We are dependent on the co-operation with SkyComm Group
- There is no assurance that our contractual arrangements with SkyComm Group and its shareholders can be duly enforced
- We rely on the co-operation with other satellite and wireless telecommunication network operator in the PRC
- We have limited operating history in providing application solutions through Noter
- We rely upon the exclusive distributorship of the satellite antenna called “StealthRay” in respect of provision of our satellite communication application solutions and sale of the satellite terminal equipment
- We are dependent on our suppliers
- We rely on the sale to a few customers in our business segments
- The nature of a certain proportion of our income is project based
- Our gross profit margin and growth in profit may not be sustainable in the future
- We had net current liabilities as at 31 December 2006 and 31 December 2007 respectively
- We experienced net operating cash outflow for the year ended 31 December 2007

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## SUMMARY

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- We receive payments from our customers by instalments, and any delay in payments from our customers may affect our working capital and cash flow
- Demands for our newly launched application solutions may not grow as expected
- Our success is dependent upon hiring and retaining qualified personnel and there may be a material adverse impact on us if we are unable to secure qualified personnel for our operations
- We may not be able to adequately protect our intellectual property rights and technological know-how, which could weaken our competitive position and affect our operations
- Our future performance and reputation are dependent on our ability to continue developing new application solutions
- Our insurance policies do not cover all operating risks
- Our application solutions may contain undetected flaws or defects. Our business and reputation may be affected by product liability claim, litigation, complaints or adverse publicity in relation to our application solutions
- We are reliant on the PRC market and we may be unable to adjust our resources to other markets in the event of an economic downturn in the PRC
- Systems failures, delays and other problems could harm our reputation and business, cause us to lose customers and expose us to liability
- We may be subject to project risks and variation in project size
- There is no assurance that our plans will be achieved within the expected time frame or within the estimated budget
- The Controlling Shareholders have the ability to exercise control over us, which allows them to influence our business in ways that may not be in the interests of other Shareholders
- Our sales are subject to cyclical fluctuations and an analysis of our interim financial performance may not be indicative of our full-year results
- Any decline in the ability of our sole operating subsidiary to pay dividends to us would adversely reduce our cash flow
- Compliance with the relevant rules and regulations concerning system integration businesses in the PRC

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## SUMMARY

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### **Risks related to the industries in which we operate**

- The PRC satellite and wireless telecommunications industry is subject to rapid changes in technology
- There is no assurance that extensive government regulation of the telecommunications industry in China will not extend to our business environment in the future
- We face significant competition in each of the markets in which we operate, which could materially lower our profitability

### **Risks related to the PRC**

- Changes in PRC Government regulations and policies in relation to the industries in which we or our customers operate may have unfavourable impact on our business
- Political and economic policies of the PRC Government could undermine our business, results of operations and financial condition
- The newly enacted PRC Employment Contract Law may increase our labour costs
- The PRC legal system is not fully developed and there are inherent uncertainties that could limit the legal protections available to our Shareholders
- PRC Government control of currency conversion and future movements in exchange rates may weaken our ability to distribute dividends, increase competition from imports, affect the value of our net assets, earnings and dividends in foreign currency terms, or inhibit our ability to import our products
- If the favourable tax treatment that we currently receive is altered or eliminated, our financial result may be adversely affected
- Epidemics, acts of war and other disasters
- An outbreak of influenza A (H1N1) or any other similar epidemic may, directly or indirectly, adversely affect our operating results

### **Risks related to the Share Offer**

- There has been no prior public market for our Shares, and an active trading market may not be developed after the Share Offer and our results of operations could be materially affected by the current market fluctuations and economic downturn
- The liquidity and market prices of our Shares following the Share Offer may be volatile

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## SUMMARY

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- A potential sale of Shares by our existing Shareholders could have an adverse effect on our Share price
- Our ability to raise capital in the future may be limited, and our failure to raise capital when needed could prevent us from executing our growth strategy successfully
- There are risks associated with forward-looking statements
- Certain facts and statistics contained in this prospectus have come from official government publications whose reliability cannot be assumed or assured
- You should read the entire prospectus carefully and we strongly caution you not to place any reliance on any information contained in press articles or other media, including, in particular, any projections, valuations, future development plans, other forward-looking information or information about our Company.

### **OUR RELATIONSHIP WITH SKYCOMM GROUP AND OUR CONTROLLING SHAREHOLDERS**

The business of our Group was initially founded and carried on by SkyComm Group. After the Reorganisation, we became a separate legal entity from SkyComm Group, though we still co-operate with SkyComm Group on a number of aspects. Although SkyComm Group is currently owned by Independent Third Parties, it was controlled by Mr. Chan, being one of the Controlling Shareholders prior to the Reorganisation until he sold his indirect interests in, and resigned from the directorship and management in, SkyComm Group. For details, please refer to the section headed “Our Relationship with SkyComm Group and our Controlling Shareholders” in this prospectus.

### **FINANCIAL INFORMATION**

#### **Basis of Presentation**

The combined income statements, combined statements of comprehensive income, combined statements of changes in equity and combined cash flow statements of our Group as set out in the Accountants’ Report in Appendix I to this prospectus include the results of operations of the companies comprising our Group for the Track Record Period (or where the companies were incorporated/established at a date later than 1 January 2006, for the period from the date of incorporation/establishment to 31 May 2009) as if the combined entity had been in existence throughout the Track Record Period.

#### **Trading Record**

The following tables present our summary financial information for the Track Record Period which is extracted from the Accountants’ Report set out in Appendix I to this prospectus. This summary should be read in conjunction with our financial information included in the Accountants’ Report set out in Appendix I to this prospectus, including the notes thereto. The combined financial statements of the companies comprising the Group have been prepared in accordance with HKFRSs.



## SUMMARY

### Combined income statements

	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)	
<b>Revenue</b>	53,870	127,052	187,074	8,261	47,280
Cost of sales	(32,079)	(76,381)	(104,085)	(3,873)	(33,389)
<b>Gross profit</b>	21,791	50,671	82,989	4,388	13,891
Other net income/(expenses)	—	91	805	524	1,681
Administrative and distribution expenses	(2,164)	(3,668)	(7,144)	(2,527)	(4,392)
<b>Profit from operations</b>	19,627	47,094	76,650	2,385	11,180
Finance costs	—	(615)	(7,116)	(1,163)	(2,899)
<b>Profit before tax</b>	19,627	46,479	69,534	1,222	8,281
Income tax	(4,372)	—	(1,738)	—	(1,339)
<b>Profit for the year/period</b>	<u>15,255</u>	<u>46,479</u>	<u>67,796</u>	<u>1,222</u>	<u>6,942</u>
<b>Attributable to:</b>					
Equity holders of the Company	14,436	46,479	67,796	1,222	6,942
Minority interests	819	—	—	—	—
<b>Profit for the year/period</b>	<u>15,255</u>	<u>46,479</u>	<u>67,796</u>	<u>1,222</u>	<u>6,942</u>
<b>Earnings per share</b>					
Basic (RMB)	<u>0.019</u>	<u>0.062</u>	<u>0.090</u>	<u>0.002</u>	<u>0.009</u>
Diluted (RMB)	<u>0.019</u>	<u>0.060</u>	<u>0.079</u>	<u>0.002</u>	<u>0.009</u>

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## SUMMARY

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### Combined statements of comprehensive income

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

## SUMMARY

### Combined balance sheets

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

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## SUMMARY

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### RECENT ECONOMIC CONDITIONS

The global financial crises which occurred in 2008 has caused substantial losses and collapses in a number of global corporations, investment banks and commercial banks leading to recession or slowdown in the global economy. The effects of the global financial crises may continue to affect different economies and markets in 2009 as well as the Group's results and operations and financial condition in 2009. Our turnover increased from approximately RMB8.26 million for the five months ended 31 May 2008 to approximately RMB47.28 million for the five months ended 31 May 2009 which represented a 472% growth. The increase in turnover was mainly attributable to the increase in the business of satellite communication application solutions and services by approximately RMB24.18 million driven by the increase in number of projects and number of customers and the increase in the business of wireless data communication application solutions and services by approximately RMB14.80 million whilst more wireless data terminals were installed for projects done during the period and more services were provided to our customers.

Our Directors believe that the improvement of financial performance experienced by the Group for the five months ended 31 May 2009 was mainly because our customers may not have been severely affected by the global financial crises as compared to others as we have not experienced a reduction of sales for the five months ended 31 May 2009 nor have we experienced any cancellation of orders during the same period.

The global financial crises did not have any material impact on the collection of our trade receivables. Although our trade receivables turnover days increased from 140 days for the year ended 31 December 2008 to 232 days for the five months ended 31 May 2009, the increase of our trade receivables turnover for the five months ended 31 May 2009 was mainly because the majority of the past due balances as at 31 May 2009 were due from government departments or agencies. Due to their lengthy budgeting and payment process, we experienced delay in our collection from these government departments or agencies. However, there have been no significant dispute or default in payments from these customers. We have made full allowance for long overdue balances which are considered irrecoverable. The amount of bad debts expense for both the year ended 31 December 2006 and 31 December 2007 was nil whilst an amount of approximately RMB0.65 million was made for the year ended 31 December 2008 of which approximately RMB0.12 million was bad debt written off during the year. No bad debts expense was provided for the five months ended 31 May 2009.

The global financial crises did not have any material impact on our financing activities nor has it have any effect on our terms of borrowing with the banks. Short-term debt decreased from approximately RMB149.65 million as at 31 December 2008 to approximately RMB128.44 million as at 31 May 2009 mainly due to repayments of bank loans and convertible notes whilst long-term debt remained no substantial change. The decrease in short-term debt occurred as a result of pre-scheduled repayment of the relevant loan.

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## SUMMARY

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Nevertheless, if any of our customers are put into liquidation, or experience financial difficulties, orders placed with us may be reduced or even cancelled. If our suppliers are put into liquidation or cease business, we will have to source material from other suppliers. This may lead to delay in, or increased cost of, development of our application solutions. For further details on the impacts of recent economic conditions on the Company, please refer to section headed “Risk Factors — Our results may be adversely affected by the global financial crisis and global economic slowdown.”

### DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

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

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

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

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## SUMMARY

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

### OFFER STATISTICS

	<b>Based on an Offer Price of HK\$1.38 per Share</b>	<b>Based on an Offer Price of HK\$1.78 per Share</b>
Market capitalisation of the Shares ( <i>note 1</i> )	HK\$1,380 million	HK\$1,780 million
Historical price/earnings multiple ( <i>note 2</i> )	17.9 times	23.0 times
Unaudited pro forma adjusted net tangible asset value per Share ( <i>note 3</i> )	RMB0.41	RMB0.49

*Notes:*

- (1) The calculation of the market capitalisation of the Shares is based on the respective Offer Price of HK\$1.38 and HK\$1.78 per Share and 1,000,000,000 Shares in issue immediately after completion of the Share Offer and the Capitalisation Issue but does not take into account any Shares which may be issued upon the exercise of the Over-allotment Option or of any options which may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by the Company pursuant to the Issuing Mandate and the Repurchase Mandate.
- (2) The calculation of the historical price/earnings multiple is based on the historical earnings per share of RMB0.068 for the year ended 31 December 2008, the respective Offer Price of HK\$1.38 and HK\$1.78 per Share and on the assumption that 1,000,000,000 Shares, comprising Shares in issue as at the date of this prospectus and Shares to be issued pursuant to the Share Offer and the Capitalisation Issue, had been in issue throughout the year.
- (3) The unaudited pro forma adjusted net tangible asset value per Share has been arrived at after the adjustments referred to in the section headed “Financial Information” in this prospectus, the respective Offer Price of HK\$1.38 and HK\$1.78 per Share and on the basis of 1,000,000,000 Shares in issue immediately following completion of the Share Offer and the Capitalisation Issue but without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by the Company pursuant to the Issuing Mandate and the Repurchase Mandate.

### DIVIDEND POLICY AND DISTRIBUTABLE RESERVES

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

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



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## SUMMARY

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### PROFIT ESTIMATE

Our Directors estimate that, on the bases set out in Appendix III to this prospectus and in the absence of unforeseen circumstances, the estimate combined profit attributable to equity holders of the Company prepared in accordance with HKFRS for the six months ended 30 June 2009 will not be less than RMB18 million. We have undertaken to the Stock Exchange that our interim financial report for the six months ended 30 June 2009 will be audited pursuant to Rule 11.18 of the Listing Rules.

### USE OF PROCEEDS

Assuming that the Over-allotment Option is not exercised and assuming an Offer Price of HK\$1.58 per Share (being the mid-point of the estimated price range), we estimate that the net proceeds to us from the Share Offer will be approximately HK\$345.5 million, after deducting the underwriting commissions and other estimated expenses payable by us in relation to the Share Offer. We intend to use the net proceeds to us from the Share Offer as follows:

- approximately 60% will be used for two new projects as follows:
  - (i) approximately 47% will be used for development of a new satellite communication application solution. Amongst which, approximately 36% will be used to acquire new terminals for this new satellite communication application solution and approximately 11% will be used for research and development; and
  - (ii) approximately 13% will be used in a project to upgrade and promote our Traffic Offence Electronic Ticketing and Payment Solution.
- approximately 15% will be used for increasing the number of satellite communication application solutions and wireless data communication application solutions demo products;
- approximately 10% will be used for upgrading office facilities and setting up office facilities in new office in the course of expanding our sales and distribution network;
- approximately 5% will be used for recruiting sales and marketing and technical staff and providing training to our existing staff; and
- approximately 10% will be used for our general working capital.

If the Offer Price is set at the high-end or low-end of the proposed Offer Price range, the net proceeds of the Share Offer (assuming the Over-allotment Option is not exercised) will increase or decrease by approximately HK\$48 million, respectively. In such event, we will increase or decrease the allocation of the net proceeds to the above purpose on a pro-rata basis.

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## SUMMARY

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In the event that the Over-allotment Option is exercised, the additional net proceeds of about HK\$57 million (assuming that the Offer Price is determined at the mid-point of the stated range) will be applied by the Company in the same proportions as set out above. To the extent that the net proceeds of the Share Offer are not immediately required for the above purposes, we presently intend that such proceeds will be placed on short-term deposits with licensed banks or financial institutions in Hong Kong.

As advised by our PRC Legal Advisers, subject to the relevant PRC regulatory procedures, PRC governmental approvals, registrations and/or filings, the net proceeds from the Share Offer can be applied in the PRC according to the above intended use under the relevant existing PRC laws and regulations by: (i) increasing the registered capital of the Company's subsidiary in the PRC; (ii) establishing a new PRC subsidiary; (iii) acquiring equity interests in other companies in the PRC; and/or (iv) providing shareholder's loan to the Company's subsidiary in the PRC in the amount not exceeding the difference between the investment amount and the registered capital of such subsidiary. As advised by our PRC Legal Advisers, there are no material legal obstacles to obtain the relevant PRC government approval to apply the net proceeds from the Share Offer in the PRC.

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## DEFINITIONS

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*In this prospectus, unless the context otherwise requires, the following expressions shall have the following meanings.*

<b>“Application Form(s)”</b>	<b>WHITE</b> application form(s) and <b>YELLOW</b> application form(s) or, where the context so requires, either of them;
<b>“Articles of Association” or “Articles”</b>	the articles of association of our Company conditionally adopted on 28 August 2009, as amended from time to time;
<b>“Assignment”</b>	the assignment of the Note by Chengwei to Mr. Chan pursuant to the terms and conditions of the Assignment Agreement;
<b>“Assignment Agreement”</b>	the assignment agreement dated 17 November 2008 and entered into between Chengwei, Mr. Chan and Creative Sector or, where the context so requires, as supplemented by a supplemental agreement dated 28 April 2009 and entered into between these parties, in respect of the assignment of the Note by Chengwei to Mr. Chan, as described in the section headed “History and Development — Convertible Loans — Convertible Note to Chengwei” in this prospectus;
<b>“associate(s)”</b>	has the meaning ascribed thereto in the Listing Rules;
<b>“Atlantis”</b>	Atlantis Investment Management Limited is a company incorporated in the United Kingdom. The shares of Atlantis is owned by Atlantis Fund Management (Guernsey) Ltd., a limited company registered in Guernsey and an Independent Third Party. Atlantis is one of our existing Shareholders and, immediately upon completion of the Share Offer and the Capitalisation Issue and taking no account of any Shares that may be issued pursuant to the exercise of the Over-allotment Option or any options that may be granted under the Share Option Scheme, Atlantis will be interested in 97,425,000 Shares, representing approximately 9.74% of the total issued share capital of our Company after completion of the Share Offer and the Capitalisation Issue;
<b>“Beijing Data Communication”</b>	北京數訊聯通信科技有限公司 (Beijing Data Communication Technology Co., Ltd.), a company established under the laws of the PRC, a shareholder of SkyComm and an Independent Third Party;
<b>“Board”</b>	our board of Directors;
<b>“Business Day”</b>	any day (other than a Saturday or a Sunday) on which banks in Hong Kong are generally open for normal banking business;

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## DEFINITIONS

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<b>“Business Transfer”</b>	the business transfer as contemplated under the Business Transfer Agreement;
<b>“Business Transfer Agreement”</b>	the business transfer agreement dated 31 August 2006 and entered into by and among Hebei SkyComm, Shanghai SkyComm and Noter or, where the context so requires, as supplemented by a supplemental agreement dated 28 April 2009 and entered into by and among the same parties, as more particularly described in the section of “History and Development — Corporate Development — The Reorganisation” in this prospectus;
<b>“BVI”</b>	the British Virgin Islands;
<b>“CAA BVI”</b>	China All Access Group Limited 中國全通集團有限公司 (formerly known as All Access Investments Limited 全通投資有限公司), a company incorporated in the BVI as a BVI business company on 12 May 2006 and a direct wholly-owned subsidiary of the Company;
<b>“CAA HK”</b>	All Access Global Limited 全通環球有限公司, a company incorporated in Hong Kong with limited liability on 18 June 2008 and an indirect wholly-owned subsidiary of the Company;
<b>“Capitalisation Issue”</b>	the issue of Shares to be made upon capitalisation of part of the amount standing to the credit of the share premium account of our Company referred to in the section headed “Resolutions in writing of our Shareholders passed on 28 August 2009” in Appendix VI to this prospectus;
<b>“CCASS”</b>	the Central Clearing and Settlement System established and operated by HKSCC;
<b>“CCASS Clearing Participant”</b>	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant;
<b>“CCASS Custodian Participant”</b>	a person admitted to participate in CCASS as a custodian participant;
<b>“CCASS Investor Participant”</b>	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation;
<b>“CCASS Participant”</b>	a CCASS Clearing Participant, CCASS Custodian Participant or a CCASS Investor Participant;

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## DEFINITIONS

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**“CCID Consulting”**

CCID Consulting Co., Ltd, a provider of business intelligence;

**“Chengwei”**

Chengwei CAA Holdings Limited, an investment holding company incorporated in the BVI and is owned as to 89.28% by Chengwei Ventures Evergreen Fund, L.P., 4% by Chengwei Partners, L.P. and 6.72% by Chengwei Ventures Evergreen Advisors Fund, LLC, all of which are Independent Third Parties other than their relationship with Chengwei CAA Holdings Limited by virtue of their shareholding therein. Each of Chengwei Ventures Evergreen Fund, L.P., Chengwei Partners, L.P. and Chengwei Ventures Evergreen Advisors Fund, LLC are investment funds that make investments in primarily China-based companies. They are managed by Chengwei Ventures Evergreen Management, LLC, a limited liability company incorporated in the Cayman Islands on 2 July 2004 which is controlled by EXL Holdings, LLC, a company incorporated in the Cayman Islands which is controlled by Mr. Li Eric Xun, one of the investment managers of these investment funds. Chengwei is one of the holders of the convertible loans as further described in the section headed “History and development — Convertible Loans” in this prospectus. Immediately upon completion of the Share Offer and the Capitalisation Issue and taking no account of any Shares that may be taken up thereby under the Share Offer and Shares that may be issued pursuant to the exercise of the Over-allotment Option or any options that may be granted under the Share Option Scheme, and assuming that the final Offer Price will be fixed at or above the Chengwei Conversion Trigger Price, Chengwei will be interested in 106,200,000 Shares, representing approximately 10.62% of the total issued share capital of our Company after completion of the Share Offer and the Capitalisation Issue;

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## DEFINITIONS

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<b>“Chengwei Conversion Trigger Price”</b>	125% of the effective purchase price per Share of Chengwei in acquiring the 106,200,000 Shares pursuant to the conversion of its convertible loans as further described in the section headed “History and development — Convertible loans” in this prospectus, that is, 125% of the quotient by dividing the HK dollars equivalent of US\$10 million, being the outstanding principal amount of the convertible loans (to be determined by using the middle market exchange rate published by The Hongkong and Shanghai Banking Corporation Limited at the close of business on the Price Determination Date) by 106,200,000, being the number of Shares that Creative Sector is required to transfer to Chengwei pursuant to the conversion of its convertible loans. For illustration purpose only, assuming that the middle market exchange rate for translation of US dollars to HK dollars as published by The Hongkong and Shanghai Banking Corporation at the close of business on the Price Determination Date is US\$1 = HK\$7.74, the Chengwei Conversion Trigger Price shall be HK\$0.91;
<b>“China” or “PRC”</b>	the People’s Republic of China, but for the purposes of this prospectus and for geographical reference only (unless otherwise indicated), excluding Taiwan, the Macau Special Administrative Region of the PRC and Hong Kong;
<b>“CISI Rules”</b>	Rules on the Administration of Qualification of Computer Network System Integration (Trial) (計算機資訊系統集成資質管理辦法(試行));
<b>“Companies Law”</b>	the Companies Law, Cap.22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands;
<b>“Company” or “our Company”</b>	China All Access (Holdings) Limited 中國全通(控股)有限公司, an exempted company incorporated in the Cayman Islands with limited liability on 4 December 2007;
<b>“connected person”</b>	shall have the same meaning as defined in the Listing Rules;
<b>“Controlling Shareholders”</b>	Mr. Chan and Creative Sector, controlling shareholders of the Company;
<b>“Covenantor(s)” or “Indemnifier(s)”</b>	the Controlling Shareholders or any one of them;



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## DEFINITIONS

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<b>“Creative Sector”</b>	Creative Sector Limited 創域有限公司, a company incorporated in the BVI as a BVI business company on 18 January 2008 which is wholly owned by Mr. Chan, one of the Controlling Shareholders. Immediately upon completion of the Share Offer and the Capitalisation Issue and taking no account of any Shares that may be issued pursuant to the exercise of the Over-allotment Option or any options that may be granted under the Share Option Scheme and assuming that the final offer price will be fixed at or above the Chengwei Conversion Trigger Price, Creative Sector will be interested in 435,300,000 Shares, representing approximately 43.53% of the total issued share capital of our Company after completion of the Share Offer and the Capitalisation Issue;
<b>“CSRC”</b>	China Securities Regulatory Commission;
<b>“Deed of Assignment and Novation”</b>	the deed of assignment and novation dated 28 August 2009 and entered into by and among Mr. Chan, Atlantis, FMG, CAA BVI, Creative Sector and our Company to supplement certain provisions in the Shareholders’ Agreement and to assign and novate all the respective rights and obligations of Mr. Chan and CAA BVI under the Shareholders’ Agreement to Creative Sector and our Company respectively;
<b>“Director(s)”</b>	the directors of our Company;
<b>“Encouraging Policies”</b>	the Notice of Certain Policies on Encouraging the Development of Software Industry and Integrated Circuit Industry (關於鼓勵軟件產業和集成電路產業發展的若干政策的通知);
<b>“Even Grow”</b>	Even Grow Investments Limited, an investment holding company incorporated in the BVI and wholly-owned by Ms. Tam Siu Fun Yeko. Even Grow is one of the holders of the convertible loans as further described in the section headed “History and Development — Convertible Loans” in this prospectus. Immediately upon the completion of the Share Offer and the Capitalisation Issue and taking no account of any Shares that may be taken up thereby under the Share Offer and Shares that may be issued pursuant to the exercise of the Over-allotment Option or any options that may be granted under the Share Option Scheme, Profit Concept will be interested in 52,500,000 Shares, representing approximately 5.25% of the total issued share capital of our Company immediately after completion of the Share Offer and the Capitalisation Issue;

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## DEFINITIONS

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**“Excluded Business”**

all the then businesses of Hebei SkyComm and Shanghai SkyComm as of 30 June 2006 not being transferred under the Business Transfer, being the businesses that may only be carried on with the requisite telecommunication business operation licence (電訊業務經營許可證) or the value-added telecommunication business operation licence (增值電信業務經營許可證) in the PRC, as more particularly described in the section headed “Our relationship with SkyComm Group and our Controlling Shareholders — Relationship with SkyComm Group — Business Transfer and Business Model before and after the Business Transfer” in this prospectus;

**“Excluded Services”**

the services to be rendered under the Excluded Business;

**“Exclusive Distribution Agreement with RaySat”**

the exclusive distribution agreement made and entered into between RaySat and the Company, for itself and as trustee for the benefit of Noter effective as of 8 May 2008 for the supply and distribution of StealthRay Products in the PRC, Hong Kong and Macau;

**“FMG”**

FMG China Fund Limited, an open ended investment company registered in Bermuda and listed on the Bermuda Stock Exchange, and it is managed by FMG Fund Managers Limited, a company incorporated in Bermuda. FMG is one of our existing Shareholders. Immediately upon completion of the Share Offer and the Capitalisation Issue and taking no account of any Shares that may be taken up thereby under the Share Offer and Shares that may be issued pursuant to the exercise of the Over-allotment Option or any options that may be granted under the Share Option Scheme, FMG will be interested in 6,075,000 Shares, representing approximately 0.61% of the total issued share capital of our Company after completion of the Share Offer and the Capitalisation Issue;

**“Group”, “our Group”, “our”, “we” or “us”**

our Company and our subsidiaries at the relevant part of time (including, where the context so requires, in respect of the period before our Company became the holding company of our present subsidiaries, the present subsidiaries of our Company) or where the context refers to any time before the establishment of Noter and the Reorganisation, those businesses and operations which its predecessors were engaged in and which were subsequently transferred to it pursuant to the Reorganisation;

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## DEFINITIONS

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<b>“Guotai Junan Capital” or “Sponsor”</b>	Guotai Junan Capital Limited, a licensed corporation to carry on type 6 (advising on corporate finance) regulated activity as defined under the SFO, acting as the sponsor to the Listing;
<b>“Guotai Junan Securities” or “Lead Manager” or “Sole Global Coordinator”</b>	Guotai Junan Securities (Hong Kong) Limited, a licensed corporation under the SFO permitted to engage in type 1 and type 4 of the regulated activities (as defined under the SFO), acting as the sole global coordinator, bookrunner and lead manager of the Share Offer;
<b>“Hebei Hongda”</b>	河北省宏大通訊有限公司 (Hebei Hongda Communication Co., Ltd.), a company established under the laws of the PRC, a shareholder of SkyComm and an Independent Third Party;
<b>“Hebei SkyComm”</b>	河北天宇通信有限公司 (Hebei Sky Communication Co., Ltd.), a company established under the laws of the PRC and a subsidiary of SkyComm located in Hebei, PRC, one of our predecessors and business partners and an Independent Third Party;
<b>“Hebei SkyComm Technology”</b>	河北天宇通信技術有限公司 (Hebei SkyComm Communication Technology Co., Ltd.), a company established under the laws of the PRC, a shareholder of SkyComm and an Independent Third Party;
<b>“HKFRS”</b>	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants;
<b>“HKSCC”</b>	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited;
<b>“HKSCC Nominees”</b>	HKSCC Nominees Limited;
<b>“HK\$” or “HK dollars” or “cents”</b>	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong;
<b>“Hong Kong Companies Ordinance”</b>	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time;
<b>“Hong Kong” or “HK”</b>	the Hong Kong Special Administrative Region of the PRC;
<b>“Hong Kong Offer Shares”</b>	the Shares offered by us for subscription pursuant to the Hong Kong Public Offering;

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## DEFINITIONS

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<b>“Hong Kong Public Offering”</b>	the offering by our Company of initially 25,000,000 Hong Kong Offer Shares for subscription by the public in Hong Kong (subject to adjustment as described in the section headed “Structure of the Share Offer” in this prospectus) for cash at the Offer Price (plus brokerage of 1% of the Offer Price, SFC transaction levy of 0.004% of the Offer Price and Stock Exchange trading fee of 0.005% of the Offer Price) on the terms and conditions described in this prospectus and the Application Forms;
<b>“Hong Kong Underwriters”</b>	the underwriters of the Hong Kong Public Offering listed in the section headed “Underwriting — Hong Kong Underwriters” in this prospectus;
<b>“Hong Kong Underwriting Agreement”</b>	the underwriting agreement dated 3 September 2009 relating to the Hong Kong Public Offering entered into by our Company, the executive Directors, the Covenantors, the Sole Global Coordinator, Guotai Junan Capital and the Hong Kong Underwriters as further described in the section headed “Underwriting — Underwriting arrangements and expenses — (a) Hong Kong Public Offering” in this prospectus;
<b>“Independent Third Party(ies)”</b>	any person(s) or company(ies) and their respective ultimate beneficial owner(s) which, to the best of our Directors’ knowledge, information and belief, having made all reasonable enquiries, are independent of the Company and its connected persons;
<b>“International Placing”</b>	the conditional placing of initially 225,000,000 International Placing Shares by the International Underwriters on behalf of our Company with professional and institutional investors for cash at the Offer Price as further described in the section headed “Structure of the Share Offer” in this prospectus;
<b>“International Placing Shares”</b>	the Shares offered pursuant to the International Placing;
<b>“International Underwriters”</b>	the underwriters of the International Placing listed in the section headed “Underwriting — International Underwriters” in this prospectus;

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## DEFINITIONS

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<b>“International Underwriting Agreement”</b>	the underwriting agreement expected to be entered into on or before the Price Determination Date by our Company, the executive Directors, the Covenantors, the Sole Global Coordinator, Guotai Junan Capital, the International Underwriters and us in respect of the International Placing, as further described in the section headed “Underwriting — Underwriting arrangements and expenses — (b) International Placing”;
<b>“Investors’ Rights Agreement”</b>	the investors rights agreement dated 17 November 2008 entered into by and among our Company, CAA BVI, Mr. Chan, Creative Sector and Chengwei to regulate the relationship among themselves in our Group prior to completion of the Share Offer, particulars of which are set out in the section headed “History and Development — Convertible Loans — Convertible note to Chengwei” in this prospectus;
<b>“Issuing Mandate”</b>	the general unconditional mandate given to our Directors by the Shareholders relating to the issue of new Shares, further details of which are contained in the section headed “Resolutions in writing of our Shareholders passed on 28 August 2009” in Appendix VI to this prospectus;
<b>“Latest Practicable Date”</b>	31 August 2009, being the latest practicable date for the inclusion of certain information in this prospectus prior to its publication;
<b>“Listing”</b>	listing of the Shares on the Stock Exchange;
<b>“Listing Committee”</b>	the Listing Committee of the Stock Exchange;
<b>“Listing Date”</b>	the date, expected to be on or about Wednesday, 16 September 2009, on which our Shares are listed and dealings in our Shares commence on the Stock Exchange;
<b>“Listing Rules”</b>	the Rules Governing the Listing of Securities on the Stock Exchange;
<b>“Long Term Co-operation Agreement”</b>	the long term co-operation agreement dated 28 February 2008 and entered into between SkyComm and Noter or, where the context so requires, as supplemented by a supplemental agreement dated 14 April 2009 and entered into by and among the same parties, as described in the section headed “Our Relationship with SkyComm Group and our Controlling Shareholders — Relationship with SkyComm Group — Long Term Co-operation Agreement” in this prospectus;

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## DEFINITIONS

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<b>“Memorandum of Association”</b> or <b>“Memorandum”</b>	the memorandum of association of our Company adopted on 4 December 2007, as amended from time to time;
<b>“Mr. Chan”</b>	Mr. Chan Yuen Ming, the chairman of the Board, an executive Director and one of the Controlling Shareholders. Immediately upon completion of the Share Offer and the Capitalisation Issue and taking no account of any Shares that may be issued pursuant to the exercise of the Over-allotment Option or any options that may be granted under the Share Option Scheme and assuming that the final offer price will be fixed at or above the Chengwei Conversion Trigger Price, he will be interested in 435,300,000 Shares, representing approximately 43.53% of the total issued share capital of our Company after completion of the Share Offer and the Capitalisation Issue by virtue of his interest in Creative Sector;
<b>“MI”</b>	the Ministry of Information Industry of the PRC, now superseded by the MIIT;
<b>“MIIT”</b>	the Ministry of Industry and Information Technology of the PRC;
<b>“Note”</b>	the senior secured promissory note dated 17 November 2008 for the principal amount of US\$10 million issued by CAA BVI, bearing interest at the rate of 4% per annum and with a maturity date of 1 October 2009, the terms and conditions of which are described in the section headed “History and Development — Convertible Loans — Convertible Note to Chengwei” in this prospectus;
<b>“Note Purchase Agreement”</b>	the note purchase agreement dated 7 November 2008 and entered into by and among CAA BVI, Noter, Mr. Chan and Chengwei in respect of the sale and purchase of the Note, as described in the section headed “History and Development — Convertible Loans — Convertible Note to Chengwei” in this prospectus;



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## DEFINITIONS

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<b>“Noter”</b>	河北諾特通信技術有限公司 (Hebei Noter Communication Technology Co., Ltd.), a company incorporated under the laws of the PRC and a principal operating subsidiary of our Company. The above English name of Noter is only an English translation of official Chinese name of Noter and is for reference only;
<b>“Offer Price”</b>	the final offer price per Offer Share (exclusive of brokerage fee of 1%, SFC transaction levy of 0.004% and Stock Exchange trading fee of 0.005%) of not more than HK\$1.78 and expected to be not less than HK\$1.38, at which the Offer Shares are to be offered for subscription pursuant to the Share Offer, to be agreed upon by the Lead Manager (on behalf of the Underwriters) and us on or before the Price Determination Date;
<b>“Offer Share(s)”</b>	the Hong Kong Offer Shares and the International Placing Shares, collectively, and where relevant, together with any additional Shares issued pursuant to the exercise of the Over-allotment Option;
<b>“Over-allotment Option”</b>	the option granted by us to the International Underwriters exercisable by the Lead Manager on behalf of the International Underwriters subject to the terms and conditions of the International Underwriting Agreement pursuant to which we may be required to issue up to an additional aggregate of 37,500,000 Shares (representing 15% of the Shares initially being offered under the Share Offer) at the Offer Price to cover over-allocations in the International Placing, details of which are described in the section headed “Structure of the Share Offer — Over-allotment and stabilisation” in this prospectus;
<b>“PBOC”</b>	the People’s Bank of China;
<b>“PRC Government”</b>	the government of the PRC, including all governmental subdivisions (including provincial, municipal and other regional or local government entities);
<b>“PRC Legal Advisers”</b>	Commerce & Finance Law Offices, the legal advisers to our Company as to PRC laws;
<b>“PRC GAAP”</b>	the generally accepted accounting principles in the PRC;
<b>“Price Determination Agreement”</b>	the agreement to be entered into by the Lead Manager (on behalf of the Underwriters) and us on the Price Determination Date to record and fix the Offer Price;

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## DEFINITIONS

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<b>“Price Determination Date”</b>	the time expected to be on or about 5:00 p.m. (Hong Kong time) on Thursday, 10 September 2009, or such later time as the Lead Manager (on behalf of the Underwriters) and us may agree but in any event not later than 5:00 p.m. (Hong Kong time) on Monday, 14 September 2009, on which the Offer Price is determined;
<b>“Profit Concept”</b>	Profit Concept International Limited, an investment holding company incorporated in the BVI and wholly-owned by Ms. Wang Yan Yun. Profit Concept is one of the holders of the convertible loans as further described in the section headed “History and Development — Convertible Loans” in this prospectus. Immediately upon the completion of the Share Offer and the Capitalisation Issue and taking no account of any Shares that may be taken up thereby under the Share Offer and Shares that may be issued pursuant to the exercise of the Over-allotment Option or any options that may be granted under the Share Option Scheme, Profit Concept will be interested in 52,500,000 Shares, representing approximately 5.25% of the total issued share capital of our Company immediately after completion of the Share Offer and the Capitalisation Issue;
<b>“RaySat”</b>	RaySat Antenna Systems L.L.C., a limited liability company incorporated in Delaware, U.S.A, our supplier of the StealthRay Products and an Independent Third Party;
<b>“Regulation S”</b>	Regulation S under the U.S. Securities Act;
<b>“Related Business”</b>	all the then businesses of Hebei SkyComm and Shanghai SkyComm as of 30 June 2006 being transferred under the Business Transfer, including the research and development of, and the related consultation services for, communication technologies, installation, testing, maintenance, upgrade and technical support services for communication equipment, but excluding the Excluded Businesses, as more particularly described in the section headed “Our relationship with SkyComm Group and our Controlling Shareholders — Relationship with SkyComm Group — Business Transfer and Business Model before and after the Business Transfer” in this prospectus;
<b>“Related Services”</b>	the services to be rendered under the Related Business;

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## DEFINITIONS

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<b>“Reorganisation”</b>	the reorganisation arrangements undergone by us in preparation for the Listing as described in the paragraph headed “Corporate Development” in the “History and Development” section of this prospectus and in the paragraph “Group Reorganisation” in Appendix VI to this prospectus;
<b>“Repurchase Mandate”</b>	the general unconditional mandate to repurchase Shares given to the Directors by the Shareholders, further details of which are contained in the section headed “Resolutions in writing of our Shareholders passed on 28 August 2009” in Appendix VI to this prospectus;
<b>“RMB” and “Renminbi”</b>	the lawful currency of the PRC;
<b>“Rule 144A”</b>	Rule 144A under the U.S. Securities Act;
<b>“SAFE”</b>	the State Administration of Foreign Exchange of the PRC, which is the PRC Government agency responsible for matters relating to foreign exchange administration;
<b>“SFC”</b>	the Securities and Futures Commission of Hong Kong;
<b>“SFO”</b>	the Securities and Futures Ordinance, (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time;
<b>“Shanghai Development Co”</b>	上海陸家嘴金融貿易區開發股份有限公司 (Shanghai Lujiazui Finance & Trade Zone Development Co., Ltd.), a joint stock limited company established in the PRC whose ordinary shares are listed on the Shanghai Stock Exchange, a shareholder of SkyComm and an Independent Third Party;
<b>“Shanghai SkyComm”</b>	上海天宇通信有限公司 (Shanghai Sky Communication Co., Ltd), a company established under the laws of the PRC and a subsidiary of SkyComm located in Shanghai, one of our predecessors, our business partners, and an Independent Third Party;
<b>“Shanghai Software Co”</b>	上海浦東陸家嘴軟件產業發展有限公司 (Shanghai Pudong Lujiazui Software Industrial Development Co., Ltd.), a subsidiary of Shanghai Development Co, a shareholder of SkyComm and an Independent Third Party;
<b>“Shareholder(s)”</b>	holders of the Shares;

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## DEFINITIONS

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<b>“Shareholders’ Agreement”</b>	the shareholders’ agreement dated 21 January 2008 and entered into by and among Mr. Chan, Atlantis, FMG and CAA BVI to govern the business and management of CAA BVI, the details of which are set out in the section headed “History and Development — Shareholders’ Agreement with Atlantis and FMG” in this prospectus;
<b>“Share Offer”</b>	the Hong Kong Public Offering and the International Placing;
<b>“Share Option Scheme”</b>	the share option scheme conditionally approved and adopted by our Company on 28 August 2009, the principal terms of which are summarised in the section headed “Share Option Scheme” in Appendix VI to this prospectus;
<b>“Share(s)” or “our Share(s)”</b>	ordinary share(s) in the share capital of our Company, with a nominal value of HK\$0.01 each;
<b>“SkyComm”</b>	天宇通信集團有限公司 (Sky Communication Group Co., Ltd), a company established under the laws of the PRC with limited liability, one of our business partners, and an Independent Third Party;
<b>“SkyComm Group”</b>	SkyComm and its subsidiaries from time to time;
<b>“Software Administration Measures”</b>	the Measures on the Administration of Software Products (軟件產品管理辦法)
<b>“StealthRay”</b>	an in-motion steerable two-way satellite system (developed and manufactured by RaySat), designed to provide communication for vehicles in motion;
<b>“StealthRay Products”</b>	StealthRay and any new improvements for similar two-way antennas products and other auxiliary products supplied by RaySat;
<b>“Stock Borrowing Agreement”</b>	the stock borrowing agreement which is expected to be entered into between Creative Sector and the Lead Manager on or before the Price Determination Date pursuant to which Creative Sector will agree to lend up to 37,500,000 Shares to the Lead Manager on the terms set out therein, further details of which are set out in the section “Structure of the Share Offer — Over-allotment and stabilisation” in this prospectus;
<b>“Stock Exchange”</b>	The Stock Exchange of Hong Kong Limited;

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## DEFINITIONS

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“subsidiaries”	has the meaning ascribed thereto in section 2 of the Hong Kong Companies Ordinance;
“substantial shareholders”	shall have the meaning as defined in the Listing Rules;
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers;
“Track Record Period”	comprises the three financial years ended 31 December 2008 and the five months ended 31 May 2009;
“Underwriters”	the Hong Kong Underwriters and the International Underwriters;
“Underwriting Agreements”	the Hong Kong Underwriting Agreement and the International Underwriting Agreement;
“U.S.” or “United States”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction;
“U.S. Securities Act”	the United States Securities Act of 1933, as amended, supplemented or otherwise modified from time to time;
“US\$” or “US dollars”	United States dollars, the lawful currency for the time being of the United States; and
“%”	per cent.

*Unless otherwise specified, translations of (i) HK\$ into RMB and RMB into HK\$; and (ii) HK\$ into US\$ and US\$ into HK\$ in this prospectus are based on the rates set out below respectively (for the purpose of illustration only):*

*HK\$1.00 : RMB0.88  
HK\$7.80 : US\$1.00*

*Any discrepancies in any table or chart between the total shown and the sum of amounts listed are due to rounding.*

*If there is any discrepancy or inconsistency between the Chinese names of the PRC entities in this prospectus and their English translations, the Chinese version shall prevail.*

*No representation is made that any amounts in RMB and HK\$ and/or US\$ and HK\$ can be or could have been converted at the relevant dates at the above rates or any other rates at all.*

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## GLOSSARY OF TECHNICAL TERMS

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This glossary contains definitions and other terms as they relate to the Group and as they are used in this prospectus, which may not correspond to the standard industry definitions.

<b>“ALL ACCESS platform”</b>	an integrated application platform, as more particularly described in the section of “Business — ALL ACCESS platform”;
<b>“call centre application services”</b>	call centre application solution operation management, call centre application upgrade and system maintenance to call centre application solution;
<b>“call centre application solution(s)”</b>	computing solutions, made up of hardware and/or software components, that facilitates the operation of an outsourced call centre;
<b>“Distance Fire Alarm Solution(s)”</b>	the distance control of automatic fire alarm network system solution designed to conduct real-time distance monitoring activities over the operations of fire service installations and equipment in premises and to detect fire hazard signals, being one of the wireless data communication application solutions we offer;
<b>“Dynamic Satellite Communication Solution(s)”</b>	the dynamic satellite communications solutions which enable real-time information exchange without any terrestrial constraints, allowing local government and emergency rescuers to monitor the emergency situation live without any physical presence, being one of the satellite communication application solutions we offer;
<b>“Dynamic Satellite Communication Vehicle(s)”</b>	vehicle(s) with the Dynamic Satellite Communication Solution installed;
<b>“Emergency Satellite Communication Solution(s)”</b>	the emergency satellite communications solutions designed to meet the governmental departments’ demand for instant communication to facilitate rapid response and effective coordination during emergency rescues, being one of the satellite communication application solutions we offer;
<b>“information communication application solution(s)” or “application solution(s)”</b>	collectively refers to the satellite communication application solution, wireless data communication application solution and call centre application solution;
<b>“Public Utilities Institutions Solution(s)”</b>	the public utilities institutions wireless distance meter reading and network monitoring solution designed to collect the data from the usage meter and monitor networks in a cost effective way with no environmental and geographical constraints, being one of the wireless data communication application solutions we offer;

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## GLOSSARY OF TECHNICAL TERMS

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<b>“satellite communication application solution(s)”</b>	computing solutions, made up of hardware and/or software components, that facilitates data processing of data transmitted through satellite;
<b>“Satellite Data Collection Solution(s)”</b>	the distance data collection and supervision satellite communication application solutions which allow collection and dissemination of information at various locations in one venue, being one of the satellite communication application solutions we offer;
<b>“Stationary Satellite Communication Solution(s)”</b>	the stationary satellite communications solutions, being one of the satellite communication application solutions we offer, the function of which is similar to the Dynamic Satellite Communication Solutions except that the satellite data transmission can be carried out only when the satellite antenna is in a stationary mode;
<b>“Stationary Satellite Communication Vehicle(s)”</b>	vehicle(s) with the Stationary Satellite Communication Solution installed;
<b>“Traffic Offence Electronic Ticketing and Payment Solution(s)”</b>	the electronic ticketing and payment of traffic offence and highway penalties solution which is an application for recording, tracking and analysing traffic offences, being one of the wireless data communication application solutions we offer;
<b>“wireless data communication application solution(s)”</b>	computing solutions, made up of hardware and/or software components, that facilitates data processing of data transmitted through wireless data communication network.

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## RISK FACTORS

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*You should carefully consider, in addition to other information contained in this prospectus, the risks described below before making an investment. You should pay particular attention to the fact that we are a company incorporated under the laws of the Cayman Islands and that our business is located almost exclusively in the PRC. There are risks associated with investing in our Shares not typical of investments in the capital stock of companies incorporated and/or engaging in business in Hong Kong. Any of the risks and uncertainties described below could have a material adverse effect on our business, results of operations, financial condition or the trading price of our Shares, and could cause you to lose all or part of your investment.*

*Investors should consider carefully all of the information set out in this prospectus and, in particular, should evaluate the following risks in connection with an investment in the Offer Shares. We believe that there are certain risks involved in our operations. Many of these risks are beyond our control and can be categorised into: (i) risks related to our business; (ii) risks related to the industries in which we operate; (iii) risks related to the PRC; and (iv) risks related to the Share Offer.*

### **RISKS RELATED TO OUR BUSINESS**

#### **Our results may be adversely affected by global financial crisis and global economic slowdown**

The recent global financial crisis has caused substantial losses and collapses in a number of global corporations, investment banks and commercial banks leading to fears of recession or slowdown in the global economy. The failings of global corporations and global economic downturn may have a ripple effect on many local markets including the PRC where our businesses are located. If this happens, it is possible that the level of our business activities and the demands for our services in the markets may be substantially reduced in the near future, thereby affecting our financial condition and profitability seriously. If any of our customers is put into liquidation, or experience financial difficulty, orders placed with us may be reduced or even cancelled.

In addition, the economic crisis may also affect the prices at which we may purchase hardware components for our application solutions from our suppliers. If our suppliers are put into liquidation or cease business, we will have to source material from other suppliers. This may lead to delays in or increased cost of development of our application solutions.

#### **We are dependent on the co-operation with SkyComm Group**

In the conduct of our businesses, we co-operate with SkyComm Group on a number of aspects. For further details, please refer to the section headed “Our relationship with SkyComm Group and our Controlling Shareholders — Relationship with SkyComm Group” in this prospectus.

Our dependence on SkyComm Group exposes us to a number of risks. In relation to provision of satellite and wireless telecommunication network services from SkyComm Group to our customers, SkyComm Group may be unable to maintain their satellite and wireless telecommunication networks



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## RISK FACTORS

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without any interruptions or delays to effectively support the operation of our application solutions or it may fail to renew key qualifications and licenses for providing network services in compliance with the PRC laws and regulations or otherwise unable to provide the satellite and wireless telecommunication network services to our customers.

Upon occurrence of any of the above events, our customers may need to engage alternative service provider for the satellite and wireless telecommunication networks and there is no assurance that we may be able to adjust our application solutions so as to become compatible with the networks offered by such alternative service provider to the satisfaction of our customers in terms of the time and costs involved. Our existing or prospective customers may also choose other satellite communication and wireless data communication solutions providers which are also capable of offering integrated data transmission and the related solutions, maintenance and technical support services.

In relation to our provision of call centre application solutions and services, SkyComm Group may not be able to continue to obtain call centre outsourcing contracts or may become unable to provide the call centre outsourcing service. In that case, there is no assurance that we can secure other new customers relating to our call centre application solutions and services or we may be able to adjust our application solutions so as to become compatible with the call centre outsourcing services offered by such alternative service provider to the satisfaction of our customers in terms of the time and costs involved. Our existing or prospective customers may choose other call centre outsourcing services application solutions and services providers which are also capable of offering integrated call centre application solutions and services and the related application solutions, maintenance and technical support services.

In relation to the leasing of our Hebei office and our sales office and the operation centre of our ALL ACCESS platform in Beijing from SkyComm Group, should SkyComm Group experience any unforeseen circumstances that may require us to terminate the lease, we may be required to relocate to another offices. There is no assurance that we can relocate to alternative offices on a timely basis or on satisfactory terms. If we are not given sufficient notice in advance for the termination of the lease, we may not have sufficient time to find suitable premises for relocation or to activate our backup platform at the new premises in time, and may thereby cause interruptions to the operations and services of our ALL ACCESS platform.

Occurrence of any of the above could have a material adverse impact on our results of operations and financial condition.

**There is no assurance that our contractual arrangements with SkyComm Group and its shareholders can be duly enforced**

We have entered into various contractual arrangements with SkyComm Group and/or its shareholders. The purpose of these contractual arrangements is to secure our continuing co-operation with SkyComm Group and to restrict SkyComm Group from engaging in any business which may from time to time compete with that of our Group. For details of these contractual arrangements, please refer to the section headed “Our relationship with SkyComm Group and our Controlling Shareholders — Relationship with SkyComm Group” in this prospectus.

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## RISK FACTORS

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There can be no assurance that these contractual arrangements will not be deemed by the relevant governmental or judicial authorities to be in violation of, or otherwise invalid or unenforceable due to changes in the applicable laws and regulations and governmental policies from time to time. There is also no assurance that the counterparties to these contractual arrangements will not breach any of these contractual arrangements in the future.

Should these contractual arrangements become illegal, invalid or otherwise unenforceable by our Group, or be breached by the counterparties thereof, our business and operation may be adversely affected.

### **We rely on the co-operation with other satellite and wireless telecommunication network operator in the PRC**

We are principally engaged in providing the satellite communication, wireless data communication and call centre application solutions and services to customers in the PRC. In connection with our Traffic Offence Electronic Ticketing and Payment Solution, we normally receive monthly fees from our customers in respect of the application services and in turn, we pay the data usage fees to the satellite and wireless telecommunication network operator. For each of the three years ended 31 December 2008 and the five months ended 31 May 2009, the amount of our revenue derived from our Traffic Offence Electronic Ticketing and Payment Solution operating were approximately RMB2.84 million, RMB4.08 million, RMB3.94 million and RMB1.68 million respectively, representing 5%, 3%, 2% and 4% of our total turnover.

During the Track Record Period, we co-operated with one of the largest telecommunication network operators in the PRC since 2004 for our customers to use its telecommunication networks to support the operation of our Traffic Offence Electronic Ticketing and Payment Solution as a one-stop services application solutions to our customers. For each of the three years ended 31 December 2008 and the five months ended 31 May 2009, the amounts of data usage fee paid to this telecommunication network operator were approximately RMB1.22 million, RMB1.99 million, RMB1.87 million and RMB0.81 million respectively. Our dependence on this satellite and wireless telecommunication network operator exposes us to a number of risks, including the following:

- (i) the operator may be unable to maintain their networks without any interruptions or delays to effectively support the operation of our Traffic Offence Electronic Ticketing and Payment Solution;
- (ii) we do not enter into long-term co-operative arrangement agreement with other PRC network operators and we may not be able to locate alternative network operators on a timely basis or on satisfactory terms.

Upon occurrence of any of the above events, we or our customers may need to engage alternative network operators and there is no assurance that we may be able to adjust our application solutions so as to become compatible with the satellite and wireless telecommunication services offered by such alternative network operator to the satisfaction of our customers in terms of the time and costs involved. There is also no assurance that our existing or prospective customers will not choose other

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## RISK FACTORS

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satellite communication and wireless data communication solutions providers which are also capable of offering integrated data transmission and the related solutions, maintenance and technical support services. Any of the above factors could have a material adverse impact on our results of operations and financial condition.

### **We have limited operating history in providing application solutions through Noter**

Before the Reorganisation in August 2006, we were engaged in providing application solutions through the SkyComm Group. Since the Reorganisation in August 2006, we have started providing our services through Noter while some of the then existing contracts were still performed under the name of ‘SkyComm Group’ until completion of transfer of all the then existing contracts. In the future, in reliance of the Long Term Co-operation Agreement, we may still cooperate with SkyComm Group. It takes time for us to establish our reputation under the name of “Noter” and there is no guarantee that our existing customers will recognise our proven track record performance when considering whether to continue to use our products and services.

### **We rely upon the exclusive distributorship of the satellite antenna called “StealthRay” in respect of provision of our satellite communication application solutions and sale of the satellite terminal equipment**

We rely on the contractual arrangement which we have with RaySat to supply StealthRay Products to us and to exclusively license us to distribute such products in the PRC, Hong Kong and Macau. We have executed an Exclusive Distribution Agreement with RaySat to sell the StealthRay Products in the PRC, Hong Kong and Macau for a term of one year commencing from 8 May 2008. The term and exclusivity will be extended on annual basis up to 2015 and subject to us being able to meet the respective minimum purchase requirements of such year. The Exclusive Distribution Agreement with RaySat sets out the minimum purchase requirements from 2009 to 2015. For further details of the terms of the Exclusive Distribution Agreement with RaySat, please refer to the section headed “Business — Distribution of “StealthRay Products”” in this prospectus. The StealthRay Products are integral to some of the satellite communication application solutions which we provide, for example Emergency Satellite Communication Solution. For each of the three financial years ended 31 December 2008 and the five months ended 31 May 2009, our turnover attributable to the provisions of our satellite communication application solutions involving the use of the StealthRay Products and the sale of the StealthRay Products amounted to RMB4.27 million, RMB67.68 million, RMB91.56 million and RMB12.17 million respectively, representing approximately 8%, 53%, 49% and 26% of our total turnover.

There is no assurance that we may be able to further extend the Exclusive Distribution Agreement with RaySat upon the expiration of its current term on 7 May 2010 because there is no assurance that we will be able to meet the minimum purchase requirements. There is also no assurance that the Exclusive Distribution Agreement with RaySat can be renewed or continued on terms and conditions acceptable to us after 2015. Any failure to renew or continue the Exclusive Distribution Agreement with RaySat, for whatever reason, may materially and adversely affect our results.

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Additionally, new products similar to the StealthRay Products may become available on the market at a lower price which may have a material and adverse effect on our profit margin or our sales of our satellite communication application solutions as our customers may choose to use these new products as a substitute to the StealthRay Products or our satellite communication application solutions we provide.

### **We are dependent on our suppliers**

We do not have any manufacturing facilities and some of our major components and equipment used for our application solutions are supplied by a limited group of suppliers. Purchases from our five largest suppliers accounted for approximately 42%, 62%, 61% and 89% in aggregate of our purchases for each of the three years ended 31 December 2008 and the five months ended 31 May 2009. Some of our major components and equipment used for our application solutions are supplied by a limited group of suppliers. As at 31 December 2006, 2007, 2008 and 31 May 2009, we have approximately 64, 80, 108 and 47 suppliers respectively and the number of years of their business relationship with us were between one to four years, one to five years, one to six years and one to seven years respectively. Our dependence on a limited group of suppliers exposes us to a number of risks, including the following:

- (i) our suppliers may fail to meet their production deadlines, maintain our quality standards, comply with our product specifications;
- (ii) our suppliers may experience transportation delays and interruptions when transporting the products to us;
- (iii) we do not enter into long-term contracts with any suppliers, and should our manufacturing arrangement with any core suppliers be interrupted or terminated, we may not be able to locate alternative sources of supply on a timely basis or on satisfactory terms and it may take a long time to re-tool our application solutions to accommodate components from different suppliers;
- (iv) should our suppliers experience any unforeseen circumstances which may require us to look for alternative suppliers, we may experience increased costs, disruptions in supply and reduced sales; and
- (v) there is no assurance that our suppliers will always treat our order requests as first priority.

Any of the above factors could have a material adverse impact on our results of operations and financial condition.

### **We rely on the sale to a few customers in our business segments**

For each of the three years ended 31 December 2008 and the five months ended 31 May 2009, sales to our five largest customers accounted for approximately 64%, 59%, 46% and 77% of our total turnover respectively. Among these customers, our largest customer accounted for approximately 34%, 25%, 11% and 24% of our total turnover for each of the three years ended 31 December 2008 and the

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five months ended 31 May 2009. We do not have long-term contractual arrangements with such customers. There is no assurance that our major customers will continue their business dealings with us or that the income generated from dealings with them will increase or be maintained in the future. Any cessation of, or substantial reduction in the volume of business with any of our major customers could adversely affect the financial performance or profitability and our prospects.

### **The nature of a certain proportion of our income is project based**

For each of the three years ended 31 December 2008 and the five months ended 31 May 2009, we derived approximately 86%, 92%, 94% and 89% of our total turnover from projects sold to government departments or agencies, public utilities institutions and business enterprises in the PRC. Other than the revenue generated by providing application services, most of our revenue from government departments, public utilities institutions and business enterprises is project based, discrete and not recurring in nature. So there is no guarantee that we will be able to continue to secure new customers and our customers will continue to engage us to provide application solutions and application services in the future.

### **Our gross profit margin and growth in profit may not be sustainable in the future**

For each of the three years ended 31 December 2008 and five months ended 31 May 2009, our overall gross profit margin was approximately 40%, 40%, 44% and 29% respectively.

As our profitability is dependent upon, among other factors, the market competition, the economic conditions of the PRC and the market demands for our application solutions, our ability to obtain orders and the terms thereof, and the cost of purchase of the StealthRay Products and other requisite components and equipment used for our application solutions, there is no guarantee that we can maintain the gross profit margin as achieved during the Track Record Period. In this case, the Group's operation results and financial conditions may be adversely affected.

In addition, we have not entered into any long term contract with our customers and most of our contracts with our customers for provision of application solutions are on project basis. Our failure to actually project the time, labours and purchase cost required for a project or to complete a contract within the budget and on time may result in costs overruns of that project and thereby affects our profit achievable from that project, in which case, our profitability may be adversely affected.

### **We had net current liabilities as at 31 December 2006 and 31 December 2007 respectively**

We had net current liabilities of approximately RMB76.25 million and RMB16.99 million as at 31 December 2006 and 31 December 2007, respectively. Although we had net current assets of approximately RMB73.02 million as at 31 December 2008 and approximately RMB83.21 million as at 31 May 2009, there is no guarantee that we continue to have net current assets in the future. If we have net current liabilities in the future, our working capital for the purpose of our operations may be constrained, which could have an adverse impact on our business operations and financial conditions.

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### **We experienced net operating cash outflow for the year ended 31 December 2007**

We had net operating cash outflow of approximately RMB20.94 million for the year ended 31 December 2007. Notwithstanding that there was no net operating cash outflow for the years ended 31 December 2006, 31 December 2008 and the five months ended 31 May 2009, we cannot give any assurance that we will not have periods of net operating cash outflow in the future. In the event that we experience net operating cash outflow, our business and liquidity may be adversely affected because we may not have sufficient cash to fund our operating activities.

### **We receive payments from our customers by instalments, and any delay in payments from our customers may affect our working capital and cash flow**

We normally determine the payment terms to be agreed with a particular customer according to the business size of that customer, the length of established business relationship, the contract amount and the customer's past payment record. Contract sums for the provision of application solutions (other than for sales of terminal equipment) are generally due and payable by instalments at different stages (i) down-payment payable after signing of contract; (ii) the remaining balance within 180 days (being the credit period which may vary on a case by case basis) after acceptance of project, subject to any retention money (if any) which will be withheld by customers in most of our projects until expiry of the warranty period; and (iii) the retention money (if any) will be settled by customers upon expiry of the warranty period.

Delays in receiving payments from or non-payment by our customers may adversely affect our cash flow position and our ability to meet our working capital requirements. In addition, defaults in making payments to us on projects for which we have already incurred significant costs and expenditures can materially and adversely affect our results of operations and reduce our financial resources that would otherwise be available for other projects. We cannot assure you that our customers will make payment in full to us on a timely basis or that we will be able to efficiently manage the level of bad debt arising from receipt of payments in stages.

### **Demands for our newly launched application solutions may not grow as expected**

Some of our application solutions set out in the section headed "Business — Application solutions and application services" in this prospectus were initially launched during the Track Record Period. The acceptance by the market and the popularity of any new products or new versions of existing line of products, may not grow as expected. In the event that our products or application solutions are not accepted by the market or are not as popular as expected in the future, our business and profitability may be adversely affected.

### **Our success is dependent upon hiring and retaining qualified personnel and there may be a material adverse impact on us if we are unable to secure qualified personnel for our operations**

Our future performance depends to a significant extent on the continued service of our key management and technical staff. We do not maintain insurance for losses caused by business disruption due to the discontinuation of service of our key management and technical staff. If a

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significant number of members of senior management or technical staff cease to serve us in the future or fail to perform their duties as expected, or we are unable to recruit and retain a sufficient number of senior management or technical staff, our financial condition and results of operations may be materially and adversely affected.

Accordingly, our success depends upon our ability to continue to attract, retain and motivate such personnel. We may have to offer better salaries, incentive packages and training opportunities to attract and retain sufficient skilled staff to sustain our operations and our growth, which may increase our costs and reduce our profit margins. We cannot assure you that we will continue to be able to attract and retain a sufficient number of skilled staff for our existing and planned business operations. In the event that we cannot attract and retain a sufficient number of skilled staff for our existing and planned business operations, or at all, our business operations and financial performance may be materially and adversely affected.

**We may not be able to adequately protect our intellectual property rights and technological know-how, which could weaken our competitive position and affect our operations**

Our success is attributable to the technologies, know-how and other intellectual property rights that we have developed. Infringement of intellectual property rights by other enterprises, by way of counterfeiting products, occurs frequently in the PRC. Although we rely upon a combination of confidentiality policies, non-disclosure and other contractual arrangements and trademark laws to protect our intellectual property rights, there can be no assurance that the steps which we take in this regard are adequate to prevent or deter infringement or other misappropriation of our intellectual property rights. We may not be able to detect unauthorised use or take appropriate and timely steps to enforce our intellectual property rights. Any significant infringement of our confidential information and the proprietary technologies and processes used in our business could weaken our competitive position and have an adverse effect on our operations.

In addition, we may need to defend our intellectual property rights in legal proceedings. If we do not succeed in these proceedings, we could lose our proprietary rights over our intellectual property rights and we may be required to pay expensive legal costs. Also, defending claims may be costly and would divert the efforts of our management and technical personnel.

**Our future performance and reputation are dependent on our ability to continue developing new application solutions**

Our future growth depends upon our ability to develop and provide new and improved application solutions in line with technological advancements, which meet the evolving requirements of our customers and our ability to bring these application solutions to market in a timely manner. The research and development of new and improved application solutions is a complex process requiring, among other factors, the accurate anticipation of the technological and market trends. New application, or refinements and improvements of existing application solutions, may have technical failures, which could cause delays in their introduction. Such application solutions may have higher production or implementation costs than we originally expect and such costs may not be accepted by our customers. Any failure of these products or application solutions could have a material adverse effect on our financial performance and our reputation. There is also no assurance that any research



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and development efforts undertaken or to be undertaken by us would result in the successful development of any new or improved application solutions or that any such new or improved application solutions will meet market requirements and achieve market acceptance. Any failure in our research and development efforts to materialise could have an adverse impact on the business and prospects of our Group.

In addition, if any of our application solutions or refinements fail, it is possible that our customers may not consider us as a provider of such application solutions in the future.

### **Our insurance policies do not cover all operating risks**

We do not carry product liability insurance for our application solutions and application services. In the event that our customers suffer loss as a result of our defects in our application solution or service, we may need to pay compensation to our customers ourselves, that is uncovered by any insurance.

### **Our application solutions may contain undetected flaws or defects. Our business and reputation may be affected by product liability claim, litigation, complaints or adverse publicity in relation to our application solutions**

Our application solutions may contain latent defects or flaws. Although we test our application solutions prior to delivery, our application solutions may contain flaws that are not detected. Any flaws or defects discovered in our application solutions after delivery could result in loss of revenue or delay in revenue recognition, damage to our reputation and our relationship with customers, loss of customers and increased service and warranty cost, any of which could adversely affect our business, operating results and financial condition. If our application solutions fail to perform as expected, or proves to be defective, we may be subject to claims for compensation and may incur significant legal costs regardless of the outcome of any claim of alleged defect.

### **We are reliant on the PRC market and we may be unable to adjust our resources to other markets in the event of an economic downturn in the PRC**

Almost all of our revenue was derived directly from sales to customers in the PRC during the Track Record Period. We anticipate that sales to customers based in the PRC will continue to represent the vast majority of our revenue. Any adverse change in the economic conditions in the PRC may directly or indirectly affect the demand for our products and services.

### **Systems failures, delays and other problems could harm our reputation and business, cause us to lose customers and expose us to liability**

We may experience failure or interruption to our systems or services or other problems in connection with our operations as a result of various matters, including damage or interruption caused by fire, flood, power loss or power shortages; damage to or failure of our computer software or hardware or its infrastructure and connections; data processing errors by our systems; the loss or corruption of data; computer viruses or software defects; and security breaches or hackings. If we cannot adequately ensure the ability of our systems and services to perform at a consistently high level



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or if we otherwise consistently fail to meet customers' expectations, we may experience damage to our reputation; we may incur liabilities to customers under the contracts which we have in place with them; our operating expenses or capital expenditure may increase as a result of remedial action which we are required to take; and/or our customers may reduce their use of our services or seek an alternative service provider. These or any other consequences would adversely affect our revenues and results of operations.

### **We may be subject to project risks and variation in project size**

Our application solutions projects are typically contracted at a predetermined price and completion date. Implementation of these projects are subject to various factors such as cost of supplies, transportation delays, disruption of supply and increase in labour cost. Some of these factors may be beyond the control of us and our customers. These unforeseen factors which we are exposed to may affect the smooth implementation of these projects within the fixed budget and time frame which would cause cost overrun and penalties generally calculated on the basis of a predetermined percentage of the value of the sales contract. Such factors could, in turn, have an adverse effect on our financial position.

In addition, we provide application solutions to our customers on a project basis and the size of these projects may vary significantly. The significant variation in the size of the projects that we can secure may affect our allocation of resources and business performance and there is no assurance that we can secure large size projects or that such fluctuation in the size of our projects will not continue in the future.

### **There is no assurance that our plans will be achieved within the expected time frame or within the estimated budget**

The future plans as set forth in this prospectus are based on the existing plans and our intentions either at a conceptual or a preliminary state. These intentions and plans are based on assumptions, which by their nature are uncertain, subject to change, and may turn out to be inaccurate. Our actual course of action may therefore vary from our initial intentions or plans. There is no assurance that our plans will be achieved within the expected time frame or within the estimated budget and our business operation may be adversely affected as a result.

### **The Controlling Shareholders have the ability to exercise control over us, which allows them to influence our business in ways that may not be in the interests of other Shareholders**

Immediately following the completion of the Share Offer and the Capitalisation Issue (but without taking into account Shares which may be taken up or acquired under the Share Offer and any Shares which may be issued pursuant to the exercise of the Over-allotment Option and the options which may be granted under the Share Option Scheme, and assuming that the final Offer Price will be fixed at or above the Chengwei Conversion Trigger Price), the Controlling Shareholders will hold approximately 43.53% of our issued share capital. Accordingly, subject to the Articles of Association and applicable laws and regulations, the Controlling Shareholders will, through their voting rights and their influence over the board and the management, be able to influence our major policy decisions, including our overall strategic and investment decisions, dividend plans, issuances of securities and

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adjustments to our capital structure and other actions that may or may not require the approval of our Shareholders. As a result, the Controlling Shareholders will have the ability to exert significant influence over our actions and may have the ability to require us to effect corporate transactions irrespective of the desires of our other Shareholders.

The interests of the Controlling Shareholders may not always coincide with our or your best interests. If the interests of the Controlling Shareholders conflict with the interests of our other Shareholders, or if the Controlling Shareholders choose to cause our business to pursue strategic objectives that conflict with the interests of our other Shareholders, those other Shareholders, including you, may be disadvantaged as a result.

**Our sales are subject to cyclical fluctuations and an analysis of our interim financial performance may not be indicative of our full-year results**

Our sales are subject to cyclical fluctuations during a year. Generally, we experience higher sales during the second half of the year because most of our customers' annual budgets are finalized in March or April of each year. They normally carry out their procurement activities starting from May and June, however, it may vary considerably from time to time as a result of changes in customer demand. During the Track Record Period, excluding the sales generated from January to June each year, our aggregate second half year's sales were approximately 77%, 91%, 84% for each of the three years ended 31 December 2008 respectively.

Because there are usually higher sales during the second half of the year, we may experience tighter working capital in other months. If we are unable to carefully control our cash flow positions to support our ongoing capital commitments during these periods, our working capital for the purposes of our operations may be constrained, which could have an adverse impact on our business operations and financial conditions.

As a result of cyclicity of our business, our results of operations may fluctuate between the first half and the second half of any financial year and an analysis of our interim financial performance may not be indicative of our full-year results.

**Any decline in the ability of our sole operating subsidiary to pay dividends to us would adversely reduce our cash inflow**

We are a holding company and conduct substantially all of our operations through our principal operating subsidiary in the PRC, Noter. Most of our assets are held by, and most of our earnings and cash inflows are attributable to Noter. If the earnings from Noter are reduced or its operations are disrupted by any unforeseeable events, our cash flow will be reduced. The ability of Noter to pay dividends depends on business considerations including their operating results and cash flows and regulatory restrictions including their articles of association and applicable provisions of the PRC Company Law. In particular, under PRC law, Noter, being our sole operating subsidiary in the PRC, may only pay dividends after 10% of their net profit has been set aside as reserve fund. Under the PRC Enterprise Income Tax Law, which was promulgated on 16 March 2007 and became effective on 1 January 2008, and its implementing rules, dividends payable to foreign investors that are non-resident

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enterprise (enterprise that do not have an establishment or place of business in the PRC, or that have such establishment or place of business but the relevant income is not effectively connected with the establishment or place) are subject to a 10% withholding tax, which may be reduced if the foreign jurisdiction of incorporation has a tax treaty with the PRC that provides for a different withholding arrangement. Pursuant to a tax treaty between the PRC and Hong Kong, companies incorporated in Hong Kong may be subject to withholding taxes at a rate of 5% on dividends they receive from their PRC subsidiaries of which they directly hold at least 25% equity interests. As dividends from Noter will be paid to us through CAA BVI, our BVI subsidiary, then unless the PRC tax authority determines that our Group is eligible to the preferential withholding tax rate of 5%, those dividends may be subject to a withholding tax at the rate of 10%. In addition, other distributions by our subsidiaries to us (other than dividends) may be subject to governmental approval, approval by other shareholders and taxation. These restrictions could reduce the amount of distributions that we receive from our operating subsidiaries, which would restrict our ability to fund our operations on a group basis and generate income to pay dividends. Any future declaration of dividends may or may not be consistent with our historical declarations of dividends.

We cannot assure you that our operating subsidiaries will generate sufficient earnings and cash flows to pay dividends or otherwise distribute sufficient funds to enable us to meet our obligations or declare dividends.

### **Compliance with the relevant rules and regulations concerning system integration businesses in the PRC**

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

Pursuant to the CISI Rules, applicants for such qualification certificates must, *inter alia*, possess adequate expertise and industry experience and have carried out computer network system integration business for at least two years and have completed at least three projects. However, the CISI Rules do not prohibit a company from carrying out the computer network system integration business without a qualification certificates.

In February 2009, we were granted the qualification certificates. However, if there is any interpretation made by the relevant government authority or change in the PRC laws or regulations in the future, we may be required to obtain such qualification certificate to continue such computer network system integration business. There is no assurance that we may be able to obtain or renew the relevant qualification certificate.

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### **RISKS RELATED TO THE INDUSTRIES IN WHICH WE OPERATE**

#### **The PRC satellite and wireless telecommunications industry is subject to rapid changes in technology**

The satellite and wireless telecommunication industry, together with the related application solutions provision industry in the PRC, are characterised by rapidly changing technologies, evolving industry standards and continuing improvements. Accordingly, our future success will largely depend upon its continuing ability to adapt to customers' needs and technological developments in a timely manner. Should we be unable to develop and introduce new application solutions and application services in a timely manner in anticipation of or in response to changing technologies, market conditions and/or customers' requirements, or if our new application solutions and application services do not achieve market acceptance, our business, financial position and prospects may be materially damaged. There can be no assurance that we will be successful in using new technologies and adapting our products to emerging industry needs and standards, or that we will not experience difficulties which could delay or prevent the successful development or marketing of these application solution and application services, or that any such new application solution and application services will adequately meet the requirements of the market and receive market acceptance.

#### **There is no assurance that extensive government regulation of the telecommunications industry in China will not extend to our business environment in the future**

Currently, we are not subject to any restrictions or licence requirements specifically relating to the telecommunication industry, as we are not a telecommunication operator in China, which are subject to extensive regulation by and under the supervision of the MIIT. However, there is no assurance that such regulations will not be extended and thus apply to our business environment, which is associated with the telecommunication industry. If this occurs, we may need to incur additional cost to comply with such regulations. In addition, in the event that we fail to meet any new regulations, we may not be able to continue our business operation.

#### **We face significant competition in each of the markets in which we operate, which could materially lower our profitability**

Our market position depends upon our ability to anticipate and proactively deal with changes in economic and market conditions and evolving industry trends, as well as the following factors: introduction of new or superior products and services or more advanced technologies, adoption of more flexible pricing strategies by our competitors and changes in customers' needs and preferences. We cannot assure you that our current or potential competitors will not produce similar products or products of a better quality and/or provide similar or higher quality services at the same or lower prices than the prices at which our products and services are provided. Our competitors may also react more quickly to new or emerging technologies or changes in customer preferences. In addition, we may face greater than expected downward pricing pressure as a result of possible price competition by competitors seeking to stimulate demand in order to maintain or increase market share. Such competition could materially and adversely affect our results of operations and business prospects. Any adverse changes in our competitive environment could cause a reduction in the sales quantity or the sales price of our products, which would lower our profitability.

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### RISKS RELATED TO THE PRC

#### **Changes in PRC Government regulations and policies in relation to the industries in which we or our customers operate may have unfavourable impact on our business**

The PRC is a country that experiences constant changes in government regulations and policies. Our products and services can be applied across various industries, and each industry may experience different changes in government policies and regulations at any time. We cannot assure you that there will not be any unfavourable changes in the PRC Government policy that impact the industries in which we or our customers operate, which could in turn diminish the demand for our products and services.

#### **Political and economic policies of the PRC Government could undermine our business, results of operations and financial condition**

Substantially all of our business assets and operations are located in the PRC. As a result, our business, results of operations and financial condition are subject to the political, economic, legal and social conditions, laws, regulations and policies in the PRC. The economy of the PRC differs from the economies of most developed countries in such respects as structure, level of government involvement, level of development, growth rate, level and control of capital reinvestment, allocation of resources, rate of inflation and control of foreign exchange.

Before its adoption of reformation and open-door policies beginning in 1978, China was primarily a planned economy. Since that time, the PRC Government has been reforming the PRC economic system and has also begun reforming the government structure in recent years. These reforms have resulted in significant economic growth and social progress. Although the PRC Government still owns a significant portion of the productive assets in the PRC, economic reform policies since the late 1970s have emphasised autonomy in business management and the importance of market forces, especially where these policies apply to privately owned businesses such as ours. Although we believe these reforms will have a positive effect on our overall and long-term development, we cannot predict whether changes in the PRC's political, economic and social conditions, laws, regulations and policies will undermine our current or future business, results of operations or financial condition.

#### **The newly enacted PRC Employment Contract Law may increase our labour costs**

The PRC Employment Contract Law became effective on 1 January 2008. Compliance with the requirements under this new law, in particular, the requirements of severance payment and non-fixed term employment contracts, may increase our labour costs.

Pursuant to the PRC Employment Contract Law, our subsidiaries in China are required to enter into non-fixed term employment contracts with employees who have worked for us for more than 10 years or for whom a fixed term employment contract has been concluded for two consecutive terms. We may not be able to efficiently terminate non-fixed term employment contracts under the new PRC Employment Contract Law without cause. We are also required to make severance payments to fixed term contract employees when the term of their employment contract expires, unless the employee

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voluntarily terminates the contract or voluntarily rejects an offer to renew the contract in circumstances where the conditions offered by the employer are the same as or better than those stipulated in the current contract. The amount of severance payment is equal to the monthly wage of the employee multiplied by the number of full years that the employee has worked for the employer, except in circumstances where the employee's monthly wage is three times or more than the average monthly wage in the relevant district or locality, in which case the calculation of the severance payment will be based on a monthly wage equal to three times the average monthly wage multiplied by a maximum of twelve years. A minimum wage requirement has also been incorporated into the PRC Employment Contract Law. Fines may be imposed for any material breach of the PRC Employment Contract Law.

As a result of the requirements imposed by the PRC Employment Contract Law, our historical labour costs may not be indicative of our labour costs going forward. Compliance with the relevant laws and regulations may substantially increase our operating costs, thus may have a material adverse effect on our results of operations.

**The PRC legal system is not fully developed and there are inherent uncertainties that could limit the legal protections available to our Shareholders**

The PRC legal system is based on written statutes and their interpretations by the Standing Committee of the National People's Congress. Prior court decisions may be cited for reference. Since 1979, the PRC Government has been developing a comprehensive system of commercial laws, and considerable progress has been made in introducing laws and regulations dealing with economic matters such as foreign investment, corporate organisation and governance, commerce, taxation and trade. However, because these laws and regulations are relatively new, as well as the limited number of published cases and their non-binding nature, the interpretation and enforcement of these laws and regulations involve uncertainties.

As an investor holding our Shares, you hold an indirect interest in our operations in China, which are subject to PRC regulations governing PRC companies. These regulations contain provisions that are required to be included in the articles of association of PRC companies and are intended to regulate the internal affairs of these companies. The PRC Company Law and these regulations, in general, and the provisions for the protection of Shareholders' rights and access to information, in particular, are less developed than those applicable to companies incorporated in Hong Kong, the United States and other developed countries or regions. Therefore, our PRC subsidiaries (and indirectly, you) do not enjoy all the shareholder protections that are available in the more developed jurisdictions.

**PRC Government control of currency conversion and future movements in exchange rates may weaken our ability to distribute dividends, increase competition from imports, affect the value of our net assets, earnings and dividends in foreign currency terms, or inhibit our ability to import our products**

The Renminbi currently is not a freely convertible currency. Presently, our operations are wholly in China and we receive almost all of our revenues in Renminbi. Therefore, fluctuations in the Renminbi exchange rate against other currencies currently does not have a material impact on the results of our operations. However, we do purchase certain products from overseas suppliers and are

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therefore subject to foreign exchange risk impact in that respect. The fact that we will be required to pay dividends in currencies other than Renminbi to our Shareholders will also increase our foreign-currency denominated obligations, which, in turn, expose us to greater foreign exchange risk.

As a result, our results of operations are exposed to fluctuations in the Renminbi exchange rate against foreign currencies. The value of the Renminbi may fluctuate due to a number of factors. Since 1994, the conversion of Renminbi into foreign currencies, including the HK dollar and US dollar, has been based on the rate set by the PBOC and the official exchange rate for the conversion of Renminbi to US dollars has generally been stable. On 21 July 2005, the revaluation of the Renminbi resulted in an appreciation of the Renminbi against the US dollar and the HK dollar by approximately 2%. As of 31 December 2008, the Renminbi has appreciated in total by approximately 18.7% since that date. As of 21 July 2005, the Renminbi was no longer pegged to the US dollar but to a basket of currencies.

Any future exchange rate volatility relating to Renminbi may give rise to uncertainties in the value of our net assets, earnings and dividends. An appreciation of Renminbi may result in increased competition from foreign competitors; a devaluation of Renminbi may adversely affect the value of our net assets, earnings and dividends in foreign currency terms.

Our PRC subsidiary is subject to the PRC rules and regulations on currency conversion. The ability of our PRC subsidiary to pay dividends or make other distributions to us may be restricted by these PRC foreign exchange control restrictions. In addition, under PRC law and upon the Listing on the Stock Exchange, our PRC subsidiary may only pay dividends out of distributable reserves as determined under PRC GAAP. As a result, our PRC subsidiary may not have sufficient or any distributable reserves to make dividend distributions to us in the future, including in periods in which their financial statements indicate that operations have been profitable. We cannot assure you that the relevant regulations will not be amended to our disadvantage and that the ability of our PRC subsidiary to distribute dividends to us will not be weakened.

Under the existing foreign exchange regulations in the PRC, we may undertake current account foreign exchange transactions, including payment of dividends, without prior approval from SAFE by producing commercial documents evidencing such transactions, provided that they are processed through designated banks licensed to engage in foreign currency transactions. However, foreign exchange transactions for capital account purposes, which may include direct overseas investment and various international loans, require the prior approval of, or registration with, SAFE. If we are unable to obtain SAFE's consent to convert Renminbi into foreign currencies for such purposes, our capital expenditure plan and, consequently, our results of operations and financial condition could be adversely affected.

**If the favourable tax treatment that we currently receive is altered or eliminated, our financial result may be adversely affected**

The rate of income tax chargeable to companies in the PRC may vary depending on the availability of preferential tax treatment or subsidies based on their industry or location. Our principal



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## RISK FACTORS

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operating subsidiary, namely Noter, is currently subject to a preferential tax treatment. Please refer to the section headed “Financial information — Significant factors affecting our results of operations — Taxes” in this prospectus for information regarding the preferential tax treatment currently enjoyed by our PRC subsidiary in the PRC.

The PRC Enterprise Income Tax Law was promulgated on 16 March 2007 and has become effective on 1 January 2008. The new law revoked most of the preferential treatments for foreign-invested enterprises and adopted a uniform corporate income tax of 25% to both domestic and foreign invested enterprises in the PRC. However, our existing preferential tax treatments for foreign-invested enterprises will have a grace period of up to five years following the effective date of the new income tax law. Accordingly, when the preferential tax treatment currently enjoyed by Noter expires, we will be required to pay a greater amount of taxes, which may materially and adversely affect our results of operations.

### **Epidemics, acts of war and other disasters**

Our business is subject to general economic and social conditions in the PRC. Natural disasters, epidemics and other acts of God which are beyond human control may adversely affect the economy, infrastructure and livelihood of the people of the PRC. Many major cities in the PRC are under threat of flood, earthquake, typhoon, sandstorm or drought. Our business, operation results and financial condition may be adversely affected if such natural disasters occur. In particular, any future outbreaks of SARS, Avian Flu or any other epidemic could have an adverse effect on our results of operation.

In addition, acts of war and terrorist attacks may cause damage or disruption to our operation, employees, markets or customers, any of which could adversely impact our turnover, cost of goods sold, overall results and financial condition or Share price. Potential war or terrorist attacks may also cause uncertainty and cause the business to suffer in ways that we cannot currently predict.

### **An outbreak of influenza A (H1N1) or any other similar epidemic may, directly or indirectly, adversely affect our operating results**

As at 13 August 2009, there are officially reported over 182,166 laboratory-confirmed cases of new influenza A (H1N1) infection. A total of 1,799 new influenza A (H1N1) infection-related deaths have been reported around the world. The virus is transmitted sufficiently easily from person-to-person to sustain institutional and community outbreaks and to spread regionally. If any of our employees are identified as a possible source of spreading the new influenza A (H1N1) virus or other similar epidemic, we may be required to quarantine the employees that have been suspected of becoming infected, as well as others that have come into contact with those employees. We may also be required to disinfect our affected operational premises, which could adversely affect our operations. Even if we are not directly affected by the epidemic, an outbreak of influenza A (H1N1) or other similar epidemic inside the PRC, could slow down or disrupt the level of economic activity generally, which could in turn adversely affect our operating results.



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## RISK FACTORS

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### RISKS RELATED TO THE SHARE OFFER

**There has been no prior public market for our Shares, and an active trading market may not be developed after the Share Offer and our results of operations could be materially affected by the current market fluctuations and economic downturn**

Although our results of operations are predominately affected by conditions in the financial markets and economic conditions in the PRC, it is possible the current market fluctuations and economic downturn around the world will have a material adverse effect on the PRC which would in turn adversely affecting our operations and business. Recently, concerns over inflation, energy costs, geopolitical issues, the availability and cost of credit, the U.S. mortgage market and a declining residential real estate market in the U.S. have contributed to unprecedented levels of market volatility and diminished expectations for the global economy and the markets in the future. These factors, coupled with declining business and consumer confidence and increased unemployment, have precipitated an economic slowdown and fear of a possible recession. If the current market fluctuation continues and the global economy, particularly the PRC, experiences a slowdown or downturn our business, financial condition, results of operations and the price of our Shares will likely be affected materially. There has been no public market for our Shares. If an active trading market of our Shares does not develop, the price of our Shares may suffer and may decline below the Offer Price.

Prior to the Share Offer, there was no public market for our Shares. The initial Offer Price range to the public for our Shares was the result of negotiations among the Underwriters and us, and the Offer Price may differ significantly from the market price for our Shares following the Share Offer. We have applied to list and deal in our Shares on the Stock Exchange. However, a listing on the Stock Exchange does not guarantee that an active trading market for our Shares will develop following the Share Offer or in the future.

### **The liquidity and market prices of our Shares following the Share Offer may be volatile**

The price and trading volume of our Shares may be highly volatile. Factors such as variations in our revenues, earnings and cash flows, announcements of new investments, strategic alliances and/or acquisitions, fluctuations in market prices for our products and services or fluctuations in market prices for companies in our industry could cause the market price of our Shares to change substantially. Any such development may result in large and sudden changes in the volume and price at which our Shares will trade.

Financial markets around the world have been experiencing heightened volatility and turmoil in the last 12 months. During such period, the volatility and turmoil have reached unprecedented levels. Upon listing, the price and trading volume of our Shares will likely be subject to similar market fluctuations which may be unrelated to our operating performance or prospects. Factors that may significantly impact the volatility of our stock price include:

- (i) developments in our business or in the financial sector generally, including the effect of direct governmental actions in the financial markets;

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## RISK FACTORS

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- (ii) the operating and securities price performance of companies that investors consider to be comparable to us;
- (iii) announcements of strategic developments, acquisitions and other material events by us or our competitors; and
- (iv) changes in global financial markets and global economies and general market conditions, such as interest or foreign exchange rates as well as stock and commodity valuations and volatility.

We can give no assurance that these developments will not occur in the future. In addition, shares of other companies listed on the Stock Exchange with significant operations and assets in the PRC have experienced substantial price volatility in the past, and it is possible that our Shares will be subject to changes in price that may not be directly related to our financial or business performance.

**A potential sale of Shares by our existing Shareholders could have an adverse effect on our Share price**

Future sales of a substantial number of our Shares by our existing Shareholders, or the possibility of such sales, could negatively impact the market price of our Shares in Hong Kong and our ability to raise equity capital in the future at a time and price that we deem appropriate.

The Shares held by all our existing Shareholders are subject to a six-month lock-up period following the Listing Date pursuant to Rule 10.07 of the Listing Rules and/or the contractual lock-up as further described in section headed “Underwriting”. While we are not aware of any intentions of such Shareholders to dispose of their Shares after the completion of the lock-up periods, we are not in a position to give any assurance that they will not dispose of any Shares they own now or in the future.

**Our ability to raise capital in the future may be limited, and our failure to raise capital when needed could prevent us from executing our growth strategy successfully**

We believe that our existing cash and cash equivalents together with the net proceeds from this Share Offer will be sufficient to meet our anticipated cash needs for the next 12 months from the date of the Listing. The timing and amount of our working capital and capital expenditure requirements may vary significantly depending on a number of factors, including market acceptance of our products, the need to adapt to changing technologies and technical requirements, and the existence of opportunities for expansion.

If our capital resources are insufficient to satisfy our liquidity requirements, we may seek to sell additional equity securities or debt securities or obtain debt financing. The sale of additional equity securities or convertible debt securities could result in additional dilution to our Shareholders. Additional debt would result in increased expenses and could result in covenants that would restrict our operations. We have not made arrangements to obtain additional financing, and there is no assurance that financing, if required, will be available in amounts or on terms acceptable to us, if at all.

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## RISK FACTORS

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### **There are risks associated with forward-looking statements**

This prospectus contains certain statements and information that are “forward-looking” and uses forward-looking terminology such as “anticipate”, “believe”, “could”, “expect”, “estimate”, “may”, “should” or “will”. Those statements include, among other things, the discussion of our growth strategy and expectations concerning our future operations, liquidity and capital resources. Purchasers of the Shares are cautioned that reliance on any forward-looking statement involves risks and uncertainties and that, although we believe that the assumptions upon which the forward-looking statements are based are reasonable, any or all of those assumptions could prove to be incorrect and as a result, the forward-looking statements based on those assumptions could also be incorrect. The uncertainties in this regard include, but are not limited to, those identified in this “Risk Factors” section, many of which are not within our control. In light of these and other uncertainties, the inclusion of forward-looking statements in this prospectus should not be regarded as representations by us that our plans or objectives will be achieved, and investors should not place undue reliance on such forward-looking statements. We do not undertake any obligation to update publicly or release any revisions of any forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise.

### **Certain facts and statistics contained in this prospectus have come from official government publications whose reliability cannot be assumed or assured**

Certain facts and statistics in this prospectus related to the PRC, its economy and the industries in which we operate within the PRC are derived from official government publications generally believed to be reliable. While we have taken reasonable care to reproduce such information, we cannot guarantee the quality and reliability of such source material. These facts and statistics have not been independently verified by us and therefore we make no representation as to the accuracy of such facts and statistics, which may not be consistent with other information compiled within or outside the PRC and may not be complete or up-to-date.

Due to possible flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the statistics herein may be inaccurate or may not be comparable from period to period or to statistics produced for other economies and should not be unduly relied upon. Further, there can be no assurance that they are stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere.

In all cases, investors should give consideration as to how much weight or importance they should place upon all such facts and statistics.

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## RISK FACTORS

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**You should read the entire prospectus carefully and we strongly caution you not to place any reliance on any information contained in press articles or other media, including, in particular, any projections, valuations, future development plans, other forward-looking information or information about our Company**

There has been press coverage, particularly in Hong Kong Economic Journal dated 25 August 2009 and Sing Pao Daily News dated 26 August 2009, which include information about our investors, certain projections, valuations, proposed proceeds of the Share Offer, future development plans and other forward-looking information about us. We wish to emphasize to potential investors that we do not accept any responsibility for the accuracy or completeness of such press articles or other media and that such press articles or other media were not prepared or approved by us. We make no representation as to the appropriateness, accuracy, completeness or reliability of any of the projections, valuations, future development plans or other forward-looking information about us, or of any assumptions underlying such projections, valuations, future development plans other forward-looking information or information about our Company, included in or referred to by the media. To the extent that any such statements are inconsistent with, or conflict with, the information contained in this prospectus, we disclaim them. Accordingly, prospective investors should not rely on any such information.

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## INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

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### DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus includes particulars given in compliance with the Hong Kong Companies Ordinance, the Securities and Futures (Stock Market Listing) Rules and the Listing Rules for the purposes of giving information to the public with regard to our Group. Our Directors collectively and individually accept full responsibility for the accuracy of the information contained in this prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts, the omission of which would make any statement in this prospectus misleading.

### UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offering. For applicants under the Hong Kong Public Offering, this prospectus and the related Application Forms contain the terms and conditions of the Hong Kong Public Offering. The Share Offer comprises the Hong Kong Public Offering of initially 25,000,000 Shares and the International Placing of initially 225,000,000 Shares (subject, in each case, to reallocation on the basis described in the section headed "Structure of the Share Offer" in this prospectus).

The listing of the Shares on the Stock Exchange is sponsored by Guotai Junan Capital. Pursuant to the Hong Kong Underwriting Agreement, the Hong Kong Public Offering is underwritten by the Hong Kong Underwriters and the International Placing is managed by the Lead Manager and is underwritten by the International Underwriters. The International Underwriting Agreement is expected to be entered into on or about the Price Determination Date, subject to the agreement on the Offer Price between the Company and the Lead Manager, on behalf of the Underwriters. If, for any reason, the Offer Price is not agreed between our Company and the Lead Manager, for itself and on behalf of the Underwriters, the Share Offer will not proceed.

Further details about the Underwriters and the underwriting arrangements are contained in the section headed "Underwriting" in this prospectus.

### DETERMINATION OF THE OFFER PRICE

The Offer Shares are being offered at the Offer Price which will be determined by the Lead Manager (for itself and on behalf of the Underwriters) and the Company on or about 5:00 p.m. (Hong Kong time) on Thursday, 10 September 2009, or such later date as may be agreed between the Lead Manager and our Company but in any event no later than 5:00 p.m. (Hong Kong time) on Monday, 14 September 2009.

**If the Lead Manager (for itself and on behalf of the Underwriters) and our Company are unable to reach an agreement on the Offer Price on or before the Price Determination Date, the Share Offer will not become unconditional and will lapse.**

### RESTRICTIONS ON SALE OF SHARES

Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offering will be required to confirm, or be deemed by his acquisition of Hong Kong Offer Shares to confirm, that he is aware of the restrictions on offers and sales of the Offer Shares described in this prospectus.

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## INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

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No action has been taken to permit a public offer of the Offer Shares or the general distribution of this prospectus and/or the related Application Forms in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purposes of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. The Offer Shares are offered for subscription solely on the basis of the information contained and representations made in this prospectus. No person is authorised in connection with the Share Offer to give any information, or to make any representation, not contained in this prospectus, and any information or representation not contained in this prospectus must not be relied upon as having been authorised by our Company, the Underwriters, any of their respective directors or any other persons or parties involved in the Share Offer.

### **United States**

The Offer Shares have not been and will not be registered under the U.S. Securities Act and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act.

The Offer shares are being offered and sold outside the United States to non-U.S. person in reliance on Regulation S.

In addition, until 40 days after the first date upon which the Offer Shares were bona fide offered to the public, an offer of the Offer Shares within the United States by a dealer may violate the registration requirements of the Securities Act.

The Offer Shares have not been approved or disapproved by the United States Securities and Exchange Commission, any state securities commission in the United States or any other United States regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the Share Offer or the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offence in the United States.

### **United Kingdom**

This prospectus has not been approved by an authorised person in the United Kingdom and has not been registered with the Registrar of Companies in the United Kingdom. The Offer Shares have not been offered or sold, and prior to the expiry of a period of six months from the latest date of the issue of the Offer Shares, the Offer Shares may not be offered or sold to any persons in the United Kingdom except to qualified investors within the meaning of section 86 of the Financial Services and Markets Act 2000, as amended (“FSMA”). In the United Kingdom, this prospectus is directed at, and its distribution is restricted to, persons who are investment professionals within the meaning of Article 19 of the FSMA (Financial Promotion) Order 2005 (as amended).

This prospectus is directed only at persons having professional experience in investments. Any investment or investment activity to which it relates is available only to such persons and will be engaged in only with such persons. Persons who do not have professional experience in investments should not rely on this prospectus.

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## INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

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### Singapore

This prospectus has not been, and will not be, lodged with or registered as a prospectus by the Monetary Authority of Singapore in Singapore. Accordingly, this prospectus and any other document or material in connection with the offer of the Offer Shares may not be issued, circulated or distributed in Singapore nor may any of the Offer Shares be offered for subscription or purchase or made the subject of an invitation or offer for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) an institutional investor under Section 274 of the Securities and Futures Act, (ii) to a relevant person (as defined in Section 275(2)), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275 or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the Securities and Futures Act.

Where the Offer Shares are subscribed or purchased under Section 275 by a relevant person, namely a person which is:

- (a) a corporation (which is not an accredited investor) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an accredited investor, that shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest in that trust shall not be transferable for six months after that corporation or that trust has acquired the Offer Shares under Section 275 except:
  - (1) to an institutional investor under Section 274, or to a relevant person, or to any person pursuant to an offer that is made on terms that such rights or interest are acquired at a consideration of not less than S\$200,000 (or its equivalent in a foreign currency) for each transaction, whether such amount is to be paid for in cash or by exchange of securities or other assets;
  - (2) where no consideration is given for the transfer; or
  - (3) by operation of law.

Furthermore, no advertisement may be made offering or calling attention to an offer or intended offer of the Offer Shares.

### Japan

Japan The Offer Shares have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948 as amended) (the "Financial Instruments and Exchange Law") and disclosure under the Financial Instruments and Exchange Law has not been and will not be made with respect to the Offer Shares. Accordingly, the Offer Shares will not be, directly or indirectly, offered or sold in Japan or to, or for the benefit of, any resident of Japan or to others

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## INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

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for re-offering or re-sale, directly or indirectly in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Law and other relevant laws and regulations of Japan. As used in this paragraph, “resident of Japan” means any person residing in Japan, including any corporation or other entity organised under the laws of Japan.

### PRC

This prospectus does not constitute a public offer of the Offer Shares, whether by way of sale or subscription, in the PRC. The Offer Shares are not being offered and may not be offered or sold directly or indirectly in the PRC to, or for the benefit of, legal or natural persons of the PRC, except pursuant to applicable laws and regulations of the PRC. For the purpose of this paragraph, PRC does not include Hong Kong, Macau and Taiwan.

### Cayman Islands

The Offer Shares may not be offered or sold, directly or indirectly, to the public in the Cayman Islands.

### APPLICATION FOR LISTING ON THE STOCK EXCHANGE

Application has been made to the Listing Committee for the listing of, and permission to deal in, Shares in issue and to be issued pursuant to the Capitalisation Issue and the Share Offer (including Shares which may fall to be issued pursuant to the exercise of the Over-allotment Option) and upon the exercise of options which may be granted under the Share Option Scheme, being up to 10% of the Shares in issue on the Listing Date.

Save as disclosed herein, no part of the share or loan capital of our Company is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or is proposed to be sought in the near future.

Under section 44B(1) of the Hong Kong Companies Ordinance, any allotment made in respect of any application will be void if the listing of, and permission to deal in, the Offer Shares on the Stock Exchange is refused before the expiration of three weeks from the date of the closing of the application lists, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to us by the Stock Exchange.

### HONG KONG SHARE REGISTER AND STAMP DUTY

All Shares in issue or to be issued pursuant to the Share Offer will be registered on our Company’s register of members to be maintained in Hong Kong. Our Company’s principal register of members will be maintained by our Company’s principal share registrar in the Cayman Islands.

Dealings in the Shares registered in our register of members in Hong Kong will be subject to Hong Kong stamp duty.



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## INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

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Unless determined otherwise by our Company, dividends payable in HK dollars in respect of Shares will be paid to the Shareholders listed on our register of members in Hong Kong of our Company, by ordinary post, at the Shareholders' risk, to the registered address of each shareholder of our Company.

### SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of listing of, and permission to deal in, the Shares on the Stock Exchange and our Company's compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as HKSCC chooses.

Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements have been made for the Shares to be admitted into CCASS. Investors should seek the advice of their stockbroker or other professional adviser for details of those settlement arrangements and how such arrangements will affect their rights and interests.

### TAX ADVICE RECOMMENDED

Applicants for the Offer Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of holding and dealing in the Shares. It is emphasised that none of our Company, the Underwriters, the Sponsor, any of their respective directors, supervisors, agents or advisers or any other person involved in the Share Offer accepts responsibility for any tax effects or liabilities of holders of Shares resulting from the subscription, purchase, holding or disposal of Shares.

### OVER-ALLOTMENT AND STABILISATION

In connection with the Share Offer, the Lead Manager (on behalf of the International Underwriters) or any person acting for it may over-allocate and/or effect transactions with a view to supporting the market price of the Shares at a level higher than that which might otherwise prevail in the open market for a limited period. However, there is no obligation on the Lead Manager or any person acting for it to do this. Such stabilisation action, if taken, may be discontinued at any time and is required to be brought to an end after a limited period.

In connection with the Share Offer, our Company has granted to the Lead Manager the Over-allotment Option, which will be exercisable in full or in part by the Lead Manager from the Listing Date up to the day which is the 30th day after the last day for the lodging of applications under the Hong Kong Public Offering. Pursuant to the Over-allotment Option, our Company may be required to issue and allot at the Offer Price up to an aggregate of 37,500,000 additional Shares, representing 15% of the total number of Shares initially available under the Share Offer, for the sole purpose of covering over-allocations in the International Placing, if any.

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## **INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER**

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Further details with respect to stabilisation and the Over-allotment Option are set out in the section headed “Structure of the Share Offer — Over-allotment and stabilisation” of this prospectus.

### **PROCEDURES FOR APPLICATION FOR SHARES**

The procedures for applying for the Hong Kong Offer Shares are set out in the section headed “How to Apply for the Hong Kong Offer Shares” and on the relevant Applications Forms.

### **STRUCTURE OF THE SHARE OFFER**

Details of the structure of the Share Offer, including its conditions, are set out in the section headed “Structure of the Share Offer” in this prospectus.

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## DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

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### DIRECTORS

Name	Residential Address	Nationality
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#### *Executive Directors*

CHAN Yuen Ming	Flat A, 27/F, Tower 17 Laguna Grande Laguna Verde 8 Laguna Verde Avenue Kowloon Hong Kong	Chinese
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SHAO Kwok Keung	Flat D, 6/F, Block 3 The Astoria 198 Argyle Street Kowloon Hong Kong	Chinese
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GAO Hou Ming	1-302 Jin Tai Mansion Economic & Development Zone Beijing PRC	Chinese
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#### *Independent non-executive Directors*

PUN Yan Chak	Flat B, 20/F, Tower 19 Laguna Grande Laguna Verde 8 Laguna Verde Avenue Kowloon Hong Kong	British
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WONG Che Man, Eddy	Room D, 13/F Scholastic Garden 48 Lyttelton Road Mid-level Hong Kong	Chinese
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LAM Kin Hung, Patrick	Flat B, 25/F Block 1, Majestic Park 11 Farm Road Kowloon Hong Kong	Chinese
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## DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

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### PARTIES INVOLVED IN THE SHARE OFFER

<b>Sole sponsor</b>	Guotai Junan Capital Limited 27/F., Low Block, Grand Millennium Plaza 181 Queen's Road Central Hong Kong
<b>Sole global coordinator, bookrunner and lead manager</b>	Guotai Junan Securities (Hong Kong) Limited 27/F., Low Block, Grand Millennium Plaza 181 Queen's Road Central Hong Kong
<b>Auditors and reporting accountants</b>	KPMG <i>Certified Public Accountants</i> 8th Floor, Prince's Building 10 Chater Road Central Hong Kong
<b>Our legal advisers</b> <i>as to Hong Kong law</i>	Chiu & Partners 41/F, Jardine House 1 Connaught Place Central Hong Kong
<i>as to PRC law</i>	Commerce & Finance Law Offices 6F NCI Tower A12 Jianguomenwai Avenue Chaoyang District Beijing, PRC, Postcode: 100022
<i>As to Cayman Islands law</i>	Conyers Dill & Pearman Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands

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## DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

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**Legal advisers to the Sponsor  
and the Underwriters**  
*as to Hong Kong law*

Charltons  
10/F, Hutchison House  
10 Harcourt Road  
Central  
Hong Kong

**Property valuer**

BMI Appraisals Limited  
Suite 11-18, 31/F., Shui On Centre  
6-8 Harbour Road  
Wanchai  
Hong Kong

**Receiving bankers**

Bank of Communications Co., Ltd. Hong Kong Branch  
20 Pedder Street  
Central  
Hong Kong

Wing Lung Bank Limited  
45 Des Voeux Road Central  
Hong Kong

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## CORPORATE INFORMATION

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<b>Registered Office</b>	Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
<b>Head office, headquarter and principal place of business in Hong Kong</b>	Room 406, 4/F, Empire Centre 68 Mody Road Kowloon Hong Kong
<b>Compliance adviser</b>	Guotai Junan Capital Limited
<b>Company secretary</b>	HO Hau Yin ( <i>HKICPA, FCCA</i> )
<b>Authorised representatives</b>	CHAN Yuen Ming Flat A, 27/F, Tower 17 Laguna Grande Laguna Verde 8 Laguna Verde Avenue Kowloon, Hong Kong  SHAO Kwok Keung Flat D, 6/F, Block 3 The Astoria 198 Argyle Street Kowloon, Hong Kong
<b>Audit committee</b>	WONG Che Man, Eddy ( <i>Chairman</i> ) ( <i>FCCA</i> ) PUN Yan Chak LAM Kin Hung, Patrick
<b>Remuneration committee</b>	PUN Yan Chak ( <i>Chairman</i> ) WONG Che Man, Eddy ( <i>FCCA</i> ) SHAO Kwok Keung
<b>Nomination committee</b>	LAM Kin Hung, Patrick ( <i>Chairman</i> ) WONG Che Man, Eddy ( <i>FCCA</i> ) SHAO Kwok Keung
<b>Hong Kong branch share registrar and transfer office</b>	Union Registrars Limited Rooms 1901-02 Fook Lee Commercial Centre Town Place 33 Lockhart Road Wanchai, Hong Kong

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## CORPORATE INFORMATION

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**Cayman Islands share registrar  
and transfer office**

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

**Principal bankers**

Bank of China (Hong Kong) Limited  
9/F Bank of China Tower  
1 Garden Road  
Hong Kong

**Company website address**

[www.chinaallaccess.com](http://www.chinaallaccess.com)\*

\* The contents of the website do not form part of the prospectus.

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## INDUSTRY OVERVIEW

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

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

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



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## INDUSTRY OVERVIEW

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### **Public safety**

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

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

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

### **City integrated management**

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

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

### **City emergency communication**

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

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## INDUSTRY OVERVIEW

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

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

### Government Policies

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

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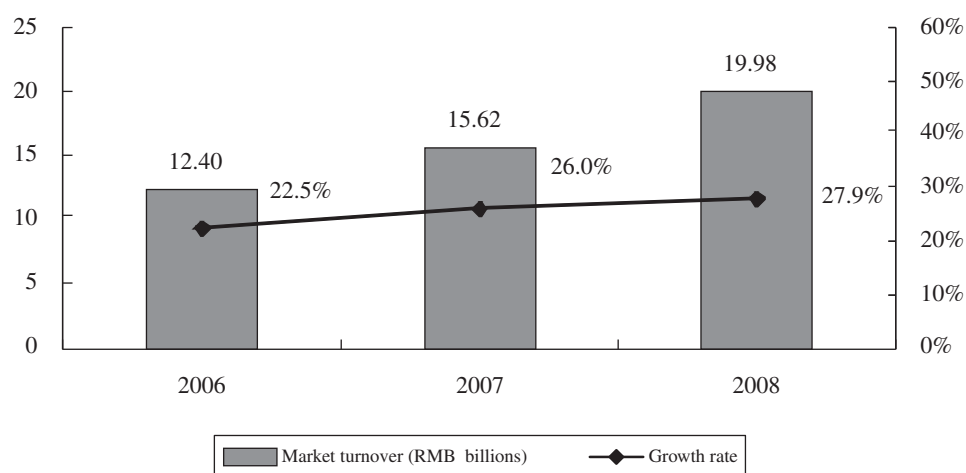
## INDUSTRY OVERVIEW

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### The Market in General

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

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



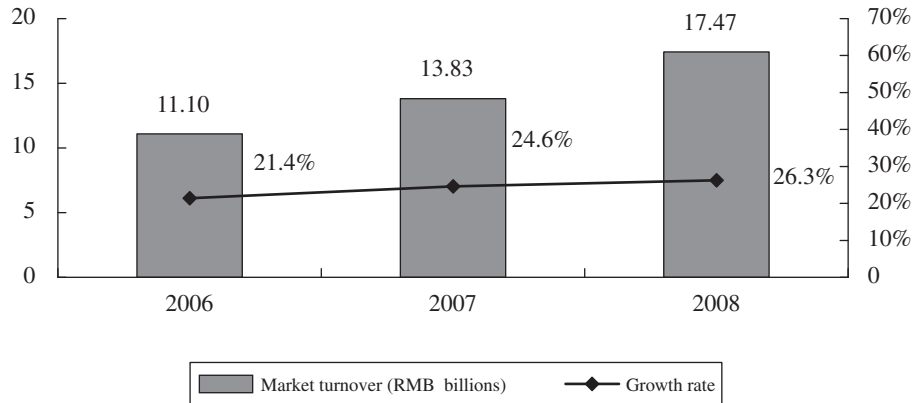
Source: CCID Consulting

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

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

## INDUSTRY OVERVIEW

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

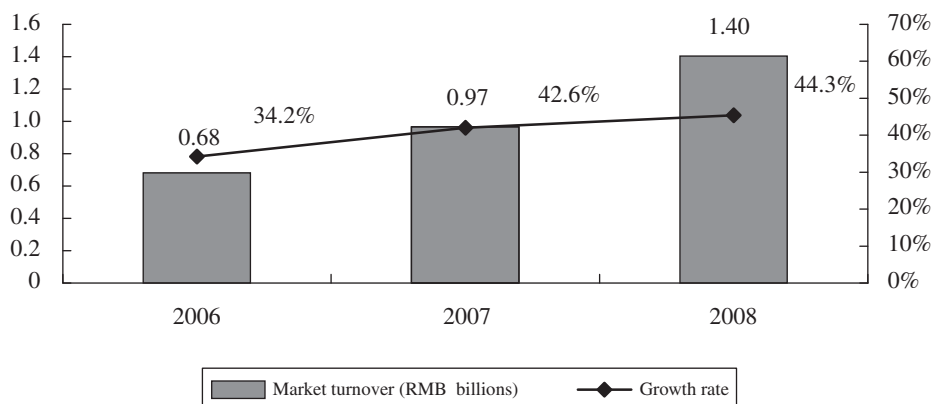


Source: CCID Consulting

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

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

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



Source: CCID Consulting

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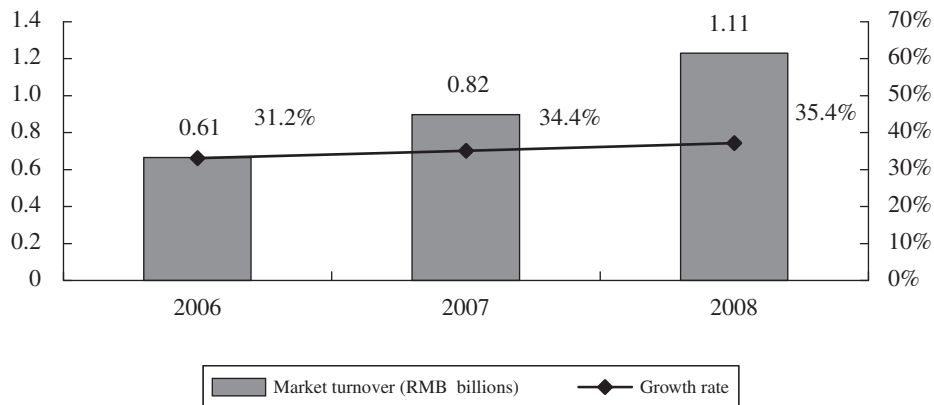
## INDUSTRY OVERVIEW

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

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

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



Source: CCID Consulting

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

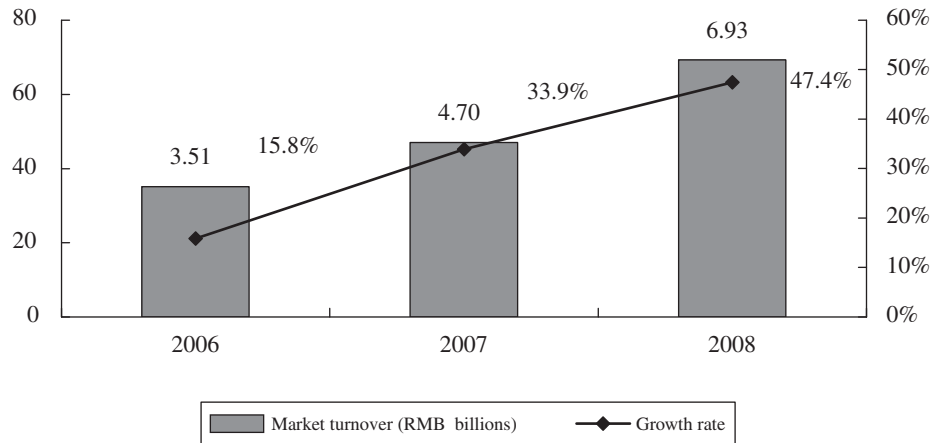
According to CCID Consulting, as the markets for application solutions used for public safety, city integrated management and emergency communication services grow, the market for provision of application services, which include application solution operation management, application upgrade and system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

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## INDUSTRY OVERVIEW

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



Source: CCID Consulting

### Forecast of the Market in General

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

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

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

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

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

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## INDUSTRY OVERVIEW

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

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

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

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

### **Competition of the Provision of Satellite Communication Application Solutions Market**

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

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

### **Competition of the Provision of Wireless Communication Application Solutions Market**

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

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

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

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## INDUSTRY OVERVIEW

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

### **Competition of the Provision of Call Centre Application Services Market**

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

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

### **Competition of the Provision of Application Services Market**

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

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

#### **The CISI Rules**

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



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## INDUSTRY OVERVIEW

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

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

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

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

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### **The Encouraging Policies and the Software Administration Measures**

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

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

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

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

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## HISTORY AND DEVELOPMENT

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### CORPORATE DEVELOPMENT

#### (a) Hebei SkyComm

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

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

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

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## HISTORY AND DEVELOPMENT

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

### **(b) Shanghai SkyComm**

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

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

### **(c) The Reorganisation**

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

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## HISTORY AND DEVELOPMENT

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

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

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

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

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## HISTORY AND DEVELOPMENT

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

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

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

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

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

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



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

### SHAREHOLDERS' AGREEMENT WITH ATLANTIS AND FMG

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

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



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

- (A) Anti-dilution: If our Company issues new Shares or any other equitable instruments including, but not limited to, rights or warrants for new Shares (“**New Equity Interests**”), but excluding Shares to be issued (i) upon the conversion of the Note or the convertible loans to Profit Concept and Even Grow; or (ii) pursuant to the Share Offer or the Capitalisation Issue; or (iii) pursuant to the exercise of the Over-allotment Option; or (iv) pursuant to any grant of options or awards of Shares, or allotment and issue of Shares pursuant to any employee incentive scheme in compliance with the Listing Rules (collectively, the “**Permitted Issues**”), our Company shall offer, allot and issue to each of Atlantis and FMG such number of New Equity Interests such that they will hold in aggregate 13.8% of the issued share capital of our Company after the enlargement by the allotment and issue of the New Equity Interests at a price per Share (or other equity interest) equal to 75% of the issue price and on the same terms and conditions as specified by our Company. In the event that the aggregate shareholding of Atlantis and FMG in our Company fall below 13.8% for any reason other than the Permitted Issues, Mr. Chan, Creative Sector, CAA BVI and our Company shall take such steps to reinstate the aggregate shareholding of Atlantis and FMG in our Company at not less than 13.8%.
- (B) Restriction on transfer of Shares by Mr. Chan and/or Creative Sector: Unless with the consent of Atlantis (for itself and on behalf of FMG), no transfer of Shares held by Mr. Chan and/or Creative Sector can be effected except transfers expressly authorised by Atlantis (for itself and on behalf of FMG) and save for any transfer of Shares by Mr. Chan and/or Creative Sector (i) pursuant to the Share Offer; (ii) pursuant to the Stock Borrowing Agreement; or (iii) the conversion of the Note and/or the convertible loans to Profit Concept and Even Grow, and subject further to the entering into of a deed of adherence in the agreed form.

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| (C) Restriction on disposal of interests in the subsidiaries: | Unless with the consent of Atlantis (for itself and on behalf of FMG), save in connection with the Share Offer and/or the Listing, each of Creative Sector and our Company shall procure that any of its subsidiaries shall not agree to effect or permit the disposal, dilution or reduction of its interest, directly or indirectly, whether by sale, allotment or issue of any shares in its capital or securities convertible into shares otherwise than to its parent company or any reduction in the voting power or other powers of control exercisable in relation to the subsidiary by its parent company. |
| (D) Information rights:                                       | Atlantis and FMG shall have the right to appoint, at their own costs and expenses, a duly authorised representative to audit and inspect on their behalf the statutory books, books of accounts and all other financial records of any members of our Group which are in the possession of the relevant members of our Group.   |

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

### CONVERTIBLE LOANS

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

#### (a) Convertible loan to Profit Concept

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

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

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

- (a) Principal amount: HK\$10 million
- (b) Maturity date: 21 September 2009
- (c) Interest: CAA BVI shall pay interest on the principal amount to Profit Concept from the date on which the loan was advanced to CAA BVI up to (i) the date on which the principal amount of the loan is fully repaid; or (ii) the date of completion of the full conversion (“**CL Conversion**”) of the principal amount of the loan into shares of CAA BVI or, as the case may be, Shares pursuant to the terms of the convertible loan agreement, at the rate of 4% per annum, calculated on the basis of a 365-day year and the actual number of days elapsed.

The interest accrued shall be payable by CAA BVI on the maturity date or, where applicable, on the date of completion of the CL Conversion.

- (d) Mandatory conversion: Unless Profit Concept has exercised the conversion right under the convertible loan agreement previously and there has not occurred any default event on the part of CAA BVI before the date of completion of the CL Conversion, CAA BVI and Creative Sector should serve a mandatory conversion notice (“**Mandatory Conversion Notice**”) after the hearing of the listing application of our Company by the Listing Committee if no material issues are raised by the Listing Committee that, in the opinion of the Sponsor, may result in the rejection of the listing application, or would have material adverse impact or cause material delay on the listing application, but in any event not later than the maturity date and three Business Days before the date scheduled for bulk printing of the preliminary offering circular or (where no such preliminary offering circular will be issued) the formal prospectus for the Listing, whereby the principal amount of the convertible loan shall be settled by Creative Sector transferring such number of Shares representing 7% of the then issued share capital of our Company

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## HISTORY AND DEVELOPMENT

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immediately prior to Listing (but excluding such Shares to be issued pursuant to the Share Offer) on the date of despatch of Share certificates in respect of the Offer Shares to the investors thereof; provided that, if completion of the CL Conversion pursuant to the said mandatory conversion does not take place within two months after the date of the Mandatory Conversion Notice, the Mandatory Conversion Notice will lapse upon expiry of the said two month period and parties shall no longer be required to complete the CL Conversion pursuant to the Mandatory Conversion Notice. If such expiry day falls after the maturity date, all outstanding principal amount of the loan, accrued interests and other amounts payable by CAA BVI under the convertible loan agreement shall be repayable on such expiry day.

(e) Conversion right:

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

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

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- (f) Conversion period: The period commencing from the date of the convertible loan agreement up to the date on which the principal amount of the loan was fully repaid, but excluding the period (“**CL Blackout Conversion Period**”) beginning from 12:00 noon on the 10th Business Days before the date scheduled for the bulk printing of the preliminary offering circular or (where no such preliminary offering circular will be issued) the formal prospectus for the Listing, up to the Listing Date, provided that, if the Listing does not take place within two months from the date of commencement of the CL Blackout Conversion Period, the CL Blackout Conversion Period shall end upon the expiry of such two month period, and re-commence at the time beginning from 12:00 noon on the 10th Business Days before the date scheduled for the bulk printing of the next preliminary offering circular or (where no such preliminary offering circular will be issued) the formal prospectus for the Listing.
- (g) Prepayment: Save for the prepayment of the loan as a result of the CL Conversion, CAA BVI shall have no right to prepay all or any part of the loan prior to the maturity date.
- (h) Guarantee: Mr. Chan acts as the guarantor to guarantee the repayment obligations of CAA BVI under the convertible loan agreement, provided that such guarantee shall, in any event, be automatically released upon the Listing.
- (i) Waiver of loan: Each of Mr. Chan and Creative Sector has irrevocably waived all his/its rights and benefits against CAA BVI and our Company arising from the completion of the CL Conversion, and acknowledged that he/it has no claim against CAA BVI and our Company in respect of the principal amount, any accrued interest and/or other amounts payable in respect of the loan.

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

- (A) Anti-dilution: Unless with the written consent of Profit Concept, other than for the purposes of Listing, our Company, CAA BVI and Noter shall not (i) directly or indirectly, dispose of or dilute their respective shareholdings; and (ii) sell, repurchase, redeem, grant, issue or allot any shares, bonds, debentures, convertible notes, equity interests or debts.

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This right shall lapse upon the earlier of: (A) full repayment of the loan; and (B) the principal amount of the loan is settled by way of Creative Sector transferring the relevant number in the issued share capital of our Company as mentioned in paragraph (e) above.

(B) Right to appoint director:

In the event that Profit Concept serves the CL Conversion Notice whereupon the principal amount of the convertible note is settled by way of Mr. Chan transferring 7% of the then issued share capital of CAA BVI as mentioned in paragraph (e) above, and for as long as Profit Concept remains as the shareholder of CAA BVI, Profit Concept shall have the right to nominate one person to act as director of CAA BVI.

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

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

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

On 24 August 2009, CAA BVI and Creative Sector served the Mandatory Conversion Notice to Profit Concept pursuant to which Creative Sector shall transfer an aggregate of 52,500,000 Shares to Profit Concept on the date of despatch of Share certificates in respect of the Offer Shares to the successful applicants thereof, which is expected to be on or about 15 September 2009, upon completion of the CL Conversion.

Immediately upon completion of the Share Offer and the Capitalisation Issue and taking no account of any Shares that may be taken up thereby under the Share Offer and Shares that may be issued pursuant to the exercise of the Over-allotment Option or any options that may be granted under the Share Option Scheme, Profit Concept will be interested in 52,500,000 Shares, representing approximately 5.25% of the total issued share capital of our Company immediately after completion of the Share Offer and the Capitalisation Issue. Based on the principal amount of the loan converted and the mid-point of the indicative Offer Price of HK\$1.58, the price per Share paid by Profit Concept is approximately HK\$0.19, representing approximately 88.0% discount to the mid-point of the indicative Offer Price of HK\$1.58. The conversion ratio under the convertible loan agreement was arrived at after arm's length negotiations with Profit Concept with reference to the performance and earnings of our Group in 2007 and our Group's prospects.

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### **(b) Convertible loan to Even Grow**

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

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

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

Pursuant to a subordination letter dated 3 November 2008 and given by Even Grow in favour of Chengwei, Even Grow has acknowledged and agreed that the outstanding principal of, the accrued and unpaid interest on, any all other amount of the convertible loan shall subordinate to the convertible note issued to Chengwei as more particularly described in paragraph (c) below, and that the payment of any and all of the loan under the convertible loan agreement is subject in right of payment to the prior payment in full of such convertible note (except in respect of the right to convert the convertible loan into shares of CAA BVI or our Company in accordance with its terms).

On 24 August 2009, CAA BVI and Creative Sector served the Mandatory Conversion Notice to Even Grow pursuant to which Creative Sector shall transfer an aggregate of 52,500,000 Shares to Even Grow on the date of despatch of Share certificates in respect of the Offer Shares to the successful applicants thereof, which is expected to be on or about 15 September 2009, upon completion of the CL Conversion.

Immediately upon completion of the Share Offer and the Capitalisation Issue and taking no account of any Shares that may be taken up thereby under the Share Offer and Shares that may be issued pursuant to the exercise of the Over-allotment Option or any options that may be granted under the Share Option Scheme, Even Grow will be interested in 52,500,000 Shares, representing approximately 5.25% of the total issued share capital of our Company immediately after completion of the Share Offer and the Capitalisation Issue. Based on the principal amount of the loan converted and the mid-point of the indicative Offer Price of HK\$1.58, the price per Share paid by Even Grow is approximately HK\$0.73, representing approximately 53.8% to the mid-point of the indicative Offer Price of HK\$1.58. The conversion ratio under the convertible loan agreement was arrived at after arm's length negotiations with Even Grow with reference to the performance and earnings of our Group in 2007 and our Group's prospects.

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### (c) Convertible note to Chengwei

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

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

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

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



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

- (d) Prepayment: CAA BVI may not prepay all or any portion of the then outstanding principal amount and accrued interest of the Note.
- (e) Guarantee: Mr. Chan acts as the guarantor to guarantee the repayment obligations of CAA BVI under the Note and the due and punctual performance by CAA BVI of all its obligations under the Note and the Note Purchase Agreement, until the occurrence of the earlier of the following events: (i) no sum remains payable and all obligations have been duly performed under the Note, the Note Purchase Agreement or the guarantee; (ii) the date on which Chengwei has assigned all its rights, interest, title, claims and benefits to, of and in the Note to Mr. Chan pursuant to the Assignment Agreement; and (iii) the Listing Date.
- (f) Mandatory assignment: Unless Chengwei has exercised the put option (as referred to in the paragraph (g) below) under the Assignment Agreement previously, Mr. Chan should serve a mandatory assignment notice (“**Mandatory Assignment Notice**”) after the hearing of the listing application of our Company by the Listing Committee if no material issues are raised by the Listing Committee that would be reasonably expected to cause delay or disapproval of the Listing, or would adversely impact on the listing application, but in any event at least three Business Days before the date scheduled for bulk printing of the preliminary offering circular or (where no such preliminary offering circular will be issued) the final prospectus for the Listing, whereby Chengwei shall assign all its rights, interest, title, claims and benefits to, of and in the Note to Mr. Chan in consideration of and in exchange for Mr. Chan procuring the transfer of such number of Shares representing 14.16% of the issued share capital of our Company then in issue (but excluding such Shares issued or to be issued by our Company pursuant to the Share Offer) on the same date on which investors under the Share Offer shall receive the Offer Shares thereof.

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Provided that, (i) if completion of the Assignment does not take place within two months after the date of the Mandatory Assignment Notice, the Mandatory Assignment Notice will lapse upon expiry of the said two month period; (ii) if the final Offer Price shall be less than the Chengwei Conversion Trigger Price, the Mandatory Assignment Notice shall lapse forthwith upon the Price Determination Date and, in both cases, the parties shall no longer be required to complete the Assignment pursuant to the Mandatory Assignment Notice.

(g) Put Option

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

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

(h) Put Option exercise period:

The period commencing from the date of the Assignment Agreement and for so long as all or any of the principal amount of the Note remains outstanding but up to the Listing Date and excluding the period (“**Blackout Exercise Period**”) beginning from 12:00 noon (Hong Kong time) on the 10th Business Days before the date scheduled for the bulk printing of the preliminary offering circular or (where no such preliminary offering circular will be issued) the final prospectus for the Listing, up to the Listing Date, provided that, if the Listing does not take place within two months from the date of commencement of the Blackout Exercise Period, the Blackout Exercise Period shall end upon the expiry of

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such two month period, and re-commence at the time beginning from 12:00 noon on the 10th Business Days before the date scheduled for the bulk printing of the next preliminary offering circular or (where no such preliminary offering circular will be issued) the formal prospectus for the Listing.

(i) Waiver of loan:

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

(j) Repurchase option

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

The Repurchase Option shall lapse and cease to have any effect (a) upon the Listing; or (b) if the Repurchase Option is not exercised on or before 31 March 2010, and may only be executed by proceeding with the closing of the Repurchase Option once. For the avoidance of doubt, if the Repurchase Option is exercised on or before 31 March 2010 but the Listing shall take place before the originally scheduled date and time for the closing of the Repurchase Option, the date and time for the closing of the Repurchase Option are deemed to have been changed to take place at 8:00 a.m. on the Business Day immediately before the Listing Date.

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

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

- (A) Anti-dilution: Save for any shares, debentures, convertible securities, exchangeable securities, options, warrants or other equity or debt securities to be issued (i) upon conversion of the Note or the convertible loans to Profit Concept and Even Grow; or (ii) pursuant to the Share Offer or the Capitalisation Issue; or (iii) pursuant to the exercise of the Over-allotment Option; or (iv) pursuant to the Reorganisation; or (v) pursuant to any employee incentive scheme in compliance with the Listing Rules, all new securities ("**New Securities**") proposed to be issued by CAA BVI or our Company (other than those new securities to be offered, allotted and issued to Atlantis and FMG in the manner described in paragraph "Shareholders' Agreement with Atlantis and FMG — (a) Anti-dilution" above) must first be offered in writing to Chengwei prior to giving effect to the proposed issued of such New Securities ("**Pre-Emptive Rights Offer**"). The Pre-Emptive Rights Offer shall be made on the same terms as such New Securities are proposed to be offered generally and shall be specified by CAA BVI or our Company. The Pre-Emptive Rights Offer shall remain open and irrevocable for 30 days from the date of such written notice to Chengwei.
- (B) Restriction on transfer of Shares by Mr. Chan and/or Creative Sector: Unless with the prior written consent of Chengwei and other than pursuant to (i) conversion of the Note or the convertible loans to Profit Concept and Even Grow; or (ii) the Share Offer or the Capitalisation Issue; or (iii) the exercise of the Over-allotment Option and the transfer of the Shares pursuant to the Stock Borrowing Agreement; or (iv) the Reorganisation; or (v) the performance of the Note Purchase Agreement, the Assignment Agreement and the Investors' Rights Agreement, Mr. Chan may not, and shall procure Creative Sector not to, and Creative Sector may not transfer, pledge, charge, dispose of or otherwise deal with any right or interest in any shares of CAA BVI or our Company until the Note has either matured, been redeemed or been waived in full.

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- (C) Right of first refusal: At any time after conversion of the Note and during the term of the Investors' Rights Agreement, subject to the transfer restrictions mentioned in paragraph (B) above, in a proposed sale or transfer of the shares in CAA BVI or our Company by Mr. Chan or Creative Sector, Mr. Chan or Creative Sector shall give Chengwei a notice of such proposed transfer and details thereof. On receipt of such transfer notice, Chengwei shall have the right to buy all (but not some) of such shares offered for sale under the proposed transfer within five Business Days of the date of the transfer notice.
- (D) Tag-along right: Subject to the transfer restrictions mentioned in paragraph (B) above, in a proposed sale or transfer of the shares in CAA BVI or our Company by Mr. Chan or Creative Sector, Chengwei shall have the right to require Mr. Chan or Creative Sector to procure the proposed transferee to purchase the same number of shares in CAA BVI or our Company from Chengwei as such proposed transferee has agreed to buy from Mr. Chan or Creative Sector on the same term and price.
- (E) Appointment or removal of senior management and auditors: Prior approval from Chengwei is required for any appointment or removal of (i) chairman of the board and chief executive officer of CAA BVI; and (ii) auditors of any member of our Group.
- (F) Information rights: Prior to the Listing, Chengwei is entitled to receive from our Group periodic financial information. Chengwei also has the right to request for information regarding operations, business affairs and financial condition of the Group as well as information and documents relating to the preparation of the Listing.

The foregoing rights of Chengwei shall lapse upon the Listing.

On 24 August 2009, Mr. Chan served the Mandatory Assignment Notice to Chengwei pursuant to which, subject to the final Offer Price being fixed at or above the Chengwei Conversion Trigger Price, Creative Sector shall transfer an aggregate of 106,200,000 Shares to Chengwei on the date of despatch of share certificates in respect of the Offer Shares to the successful applicants thereof, which is expected to be on or about 15 September 2009, upon completion of the Assignment.

Immediately upon completion of the Share Offer and the Capitalisation Issue and taking no account of any Shares that may be taken up thereby under the Share Offer and Shares that may be issued pursuant to the exercise of the Over-allotment Option or any options that may be granted under the Share Option Scheme, and assuming that the final Offer Price will be fixed at or above the Chengwei Conversion Trigger Price, Chengwei will be interested in 106,200,000 Shares, representing

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approximately 10.62% of the total issued share capital of our Company immediately after completion of the Share Offer and the Capitalisation Issue. Based on the principal amount of the Note to be assigned and the mid-point of the indicative Offer Price of HK\$1.58, the price per Share paid by Chengwei is approximately HK\$0.73, representing approximately 53.8% discount to the mid-point of the indicative Offer Price of HK\$1.58. The conversion ratio under the convertible loan agreement was arrived at after arm's length negotiations with Chengwei with reference to the performance and earnings of our Group in 2008 and our Group's prospects.

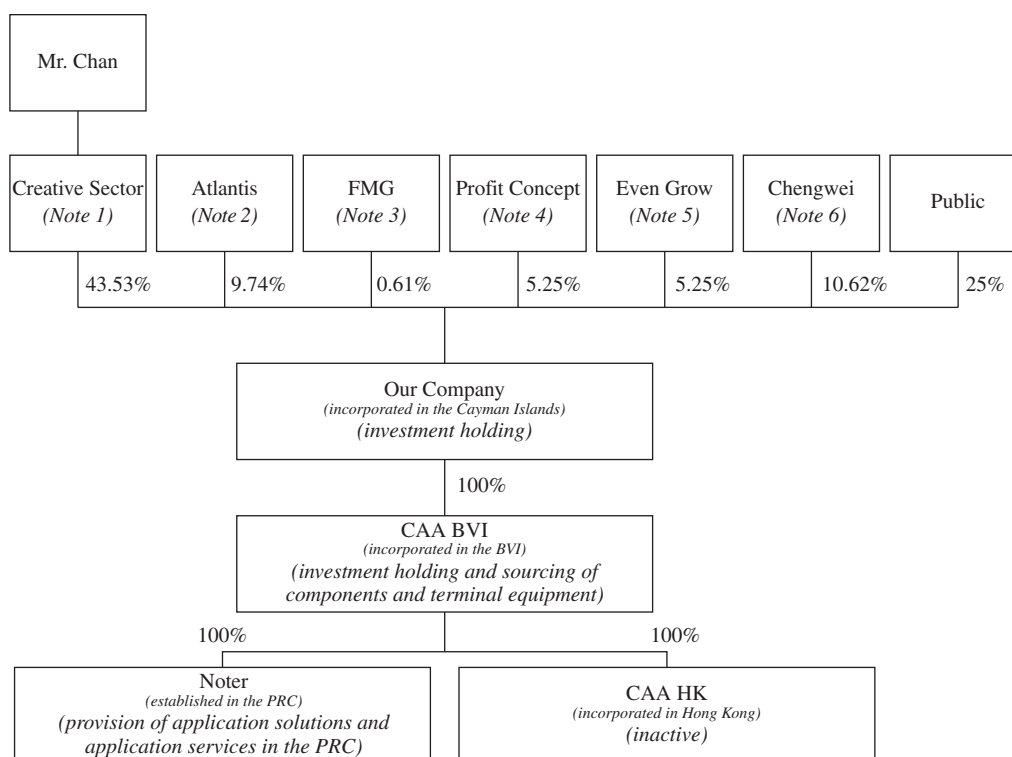
### (d) Redeemed convertible loans

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

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### GROUP STRUCTURE

Set out below is our shareholding structure immediately upon completion of the Share Offer and the Capitalisation Issue, taking no account of any Shares that may be taken up under the Share Offer, any Shares to be issued pursuant to the exercise of the Over-allotment Option or options that may be granted under the Share Option Scheme, and assuming that the final Offer Price will be fixed at or above the Chengwei Conversion Trigger Price:



Notes:

1. In the event that the final Offer Price is fixed below the Chengwei Conversion Trigger Price, the completion of the Assignment in consideration of and in exchange for Creative Sector transferring 106,200,000 Shares to Chengwei shall not take place and in such event, Creative Sector will hold 541,500,000 Shares, representing approximately 54.15% of the issued share capital of our Company immediately after completion of the Share Offer and the Capitalisation Issue (and taking no account of any Shares that may be taken upon under the Share Offer and Shares to be issued pursuant to the exercise of the Over-allotment Option or options that may be granted under the Share Option Scheme). As Creative Sector is a substantial Shareholder and is therefore a connected person of our Company, it is not counted towards as the member of the public pursuant to Rule 8.24 of the Listing Rules. Mr. Chan and Creative Sector shall, and shall procure the relevant registered holder(s) to, comply with the restrictions on disposal of the Shares during the period commencing from the Latest Practicable Date and ending on the date which is 12 months from the Listing Date as stipulated under Rule 10.07(1) of the Listing Rules. Each of Mr. Chan and Creative Sector is subject to the contractual lock-up as further described in section headed "Underwriting".
2. Atlantis is a company incorporated in the United Kingdom. The shares of Atlantis is owned by Atlantis Fund Management (Guernsey) Ltd., a limited company registered in Guernsey and an Independent Third Party. Atlantis is an Independent Third Party and it will be counted towards as the member of the public pursuant to Rule 8.24 of the Listing Rules. Atlantis will not be subject to the restrictions on disposal of Shares as set out in Rule 10.07(1) of the Listing Rules but will be subject to the contractual lock-up as further described in section headed "Underwriting".



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3. *FMG is an open ended investment company registered in Bermuda and listed on the Bermuda Stock Exchange, and it is managed by FMG Fund Managers Limited, a company incorporated in Bermuda. FMG is an Independent Third Party and it will be counted towards as the member of the public pursuant to Rule 8.24 of the Listing Rules. FMG will not be subject to the restrictions on disposal of Shares as set out in Rule 10.07(1) of the Listing Rules but will be subject to the contractual lock-up as further described in section headed “Underwriting”.*
4. *Profit Concept is a company incorporated in the BVI and is wholly owned by Ms. Wang Yan Yun, who is an Independent Third Party. Upon conversion of the convertible loan into Shares (as more particularly described in the paragraph headed “Convertible Loans” in this section) and immediately after completion of the Share Offer and the Capitalisation Issue (and taking no account of any Shares that may be taken upon under the Share Offer and Shares to be issued pursuant to the exercise of the Over-allotment Option or options that may be granted under the Share Option Scheme), Profit Concept will hold 52,500,000 Shares, representing approximately 5.25% of the issued share capital of our Company. Profit Concept is an Independent Third Party and it will be counted towards as the member of the public pursuant to Rule 8.24 of the Listing Rules. Profit Concept will not be subject to the restrictions on disposal of Shares as set out in Rule 10.07(1) of the Listing Rules but will be subject to the contractual lock-up as further described in section headed “Underwriting”.*
5. *Even Grow is a company incorporated in the BVI and is wholly owned by Ms. Tam Siu Fun Yeko, who is an Independent Third Party. Upon conversion of the convertible loan into Shares (as more particularly described in the paragraph headed “Convertible Loans” in this section) and immediately after completion of the Share Offer and the Capitalisation Issue (and taking no account of any Shares that may be taken upon under the Share Offer and Shares to be issued pursuant to the exercise of the Over-allotment Option or options that may be granted under the Share Option Scheme), Even Grow will hold 52,500,000 Shares, representing approximately 5.25% of the issued share capital of our Company. Even Grow is an Independent Third Party and it will be counted towards as the member of the public pursuant to Rule 8.24 of the Listing Rules. Even Grow will not be subject to the restrictions on disposal of Shares as set out in Rule 10.07(1) of the Listing Rules but will be subject to the contractual lock-up as further described in section headed “Underwriting”.*
6. *Chengwei is an investment holding company incorporated in the BVI on 24 September 2008 with limited liability. It is currently owned as to 89.28% by Chengwei Ventures Evergreen Fund, L.P., 4% by Chengwei Partners L.P. and 6.72% by Chengwei Ventures Evergreen Advisors Fund, LLC, all of which are Independent Third Parties other than their relationship with Chengwei by virtue of their shareholding therein. Each of Chengwei Ventures Evergreen Fund, L.P., Chengwei Partners L.P. and Chengwei Ventures Evergreen Advisors Fund, LLC are investment funds that make investments in primarily China-based companies. They are managed by Chengwei Ventures Evergreen Management, LLC, a limited liability company incorporated in the Cayman Islands on 2 July 2004 which is controlled by EXL Holdings LLC, a company incorporated in the Cayman Islands which is controlled by Mr. Li Eric Xun, one of the investment managers of these investment funds. Upon completion of the Assignment of the Note to Mr. Chan in consideration of and in exchange for Creative Sector transferring 106,200,000 Shares to Chengwei (as more particularly described in the paragraph headed “Convertible Loans” in this section) and immediately after completion of the Share Offer and the Capitalisation Issue (and taking no account of any Shares that may be taken upon under the Share Offer and Shares to be issued pursuant to the exercise of the Over-allotment Option or options that may be granted under the Share Option Scheme), Chengwei will hold 106,200,000 Shares, representing approximately 10.62% of the issued share capital of our Company. As Chengwei will become a substantial Shareholder and is therefore a connected person of our Company, it will not be counted towards as the member of the public pursuant to Rule 8.24 of the Listing Rules. Chengwei will not be subject to the restrictions on disposal of Shares as set out in Rule 10.07(1) of the Listing Rules but will be subject to the contractual lock-up as further described in section headed “Underwriting”.*

*In the event that the final Offer Price is fixed below the Chengwei Conversion Trigger Price, the completion of the Assignment of the Note and the exchange thereof for Shares shall not take place and in such event, and taking no account of any Shares that may be taken upon thereby under the Share Offer, Chengwei will not hold any Shares and the Note will remain payable by our Group in accordance with its terms.*



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### OVERVIEW

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

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

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

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

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

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2. Wireless data communication application solutions: the users of this type of application solutions mainly include different governmental departments or agencies, public utilities institutions and business enterprises in Hebei Province and Shanghai. Our application solutions satisfy our customers' needs of wireless communication for traffic management, remote surveillance, remote control, remote adjustment and data collection. We provide project design, project construction, provision of terminals, installation and testing, maintenance and technical support to our wireless data communication application solutions.
3. Call centre application solutions: the users of this type of application solutions mainly include business enterprises in the area of telecommunication, banking and broadcasting. We provide the equipment, network support and technical support including overall software design for product requirements and specifications, software programming and technical support, system installation and configuration, and quality control and testing for the outsourced call centre operator in order for them to satisfy our customers' needs in standardising, regulating and controlling the quality of customer service, handling of end customer enquiries and business information despatching. During the Track Record Period, we provided our call centre application solutions and services to our customers in Hebei Province.

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

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

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The breakdown of our Group's turnover by application solutions and application services during the Track Record Period is as follows:

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

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

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

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

### COMPETITIVE STRENGTHS

We possess the following principal competitive strengths:

**We are an experienced application solution and application service provider with strong customisation capabilities**

Since 2003, we have been providing application solutions to government departments or agencies, public utilities institutions and other business enterprises. During those years, we have accumulated expertise and experience in the business of providing information communication application solutions and application services.

The provision of application solutions and application services mutually compliment each other which allow us to provide a more comprehensive service to our customers. We have our own application solutions development team, which customises and develops innovative application solutions and provides application services to address specific customer requirements. During the Track Record Period, we have put emphasis on the development of system application solutions that met the needs of government departments and agencies in the PRC. In particular, we have accumulated experience in developing information communication application solutions which are used in different aspects including public utilities, fire alert, traffic information management, telecommunications and emergency rescues actions. We believe that these experiences provide us with a solid background to implement large scale projects.

We believe our ability to develop innovative and customised applications and services to respond to and anticipate customers' needs enables us to be more adaptable to changes in the economic and market conditions experienced by any individual market or industry sector.

**We benefit from the China's Informatization Development Strategy (2006-2020) policy (國家資訊化發展戰略(2006-2020年))**

In May 2006, the PRC government revealed the China's Informatization Development Strategy (2006-2020) policy. Under the China's Informatization Development Strategy (2006-2020) policy, the PRC government will improve the system of communication network's operation to respond to emergency situations and its ability to alert the public of such emergency and also the capability to manage and monitor emergency situations. As we focus on providing application solutions and application services for public safety, city emergency communication and city integrated management purposes, we are well positioned to benefit from the China's Informatization Development Strategy (2006-2020) policy.

**We are one of the few providers of integrated application solutions comprising satellite communication, wireless data communication and call centre application solution in the PRC**

We believe we are one of the few providers of integrated application solutions comprising satellite communication, wireless data communication and call centre application solution in the PRC. We have been responsible for several projects in major cities such as Shanghai, Beijing and

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Hebei Province in the PRC, including the provision of satellite communication application solution and wireless data communication application solution for the government departments or agencies in Hebei Province. We believe our integrated application solution service model allows us to better satisfy our customers' needs, further develop our client relationships and cross-sell our different services.

In addition, because our application solutions comprise of satellite communication, wireless data communication and call centre application solution, we believe we can have cross-selling opportunities in respect of different application solutions to the same customer.

**Our satellite communication application solutions, wireless data communication application solutions and call centre application solutions create a synergy effect and a competitive cost structure**

Our satellite communication application solutions, wireless data communication application solutions and call centre application solutions all utilise the ALL ACCESS platform to process data and thereby allowing a sharing of resources. The application for each type of application solution can be readily replicated for other applications. As a result of this synergy effect, we can create a competitive cost structure.

**We own an integrated application platform called “ALL ACCESS platform” which enables our customers to utilise our application solutions and complete the processing of data from different geographical locations through the use of various private and public satellite, wireless and wired networks**

We own an integrated application platform called “ALL ACCESS platform” which enables our customers to utilise our application solutions and complete the processing of data from different geographical locations through the use of various private and public satellite, wireless and wired networks. Its main components are made up of a control centre, billing centre, satellite network management centre and data centre. The ALL ACCESS platform acts as a centralised data processing unit, where data received through connections from different application solutions such as the satellite and wireless data communication application solution are processed and transmitted in different mode depending on the users' different needs. Users can access or transmit their information through our ALL ACCESS platform by using satellite, wired and wireless networks, thereby overcoming any topographical and geographical constraints.

**We have strong research, design and development capabilities**

We have a strong ability to design, develop and engineer a broad range of application solutions. As of the Latest Practicable Date, we had approximately 61 staff members engaged in the research and development and engineering, and all of them have received tertiary education.

We have received a number of awards and official recognition from a number of PRC authorities and professional bodies as set out in the paragraph headed “Awards and Accreditations” in this section. We believe this demonstrates our competitive edge over other application solutions providers in terms of quality and technology advancement.

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### **We have experienced management and staff with sound industry knowledge, management skills and technical know-how**

Our senior management team has an average of more than 12 years of experience in the information communication application solution industry. We believe that our experienced management team enables us to capture market opportunities and to formulate and execute sound business strategies. They have proven ability and success in undertaking projects in different areas such as public utilities, public safety, telecommunications and metropolitan traffic management. We also provide our staff with training courses to ensure that their skills and know-how are constantly kept abreast of the changes in technology.

### **STRATEGY**

Our goal is to become one of the leading integrated information communication application solutions providers and application services providers in China. We aim to position ourselves as a one-stop application solution provider whereby we provide both the application solutions and application services to our customers. To this end, we intend to carry out the following plans:

#### **Creating a steady stream of income by providing more application services**

We aim to position ourselves as a one-stop application solution provider whereby we provide not only the solution on a project basis but also application services to our customers on an on-going basis. After the warranty period or the project completion, some of our customers engaged us to provide application services for the application solutions purchased from us during the Track Record Period. We usually charge a fee for our application services such as system operation management, application upgrade and system maintenance to our application solutions. Such fees will be charged on a monthly, quarterly or yearly basis which will provide us with a steady stream of income.

#### **Further enhancement of research, design and development capabilities**

To support future expansion, our Directors consider it crucial to further strengthen our engineering team. We plan to recruit additional professionals to join our engineering team, purchase more equipment, and provide continuous training to improve the engineering team in the aspect of capturing new technology.

#### **Promoting the awareness of our company and our application solutions**

We aim to position ourselves as a preferred partner for governmental departments or agencies, public utilities institutions and business enterprises. To this end, we aim to maintain close contact with these customers of various provinces and cities. Our technical staff will continue to liaise closely with the representatives of these customers to proactively react to any new technical requirements as well as market development directions. We will participate in various industry exhibitions and technical conferences in the PRC to enhance the awareness of our company and our application solutions and application services in the market.

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### **Expanding sales, distribution and services network**

Our main office is in Hebei Province, the PRC and we have offices in Shanghai and Beijing. In order to strengthen our market position, we intend to set up a number of sale liaison points and representative offices in different major cities in the PRC in future. In doing so, we expect to enlarge the sales team, expand the number of our office locations and upgrade our office facilities. In addition, we also intend to increase the number of experienced sales engineers in order to support the increasing volume of marketing activities.

### **Deepening relationships with existing customers and suppliers and increasing cross-selling opportunities**

We seek to deepen and capitalise upon our relationship with our existing customers, as this will likely offer us additional cross-selling opportunities. We place emphasis on customer relations and dedicate particular sales personnel and engineering support personnel to each of our key customers. We have in the past assigned employees on a short-term basis to the offices of some key customers for the purpose of providing on-site sales and engineering support. This has also helped us to solidify the relationship with our customers. We seek to establish and maintain long-term partnerships with such customers by:

- being involved in strategising future direction in respect of the application solutions which can enhance our customers' operation;
- emphasising collaboration between our sales and marketing team and engineering team to provide quality services; and
- providing optimal choice of application solutions that satisfy our customers' requirement.

We also intend to continue to deepen our relationships with our suppliers, especially with those that provide us with key components for our application solutions through close collaboration in product development. We intend to work with our key suppliers in developing their product roadmap by providing input relating to our customers' requirements.

### **ALL ACCESS PLATFORM**

The core module of the Group's integrated application platform is called "ALL ACCESS platform". Its main components are made up of a control centre, billing centre, satellite network management centre and data centre. The ALL ACCESS platform acts as a centralised data processing unit, where data received through connections from different application solutions such as the satellite and wireless data communication application solution are processed and transmitted in different mode depending on the users' different needs. The key function of the ALL ACCESS platform is to encrypt, verify and compile the data transmitted through the telecommunication networks so that the relevant officers of our customers can analyse the data and take responsive actions.



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The ALL ACCESS platform also supports the operation of a call centre. The key function of a call centre is to receive and process audio and data requests via telephone, fax, computers or the Internet. With the ALL ACCESS platform, the call centre operator can handle the requests of the end user and provide the requested information accordingly.

The equipment and facilities comprising the ALL ACCESS platform were owned by SkyComm Group and were licensed to Noter since the transfer of business to Noter in August 2006 on a cost reimbursement basis (excluding depreciation charges), which amounted to approximately RMB1.46 million, RMB1.36 million and RMB1.31 million for each of the three years ended 31 December 2008. After the establishment of Noter in 2006, we focused in utilising our resources for business development, therefore we did not acquire the equipment and facilities of the ALL ACCESS platform from Hebei SkyComm and Shanghai SkyComm during the Business Transfer in August 2006. However, to further reduce our reliance on SkyComm Group, on 20 December 2008, we acquired these equipment and facilities of the ALL ACCESS platform from Hebei SkyComm and Shanghai SkyComm for a total cash consideration of approximately RMB53.09 million. The consideration was arrived by reference to the value of the ALL ACCESS platform which was appraised by an independent qualified valuer to be approximately RMB53.09 million as at 30 September 2008. We are advised by our PRC Legal Advisers that subsequent to the acquisition, we are the sole legal and beneficial owner of the ALL ACCESS platform.

After we acquired the ALL ACCESS platform from Hebei SkyComm and Shanghai SkyComm, when the customers of our application solutions require to transmit data through SkyComm's communication network, SkyComm Group needs to connect to our ALL ACCESS platform to provide data transmission services to our customers. In light of the requirement of SkyComm Group to gain access to certain functions of our ALL ACCESS platform, we have entered into a licence agreement on 3 June 2009 to formalise our arrangement with SkyComm Group whereby we will receive a fee of RMB574,800 per annum from SkyComm Group and in return, SkyComm Group is granted a licence to access to certain functions of our ALL ACCESS platform on a non-exclusive basis. Our Directors believe that this licence arrangement with SkyComm does not have any material impact on our current operations. As at the Latest Practicable Date, we had not granted similar licence to other network operators. Instead, we offer the access and use of our ALL ACCESS platform as part of our application services to our customers and/or the related network operators.

As at the Latest Practicable Date, we had 30 technical staff who possess the relevant experience for the operation and maintenance of the ALL ACCESS platform.

## APPLICATION SOLUTIONS AND APPLICATION SERVICES

We are principally engaged in providing information communication application solutions and application services for public safety, city emergency communication and city integrated management purposes. Our application solutions include satellite communication application solutions, wireless data communication application solutions and call centre application solutions. We offer system design, software development, system installation and sourcing the suitable terminals to provide integrated application solutions to our customers depending on their different needs. Our application



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services include system operation management, application upgrade and system maintenance for our application solutions. After the warranty period or project completion, during the Track Record Period, some of our customers engaged us to provide application services for the application solution provided by us.

Set out below is a table setting out the turnover attributable to each of our major application solutions and the respective percentage of total turnover during the Track Record Period.

	For the year ended 31 December				For the five months ended 31 May			
	2006		2007		2008		2009	
	RMB'000	% of turnover	RMB'000	% of turnover	RMB'000	% of turnover	RMB'000	% of turnover
<b>(1) Satellite communication application solutions and services</b>								
<i>Dynamic Satellite Communication Solutions</i>	4,275	7.9%	67,683	53.3%	91,555	48.9%	12,166	25.7%
<i>Stationary Satellite Communication Solutions</i>	15,695	29.1%	19,010	15.0%	11,602	6.2%	12,092	25.6%
<i>Satellite Data Collection Solution</i>	500	0.9%	544	0.4%	781	0.4%	292	0.6%
<b>(2) Wireless Data Communication Application Solutions and Services</b>								
<i>Public Utilities Institutions Solution</i>	1,928	3.6%	233	0.2%	1,663	0.9%	120	0.3%
<i>Distance Fire Alarm Solution</i>	972	1.8%	92	0.1%	330	0.2%	332	0.7%
<i>Traffic Offence Electronic Ticketing and Payment Solution</i>	17,083	31.7%	6,947	5.5%	36,292	19.4%	4,455	9.4%
<b>(3) Call centre application solutions and application services</b>								
	2,976	5.5%	2,921	2.3%	4,282	2.3%	1,779	3.8%
<b>Total:</b>	<u>43,429</u>	<u>80.5%</u>	<u>97,430</u>	<u>76.8%</u>	<u>146,505</u>	<u>78.3%</u>	<u>31,236</u>	<u>66.1%</u>

Set out below is the description of our major application solutions.

### 1. Major satellite communication application solutions and application services

Designed to meet the demand from governmental departments or agencies, public utilities institutions and business enterprises for public safety, city emergency communication and city integrated management, we offer the Dynamic Satellite Communications Solutions, Stationary Satellite Communication Solutions and Satellite Data Collection Solutions mainly to different governmental departments or agencies. As a package, our satellite communication application solutions include application solution design, project construction, provision of terminals, installation and testing, maintenance, end users training and technical support.

#### (a) *Emergency Satellite Communication Solution*

The Emergency Satellite Communication Solution is an application solution designed and developed for rescue services in any region facing or recovering from natural or man-made disasters. Satellite video communications enable real-time information exchange without any terrestrial

constraints, allowing the government departments or agencies and emergency rescuers to monitor the emergency situation live without any physical presence. In 2004, we provided this application solution to a government department in Hebei Province. Subsequently, we have provided other Emergency Satellite Communication Solution to government departments or agencies in Hebei Province, Anhui Province and Shanghai.

Emergency Satellite Communication Solution has the characteristic of providing extensive geographical coverage, fast connection, real time transmission of images and videos through satellite communication network, long distance command, video conferencing, image alternation and autonomous electricity supply. The application solutions include Dynamic Satellite Communications Solution and Stationary Satellite Communication Solution.

(i) *Dynamic Satellite Communication Solution*

The dynamic satellite communication system consists of three main components, namely, satellite transmitter, satellite receiver and the Dynamic Satellite Communication Vehicle.

Each Dynamic Satellite Communication Vehicle is mounted with a StealthRay system which is designed, developed and manufactured by RaySat. The StealthRay system comprises a vehicle roof-mounted array antenna called “StealthRay”. StealthRay is an in-motion steerable two-way satellite system designed to provide communications for vehicles in motion.

We designed the Dynamic Satellite Communication Vehicle with the use of the StealthRay system. Since 2006, we have provided the Dynamic Satellite Communication Vehicle to a government department in Hebei Province. Vehicles which are installed with our Dynamic Satellite Communication Solution can enable the control centre to monitor the emergency situation and give orders directly to the officers in the patrolling vehicle while the vehicles are moving.

In the operation of the Dynamic Satellite Communication Solution, the Dynamic Satellite Communication Vehicle and control centre both connect to the ALL ACCESS platform via satellite communication networks. Our ALL ACCESS platform coupled with the satellite communication network offered by satellite communication network operators enable our customers to have extensive geographical coverage of fast and real time transmission of data, voice and videos between the Dynamic Satellite Communication Vehicle and our customers’ control centre while the Dynamic Satellite Communication Vehicle is moving.

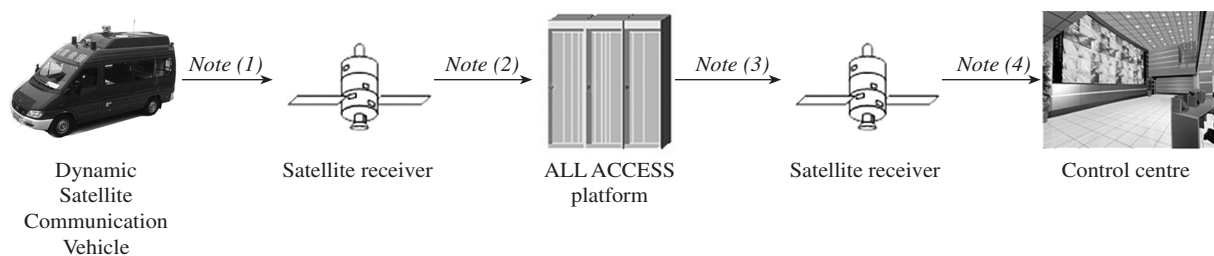
Our Dynamic Satellite Communication Solution is sold as a package whereby we are responsible for application solution design, application solution programming, equipment and components procurement, assembly, installation, project management, end users training, maintenance and technical support services.

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The workflow of our Dynamic Satellite Communication Solution can be illustrated in the following diagram:



Notes:

- (1) Visual and audio data are transmitted from the Dynamic Satellite Communication Vehicle to the satellite receiver.
- (2) The data are then transmitted from the satellite receiver to the ALL ACCESS platform through satellite communication network.
- (3) After the data have been processed by the ALL ACCESS platform, the processed data are transmitted back to satellite receiver through satellite communication network.
- (4) The satellite receiver then transmits the processed data to our customer's control centre for further analysis and action.

### Distribution of "StealthRay Products"

In addition to using the StealthRay Products in our satellite communication application solutions, we also sell the StealthRay Products coupled with our technical support services.

Pursuant to the Exclusive Distribution Agreement with RaySat, since May 2007 we are the exclusive distributor of the StealthRay Products and any new improvements for similar two-way antennas in the PRC, Macau and Hong Kong. Under the Exclusive Distribution Agreement with RaySat, we can sell the StealthRay Products in the PRC, Hong Kong or Macau. The Exclusive Distribution Agreement with RaySat is valid for one year and shall be extended for successive terms of one year period upon expiry of the then current term, subject to the parties reaching an agreement on the minimum purchase requirements for the relevant year and our compliance of the minimum purchase requirements for the previous year. For the two years ended 31 December 2007, 31 December 2008 and the five months ended 31 May 2009, the purchase amount of StealthRay Products were approximately RMB29.67 million, RMB22.07 million and nil million respectively. We did not purchase any StealthRay Products for the five months ended 31 May 2009 because we were utilising our inventory of StealthRay Products during this period. As at 31 December 2007, 31 December 2008 and 31 May 2009, the amount of inventory of StealthRay Products were approximately RMB1.54 million, RMB1.98 million and nil. The minimum purchase requirement in respect of 2007 exclusivity period (that is, for the period between May 2007 to May 2008) was 100 antennas per year. The minimum purchase requirement for June 2008 and July 2008 were 10 antennas per month while the minimum purchase requirement for the period between August 2008 and May 2009 was to be determined by the progress of RaySat in developing and producing several new types of two-way antennas. The exact quantity of antennas

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to be delivered after July 2008 was to be agreed between RaySat and us after successful testing and price negotiation between the parties. Under this arrangement, we have respectively purchased in total 100 and 43 antennas for period from May 2007 to May 2008 and from June 2008 to May 2009. RaySat has confirmed its satisfaction of our co-operation in 2007 and 2008 and the Exclusive Distribution Agreement with RaySat was extended to 2009. The Exclusive Distribution Agreement with RaySat sets out the minimum purchase requirements from 2009 to 2015. In view of the fact that our business development strategies to expand our sales, distribution and service network as set out in the section headed “Business — Our Strategies”, our Directors believe that we will be able to meet the minimum purchase requirements from 2009 to 2015. If we do not satisfy the applicable minimum purchase requirement for any exclusivity period, RaySat and ourselves have to use our best efforts to reach an agreement within one month prior to the expiration of the relevant exclusivity period in order to resolve the situation. If no agreement can be reached one month after the expiration of the relevant exclusivity period, then RaySat shall have the right, in its sole discretion, to terminate the exclusivity granted to us under the Exclusive Distribution Agreement with RaySat, whereupon, our appointment under the Exclusive Distribution Agreement with RaySat, and all authorisations and rights granted to us under the Exclusive Distribution Agreement with RaySat will be terminated immediately. Under the Exclusive Distribution Agreement with RaySat, we are responsible for providing support to our customers, which includes the handling of customers complaints and answer questions from the customers, providing customers with relevant support materials and receiving and handling of units within the limited warranty period and undertaking of minor repairs on units and on-site technical support at the premises of customers. RaySat is responsible for providing support to us, which includes resolving intractable problems that cannot be solved by us for the duration of the limited warranty period. The duration of the limited warranty period is from the date of delivery of the StealthRay Products by RaySat to us until the date falling one year after the date of delivery of the StealthRay Products by us to our customers. Upon the expiration of duration of the limited warranty period, we have the option of extending the duration of the limited warranty period for a duration and price to be negotiated by mutual agreement between RaySat and ourselves.

Pursuant to the Exclusive Distribution Agreement with RaySat, RaySat has the right, at its sole discretion, to terminate the Exclusive Distribution Agreement with RaySat upon occurrence of any of the following: (i) we become insolvent, or voluntary or involuntary bankruptcy, insolvency or similar proceedings are instituted against us; (ii) we fail to maintain operations as a going business for more than 20 consecutive days; (iii) we, or any of our officer, director, substantial shareholder or principal is convicted in a court of competent jurisdiction of any offences related to the business conducted by us in connection with the Exclusive Distribution Agreement with RaySat; (iv) we fail to comply with any applicable US or PRC law or regulation; (v) we falsify any records or reports required under and fail to correct it within 40 days after receiving notice from RaySat; (vi) we fail to renew, or loses, due to suspension, cancellation or revocation, for a period of 45 days or more, any license, permit or similar document or authority required by law or governmental authority having jurisdiction, that is necessary in carrying out the provisions of the Exclusive Distribution Agreement with RaySat and to maintain our corporate or other business status, as in effect as of the effective date of the Exclusive Distribution Agreement with RaySat; (vii) we assign, sell or transfer any of our rights and obligations under the Exclusive Distribution Agreement with RaySat unless otherwise permitted

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under the Exclusive Distribution Agreement with RaySat; (viii) any actual fraud or illegal action of any sort by us in connection with the Exclusive Distribution Agreement with RaySat; (ix) our failure to submit the initial order to RaySat in accordance with the requirements of the appointment details of the Exclusive Distribution Agreement with RaySat; (x) our failure to meet the applicable Minimum Purchases Requirement; or (xi) continued performance of the Exclusive Distribution Agreement with RaySat which could cause RaySat to be in violation of any US law or regulation; (xii) we export the StealthRay Products or sell them to customers other than pursuant to the terms and conditions of the Exclusive Distribution Agreement with RaySat.

Pursuant to the Exclusive Distribution Agreement with RaySat, we have the right, at our sole discretion, to terminate the Exclusive Distribution Agreement with RaySat upon the occurrence of any of the following: (i) RaySat becomes insolvent, or voluntary or involuntary bankruptcy, insolvency or similar proceedings are instituted against RaySat; or (ii) any representation, warranty or statement made by RaySat in the Exclusive Distribution Agreement with RaySat is incorrect or misleading in any material respect; (iii) RaySat fails to duly perform any of its obligations under the Exclusive Distribution Agreement with RaySat and the same is not capable of remedy or, if remediable, is not remedied within 21 days after written notice of such non-performance from us; or (iv) RaySat fails to maintain operations as a going business for more than 20 consecutive days.

Pursuant to the Exclusive Distribution Agreement with RaySat, both RaySat and us have the right to terminate the Exclusive Distribution Agreement with RaySat if the other party breaches any material term or condition of the Exclusive Distribution Agreement with RaySat and fails to cure such breach within 25 days after written notice or immediately upon notice if such breach is incapable of cure.

For each of the three years ended 31 December 2008 and the five months ended 31 May 2009, our turnover, cost of sales, gross profit and gross profit margin attributable to the provision of our satellite communication application solutions involving the use of the StealthRay Products and the sale of the StealthRay Products and their proportion in terms of percentage in relation to our total turnover, cost of sales and gross profit are as follows:

	For the year ended 31 December						For the five months ended 31 May	
	2006		2007		2008		2009	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
	<i>to total</i>		<i>to total</i>		<i>to total</i>		<i>to total</i>	
	<i>turnover/</i>		<i>turnover/</i>		<i>turnover/</i>		<i>turnover/</i>	
	<i>cost of</i>		<i>cost of</i>		<i>cost of</i>		<i>cost of</i>	
	<i>sales/ gross</i>		<i>sales/ gross</i>		<i>sales/ gross</i>		<i>sales/ gross</i>	
	<i>profit</i>		<i>profit</i>		<i>profit</i>		<i>profit</i>	
<b>Turnover</b>	4,275	8%	67,683	53%	91,555	49%	12,166	26%
<b>Cost of sales</b>	465	1%	40,226	53%	46,411	45%	7,669	23%
<b>Gross Profit</b>	3,810	17%	27,457	54%	45,144	54%	4,497	32%
<b>Gross Profit Margin</b>	89%		41%		49%		37%	

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For each of the three years ended 31 December 2008 and the five months ended 31 May 2009, turnover attributable to the provision of our satellite communication applications involving the use of the StealthRay Products amount to approximately RMB4.28 million, RMB21.54 million, RMB32.74 million and RMB4.19 million respectively, which represent approximately 8%, 17%, 18% and 9% of our total turnover. For each of the three years ended 31 December 2008 and the five months ended 31 May 2009, turnover attributable to the sale of the StealthRay Products and the related technical support amount to approximately nil, RMB46.14 million, RMB58.81 million and RMB7.98 million respectively, which represent approximately 0%, 36%, 31% and 17% of our total turnover.

The gross profit margins attributable to the provision of our satellite communication application solutions involving the use of the StealthRay Products and the sale of the StealthRay Products and the related technical support for the year ended 31 December 2007 and 2008 are consistent with our Group's average gross profit margins of the respective year while the gross profit margin for the year ended 31 December 2006 is higher than our Group's average gross profit margin due to the fact that it is a software development project engaged by a customer for an application solution to be applied on StealthRay Products. The major software development cost is the time cost of engineers involved in this project. The gross profit margin attributable to the provision of our satellite communication application solution, including the use of the StealthRay Products and the sale of the StealthRay Products and the related technical support for the five months ended 31 May 2009 is higher than our Group's average gross profit margin because it is before the absorption of the unallocated cost of the ALL ACCESS platform's depreciation which dilutes the Group's average gross profit margin substantially.

There are alternative suppliers of two-way antennas in the PRC. The two-way antennas used in our Stationary Satellite Communication Solution are sourced from these suppliers. However, based on our co-operation with RaySat during the Track Record Period, our Directors believe there are more rooms to expand our business development with RaySat, therefore in order to maintain our long-term co-operative relationship with RaySat and the consistency of the quality of our Dynamic Satellite Communication Solution which are used in critical situations such as emergency rescues, the StealthRay Products are used in all of our Dynamic Satellite Communication Solution. For each of the three years ended 31 December 2008 and the five months ended 31 May 2009, our turnover attributable to the sales of application solutions using the two-way antennas and related products supplied by alternative suppliers amounted to approximately RMB15.69 million, RMB19.01 million, RMB17.78 million and RMB12.02 million respectively, representing approximately 29%, 15%, 10% and 25% of our total turnover.

### (ii) *Stationary Satellite Communication Solution*

The stationary satellite communication system consists of three main components, namely, satellite transmitter, satellite receiver and the Stationary Satellite Communication Vehicle.

The functions of the Stationary Satellite Communication Solution are similar to Dynamic Satellite Communication Solution except that the satellite data transmission can be carried out

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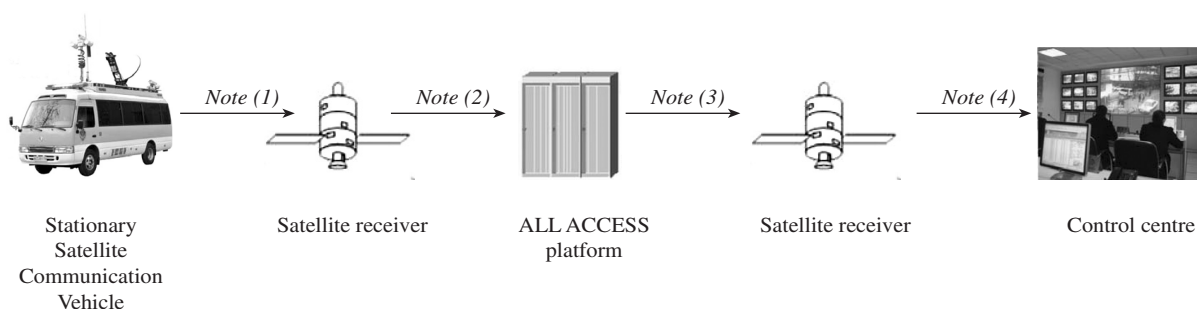
only when the satellite antenna is in stationary mode. Stationary Satellite Communication Vehicle is a vehicle installed with the Stationary Satellite Communication Solution which incorporates an antenna on the rooftop of a vehicle with the antenna control system installed inside the vehicle.

The Stationary Satellite Communication Solution can be used across a wide range of applications, including emergency communications, since it can provide rescuers and officers handling an emergency situation with a high-speed satellite communications link to vehicles independent of terrestrial infrastructures that are susceptible to local service interruptions, natural disasters and sabotage. Since it does not rely on terrestrial networks, it also offers applications for industries typically operating across remote geographical areas unserved by terrestrial network operator.

In the operation of the Stationary Satellite Communication Solution, the Stationary Satellite Communication Vehicle and control centre both connect to the ALL ACCESS platform via satellite communication networks. Our ALL ACCESS platform coupled with the satellite communication network offered by satellite communication network operators enable our customers to have extensive geographical coverage of fast and real time transmission of data, voice and videos between the Stationary Satellite Communication Vehicle and our customers' control centre while the Stationary Satellite Communication Vehicle is stationary.

Since 2004, we provided the Stationary Satellite Communication Solution to government departments or agencies, public utilities institutions and business enterprises responsible for public safety, city integrated management and city emergency communication. In 2006, the application solution was used in an international motor racing event in Shanghai.

The workflow of our Stationary Satellite Communication Solution can be illustrated in the following diagram:



*Notes:*

- (1) Visual and audio data are transmitted from the Stationary Satellite Communication Vehicle to the satellite receiver.
- (2) The data are then transmitted to the ALL ACCESS platform through satellite communication network.
- (3) After the data have been processed by the ALL ACCESS platform, the processed data are transmitted back to satellite receiver through satellite communication network.



- (4) *The satellite receiver then transmits the processed data to our customer's control centre for further analysis and action.*

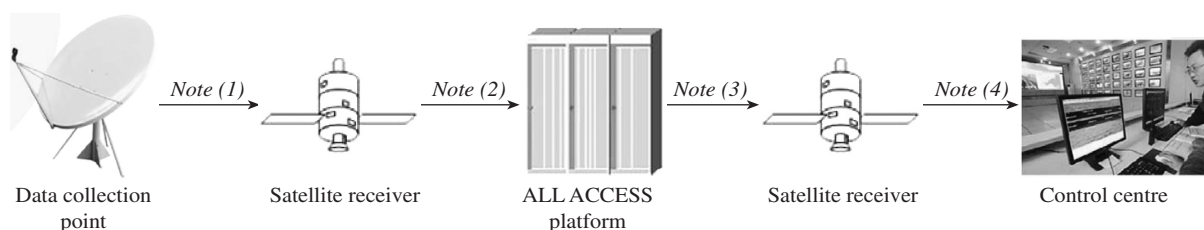
**(b) *Satellite Data Collection Solution***

The Satellite Data Collection Solution was developed based on satellite communications technologies. One of the features of satellite communications technology is its capability for the collection and dissemination of information at various locations in one venue, which in turn improves the capabilities of users for conducting statistical analysis of data and distance supervision. We have provided this type of application solution since 2004 and our customers include public utilities companies.

This application solution is useful for industries involving operation in remote areas without fixed or wireless communication network coverage. The Satellite Data Collection Solution enables the control centre of those industries to collect and manage information regarding safety, measurements and prediction, and to conduct distanced supervision.

As an example, our Satellite Data Collection Solution has been used in data collection in a project which involved transportation of natural gas supplied from the western region of the PRC to the eastern region of the PRC. This particular application solution consists of user control centre and data collection points which are connected and communicated through our ALL ACCESS platform. The data collection points collect and encrypt the data which is communicated to our ALL ACCESS platform through satellite communication networks. Our ALL ACCESS platform processes, verifies, analyses and compiles statistical data and send the encrypted processed data to the users' control centre through satellite communication network. After the user's control centre receives the data, the data are unencrypted, analysed and stored for the user's use. This application solution enables data communication between the user control centre and the data collection points through satellite communication network.

The workflow of our Satellite Data Collection Solution used in the transportation of natural gas project mentioned above can be illustrated in the following diagram:



*Notes:*

- (1) *The data collection points collect and encrypt the data which are then transmitted to the satellite receiver.*
- (2) *The data are then transmitted to the All ACCESS platform through satellite communication network for processing.*
- (3) *After the data have been processed by the ALL ACCESS platform, the processed data are transmitted back to satellite receiver through satellite communication network.*



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- (4) *The satellite receiver then transmits the processed data to our customer's control centre through satellite communication network. The data are unencrypted, analysed and stored for the user's use.*

We charge our customers for a whole-package which we are responsible for application solution design, application solution programming, equipment and components procurement, assembly, installation, project management, end users training and maintenance and technical support services. Our satellite communication application solutions are sold for a series of instalment payable by our customers in accordance with our credit policy as described in the paragraph headed "Credit Policy" in this section and the fee for our application services such as system operation management, system connection, application upgrade and system maintenance will be charged when these services are provided.

### **2. Major wireless data communication application solutions and application services**

Our wireless data communication application solutions are developed to address the demand of wireless data communication in remote surveillance, remote control and remote adjustment mainly in the area of public safety and city integrated management so as to increase government's capability to manage public safety precaution issues such as fire safety, traffic safety and gas leakage and increase the level of information management. To address this need, we have developed several wireless data communication application solutions which include Public Utilities Institutions Solution, Distance Fire Alarm Solution and Traffic Offence Electronic Ticketing and Payment Solution.

Additionally, we also provide application services such as system operation management, application upgrade and system maintenance. The customers for our wireless data communication application solutions include government departments or agencies and public utilities companies. These application solutions are provided on a project basis and can be modified in accordance with the customers' specifications. Such major application solutions provided by us can be categorised as follows:

#### **(a) Public Utilities Institutions Solution**

Our Public Utilities Institutions Solution is designed to collect the data from the usage meter in a cost effective way with no environmental and geographical constraints. The relevant public utilities authority can rely on the data collected to carry out necessary maintenance, improvement work, and supply control in order to maintain a stable and reliable supply of public utilities services. We have provided this application solution since 2005 and our customers include public utilities institutions. During the Track Record Period, we have secured certain service contracts in various public utilities services including water supply, gas and heat supply companies.

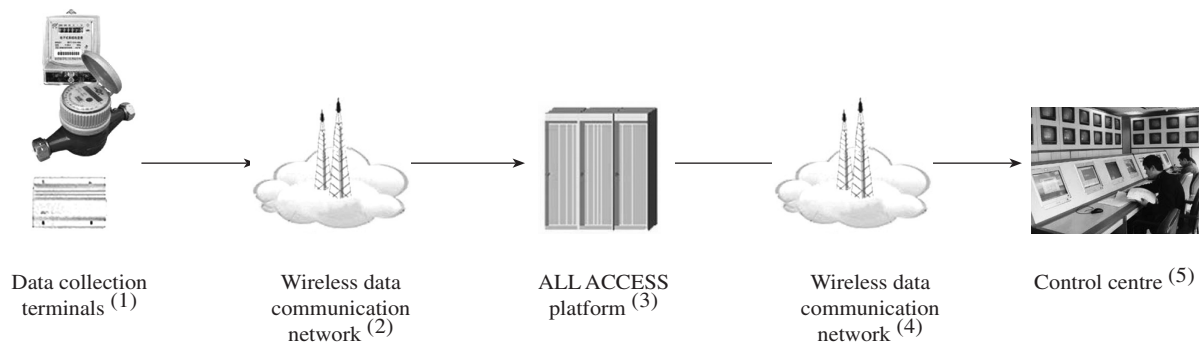
Our Public Utilities Institutions Solution enables our customers to remotely collect data from and receive information of public utilities services usage meter. It allows our customers to conduct real-time monitoring of the operation of the public utilities services system and ancillary equipment. Our customers can use our Public Utilities Institutions Solution instead of sending out personnel to the site to collect the data and obtain reports from the public utilities services usage meter and to monitor the operation of the public utilities services system and ancillary equipment.

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The workflow of our Public Utilities Institutions Solution can be illustrated in the following diagram:



*Notes:*

- (1) Data are collected by the data collection terminals on site.
- (2) After the data have been processed and encrypted, the data are transmitted to the ALL ACCESS platform through wireless data communication network.
- (3) The data are then verified, analysed and statistical data are compiled.
- (4) The data are transmitted to our customer's control centre and the servers of the control centre through wireless data communication network.
- (5) The data are then stored in our customer's control centre for analysis.

### (b) ***Distance Fire Alarm Solution***

Our Distance Fire Alarm Solution is designed to conduct real-time distance monitoring activities over the operations of fire service installations and equipment in premises and to detect fire hazard signals. We have provided this application solution since 2005.

Our Distance Fire Alarm Solution collects data and reports information relating to the malfunction of fire service equipment and fire hazards and conduct real-time monitoring of the operation of the automatic fire alarm system and ancillary equipment. Our customers can use our Distance Fire Alarm Solution instead of sending out personnel to the site to collect data and obtain reports relating to the malfunction of fire service equipment and fire hazards and to monitor the operation of the fire alarm system and ancillary equipment. The Distance Fire Alarm Solution also conducts fire emergency information processing by locating a fire emergency and analyse such data to enable staff in the control centre to take responsive action. The Distance Fire Alarm Solution delivers fire alerts information to local fire bureaus by sending out fire alert to inform the government emergency network staff or staff of the control centre, the location of the fire and other fire-related information. The Distance Fire Alarm Solution allows data enquiry by responding to the request of information and statistics concerning fire alerts of given units, facilities and period of time.

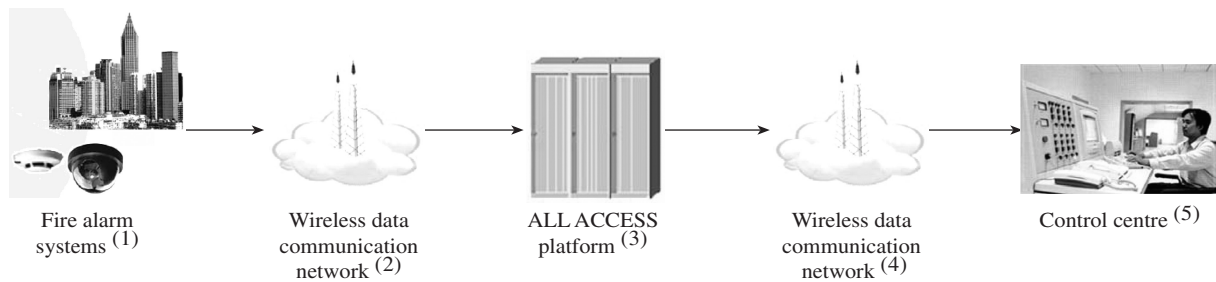
In the operation of our Distance Fire Alarm Solution, data collected by fire alarm systems is transmitted to the ALL ACCESS platform. The ALL ACCESS platform then verifies, the data and compiles statistical data. After the data have been processed and encrypted, the data are transmitted to the server of the control centre and stored for analysis.

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The workflow of our Distance Fire Alarm Solution can be illustrated in the following diagram:



*Notes:*

- (1) Data are collected from our customer's fire alarm systems.
- (2) After the data have been processed and encrypted, the data are transmitted to the ALL ACCESS platform through wireless data communication network.
- (3) The data are then verified, analysed and statistical data are compiled.
- (4) The data are transmitted to our customer's control centre and the servers of the control centre through wireless data communication network.
- (5) The data are then stored in our customer's control centre for analysis.

### (c) **Traffic Offence Electronic Ticketing and Payment Solution**

The Traffic Offence Electronic Ticketing and Payment Solution is an application solution to record, track and analyse traffic offences. It enables traffic law enforcement officers to make enquiries on the driver's details, vehicle details, handle the traffic offence and issue the fine on the spot by using a mobile device called "Jinwutong" (警務通) which is connected to the database of the department responsible for traffic management and the database of banks through the support of the wireless data communication networks. Since 2006, the Jinwutong can also act as a wireless point-of-sale device which accepts credit or debit cards allowing officers to collect fines on the spot and reduces the time required to collect fines. We have provided this application solution since 2003.

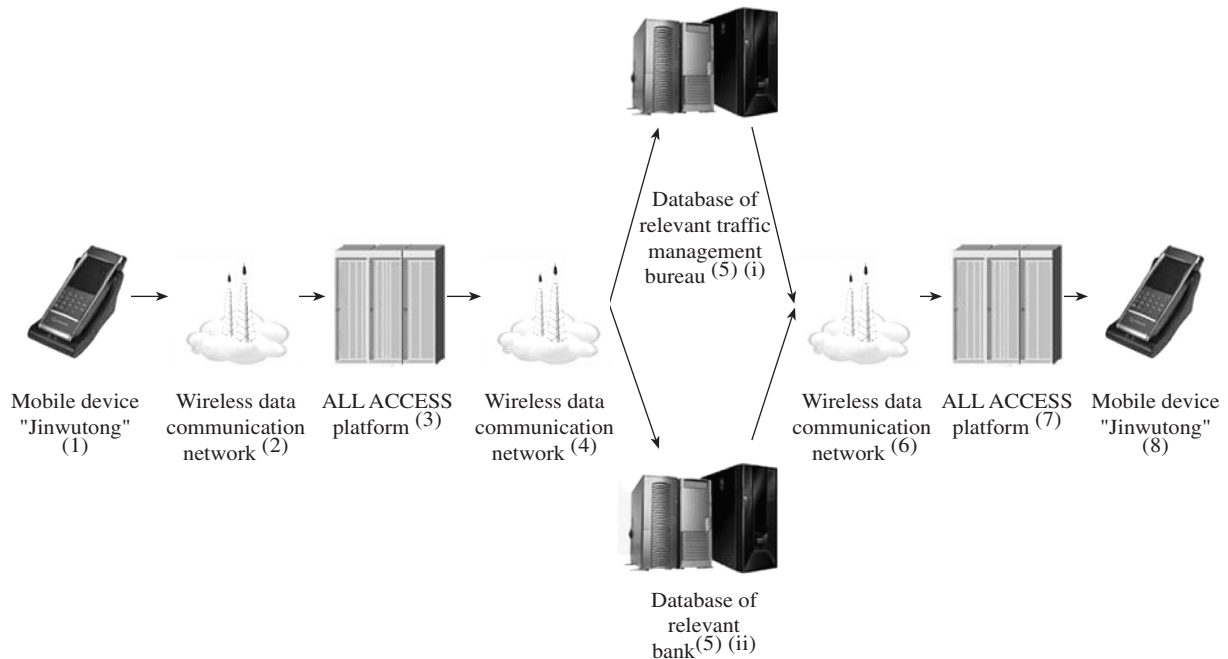
Our customers can use our Traffic Offence Electronic Ticketing and Payment Solution in place of the traditional method of issuing traffic offence fines. As the transaction of issuance and payment of the traffic offence fine occurs instantaneously through interaction with database of the relevant bank and the database of the bureau responsible for traffic management, the chance of committing an error is reduced as the system of the relevant bank and the bureau responsible for traffic management verify the information transmitted from the Jinwutong device before the transaction is processed.

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The workflow of our Traffic Offence Electronic Ticketing and Payment Solution can be illustrated in the following diagram:



*Notes:*

- (1) The law enforcement officer using the Jinwutong device input data request and transaction details of the payment of the fine into the “Jinwutong”.
- (2) The data request and transaction details of the payment of the fine are sent through wireless data communication network to the ALL ACCESS platform.
- (3) The ALL ACCESS platform processes and encrypts the data.
- (4) After the data have been processed and encrypted by the ALL ACCESS platform, the data request is transmitted to the database of the bureau responsible for traffic management and the transaction details of the payment of the fine is transmitted to the database of the relevant bank through wireless data communication network.
- (5) (i) Data are retrieved from the database of the bureau responsible for traffic management based on the data request.  
(ii) Transaction details of the payment of the fine are processed at the database of the relevant bank.
- (6) The data retrieved from the database of the bureau responsible for traffic management based on the data request is transmitted to the ALL ACCESS platform through wireless data communication network. The feedback of the transaction details of the payment of the fine is transmitted from the database of the relevant bank through wireless data communication network.
- (7) The data are then proceed and encrypted by the ALL ACCESS platform.
- (8) After the data have been processed and encrypted by the ALL ACCESS platform, the retrieved data and the feedback of the transaction details of the payment of the fine are transmitted to the Jinwutong device through wireless data communication network.

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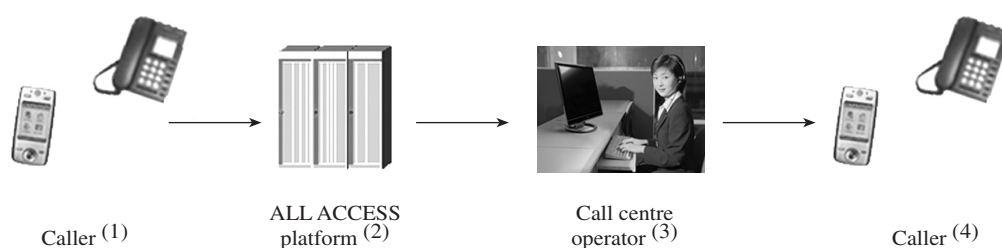
This application solution was awarded the “2004 Hebei Province Technology Advancement 3rd Class Award” (2004年河北省科技進步三等獎) by the People’s Government of Hebei Province and the software developed by the Group for application of Jinwutong was awarded the Ten Best Software Products by Hebei Province Software Industry Association in 2005.

We normally charge our customers on sales of the application solution (which as a package including application solution design, application solution programming, equipment and components, procurement, assembly, installation, project management, end users training, and technical support services) by instalments payable by our customers in accordance with our credit policy as described in the paragraph headed “Credit Policy” in this section. We also charge our customers fees for our application services such as system operation management, application upgrade and system maintenance which will be on a monthly, quarterly or yearly basis.

### 3. Call centre application solutions and application services

Our call centre application solutions are designed for the telecommunication, banking and broadcasting enterprises which have outsourced their call centres to call centre service providers. Our ALL ACCESS platform also supports the operation of a call centre. The key function of a call centre application solution is to receive and process audio and data requests via telephone, fax, computers or the Internet. With ALL ACCESS platform, we can use the wired communication network to retrieve and transmit the data to the appropriate operators of the outsourced call centre.

The workflow of our call centre application solutions can be illustrated in the following diagram:



*Notes:*

- (1) Incoming telephone calls reach the ALL ACCESS platform through the wired or wireless data communication network.
- (2) The ALL ACCESS platform processes the incoming telephone call and retrieves the customer’s information and call answering software according to the incoming telephone call details.
- (3) The ALL ACCESS platform then forwards the customer’s information and incoming telephone call through the call answering software to the call centre operator.
- (4) The call centre operator then serves the caller and processes the caller’s request.

We have provided this application solution to a number of enterprises which has outsourced their call centres including a telecommunication service provider, a bank and a digital television broadcaster.

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## BUSINESS

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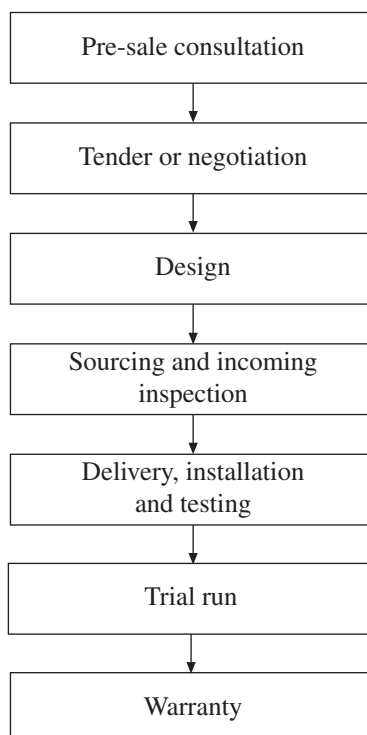
We sell our call centre application solutions which include provision of call centre system and network support together with application services which include application upgrade and system maintenance as a package. It is charged on a monthly, quarterly or yearly basis. The amount of fees depends on the number of operator seats in the call centre.

### BUSINESS MODELS

#### 1. Provision of Application Solution Provisions

Under our current business model, our application solutions are mainly provided directly to our customers on a project basis. We provide design, delivery and installation, testing and inspection, production trial and technical support services. Upon acceptance of the application solutions provided or expiration of the relevant warranty period, some of our customer engaged us for our application services to perform maintenance and upgrading service of our solutions. Contract sums for the provision of application solutions (other than for sales of terminal equipment) are generally due and payable by instalments at different stages (i) down-payment payable after signing of contract; (ii) the remaining balance within 180 days (being the credit period which may vary on a case by case basis) after acceptance of project subsequent to trial run of the application solutions, subject to any retention money (if any) which will be withheld by customers in most of our projects until expiry of the warranty period; and (iii) the retention money (if any) will be settled by customers upon expiry of the warranty period.

The following chart sets out each step of our application solution provision:



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### *Pre-Sale Consultation*

The members of our sales and marketing and engineering teams contact our prospective customers themselves or through our agent if they consider an application solution may be appropriate and provide general consultation services, such as discussing the specific requirements for the relevant industry in which the prospective customer operates. We also contact our current customers on a regular basis and provide general consultation services, such as analysing the system status and exploring further application opportunities for our application solutions. We introduce our new application solutions to our customers through our sales and marketing and engineering teams or our agents.

### *Tender or Negotiation*

For application solutions which are to be provided for governmental departments and public utilities institutions, there will normally be a tender process whereby application solution providers are required to submit a detailed bidding proposal. Customers who require the submission of a bidding proposal will normally set out the technical requirements and specifications of the projects on their tender offers.

For application solutions which are to be provided for business enterprises, after various pre-sale consultation, our sales and marketing team will negotiate the terms of our application solutions provision which includes, among other things, consideration and payment terms.

After we are awarded the project, either by way of the submission of a bidding proposal or a commercial negotiation, we sign a contract with the customer and will normally receive prepayment of about 25% to 50% of the contract amount as the first instalment.

In the provision of certain application solutions, we may also engage SkyComm Group to act as our agent and/or co-operative partners to carry out the pre-sales activities and/or the bidding.

### *Design*

For projects to be obtained through a tender process, based on the technical requirements and specifications of the projects set out by our customers, we design the relevant software and hardware, source relevant terminals and develop the installation and operational procedures for the customer's evaluation. During the course of the bidding proposal preparation, a detailed plan will be prepared in accordance with the requirements of the prospective customer or current customer, setting out, among other things, system specifications, installation procedures, a design plan, costs structure and estimates. The design plan will be submitted to the prospective customers or current customers for selection, approval and amendment if necessary.

For projects to be obtained through negotiations, our sales and marketing and engineering teams will develop and design application solutions tailored to the customer's needs and technical

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specifications by evaluating the customer's actual requirements. Subsequently, a detailed project design plan setting out, among other things, system specifications, installation procedures, costs structure and estimates, is then prepared and submitted to our customer for the proposed application solution.

### *Sourcing and incoming inspection*

Principal components and equipment used by us are procured mainly in the PRC except the StealthRay Products and certain terminal equipment which are procured from overseas. Our main procurement items include satellite antennas, motor vehicles, modems, satellite transceiver, wireless terminals and computers. We procure components required for our projects on a project-by-project basis, except for some generic items, such as cases, racks, cable and wires, which we require for most of our projects. When we procure components required for our projects, our technical personnel usually select those suppliers which have previously supplied to us. If we need to procure certain equipment from suppliers which have not previously supplied to us, our technical personnel will discuss with our customers to select the equipment we need to procure and the supplier to be engaged.

Components and equipment sourced from suppliers are subject to testing and quality inspection by us before being used in our application solution projects to ensure that such materials comply with our quality standards. In the event that the components and equipment do not meet our quality standards, depending on the nature of the defects, the components and equipment may be returned to the relevant suppliers.

### *Delivery, installation and testing*

We design the application solutions in accordance with customers' specifications. We then install our application solutions ourselves. During this stage, we conduct testing and inspection to fine tune and modify the application solution to achieve satisfactory and smooth running. Technical manuals are prepared by our engineers setting out, among other things, specifications of the application solutions installed, design and technical plans. The installation and testing works are generally completed within two months.

### *Trial run*

After the installation and testing, a trial run will be conducted by our customers with our assistance. Trial run normally lasts for two months, depending on the size and complexity of the project. If the trial run proves to be satisfactory, our customers will confirm their acceptance of our application solutions by issuing a completion or inspection certificate and at the same time we will recognise our project revenue. Upon obtaining the acceptance, we will normally receive the remaining balance of the contract amount, subject however to a sum representing about 5% to 10% of the contract amount to be retained by our customers as retention monies pending expiry of the warranty period in some of our projects.



### ***Warranty***

We generally provide a warranty of one year from delivery of our applications solutions. During the warranty period, complimentary after-sales maintenance and repair services are typically provided by us to customers. These include technical support, system inspection, equipment repair, replacement and maintenance. Our engineers also provide continuous customer support and technical training programs to the customers. During the warranty period, customers are provided with after-sales services and access to a telephone hotline for technical enquiries, while half-yearly, quarterly or monthly on-site inspections may be carried out by us in accordance with the terms of the contract. Inspections may also be provided to customers on request. Upon expiry of the warranty period, the retention money (if any), which is normally in the region of about 5% to 10% of the contract amount, will be paid by the customers in accordance with the terms of the contract.

### **2. Provision of Application Services**

Our application services include system operation management, application upgrade and system maintenance to our application solutions. After the warranty period or the project completion, during the Track Record Period, some of our customers engaged us to provide application services for the application solution provided by us. We usually charge a fee for our application services. Such fees are charged on a monthly, quarterly or yearly basis.

Our customers may choose to use SkyComm Group's telecommunication networks or other networks to support the operation of our satellite and wireless communication application solutions. If there are no co-operation between us and the telecommunication network operators (which may include SkyComm Group) in providing our application services, we and the telecommunication network operators normally charge and receive fees from our customers separately.

Nevertheless, we may still co-operate with the telecommunication network operators as a package to our customers. During the Track Record Period, we co-operated with SkyComm Group and another telecommunication network operator (which is one of the largest telecommunications network operators in the PRC) where SkyComm Group or such another telecommunication network operator provided data transmission services to the ultimate customers while we provided the application solutions and application services including system maintenance and technical support.

Pursuant to the co-operation with SkyComm Group during the Track Record Period, the customers would pay ongoing package services fees to SkyComm Group (which shall in turn remit the fees for our application services to us).

Pursuant to the co-operation with such another telecommunication network operator during the Track Record Period, the customers would pay ongoing package services fees to our Group (which shall remit the fees for data transmission services to such another telecommunication network operator).

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Set out below a table showing the proportion of turnover attributable to our application services provided for our customers who used the network of SkyComm Group and who used the network of other telecommunication network operators during the Track Record Period:

	For the year ended 31 December			For the five months ended 31 May
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Turnover attributable to our application services provided for our customers who used the network of SkyComm Group	1,532	1,668	1,419	1,415
Turnover attributable to our application services provided for our customers who used the network of other telecommunication network operators	<u>2,878</u>	<u>5,395</u>	<u>4,610</u>	<u>2,047</u>
Total	<u>4,410</u>	<u>7,063</u>	<u>6,029</u>	<u>3,462</u>

In the event that SkyComm Group or any of the other telecommunication network operators is unable to maintain its telecommunication network without any interruptions or delays to effectively support the operation of our application solutions and services, our customers may need to engage alternative service provider for the telecommunication networks and we have to adjust our application solutions so as to become compatible with the networks offered by such alternative service provider to the satisfaction of our customers in terms of the time and costs involved. Although the interface of these communication networks is designed to adapt to different connections, we may still need to make certain adjustments to our application solutions. For details, please refer to the section headed “Risk Factors - We are dependent on the co-operation with SkyComm Group” and “Risk Factors - We rely on the co-operation with other satellite and wireless telecommunication network operator in the PRC”.

## ASSEMBLING

Since our establishment, we have adopted the strategy of focusing on our core competencies in research, design and development of satellite communication, wireless data communication and call centre technologies and applications. We optimize internal resources by sourcing most of the terminals used in our application solutions and other components from external suppliers.

We leverage on our integrated design, engineering, in-house assembling as well as out-sourced assembling and implementation capabilities to provide customised application solutions to our customers in accordance with their specific requirements. We rely on in-house quality testing technician to ensure the quality of the terminals and components supplied to us by our suppliers. We assemble various components according to different assembly procedures to produce our application solutions.

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### FACILITIES

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

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

In the event that the lease is terminated and we opt not to exercise the option to purchase the premises for any reason, in order to ensure that any relocation of our ALL ACCESS platform to the new premises will not result in any interruption of our services to our customers, we have adopted contingency procedures, pursuant to which we will need to (i) firstly, reallocate our backup equipment and facilities comprising our ALL ACCESS platform and the office facilities to other suitable premises first without interrupting the continuing operations and services of the existing equipment and facilities of the platform, (ii) secondly, reinstall the backup equipment and facilities and the connections with the ALL ACCESS platform and set up our sales office at the new premises, and (iii) thirdly, commence the operations and services of the ALL ACCESS platform and the operation of our sales office at the new premises, before we may shut down the operations and services of the platform at our existing Beijing sales office and operation centre for relocation thereafter. We estimate that it will take approximately 30 days for us to complete the relocation procedures without interruption to the existing operations and services of our ALL ACCESS platform and the operation of our sales office, and will involve a relocation cost of approximately RMB1,000,000.

### QUALITY CONTROL

Our Directors believe that, among other things, the two important procedures in our application solutions development process are the following:

- component/equipment quality assurance — we demand high product standards from our suppliers. Some of the key components and equipment such as satellite antennas are sourced from well-known international companies. We only purchase components and equipment from suppliers who have passed our quality and reliability assessment and have been admitted to our list of qualified suppliers of the terminals and major components, such as servers and modems. Our purchasing department evaluates various aspects of a supplier, including its overall ability, technical capability and quality control over its production process. Our quality control team inspects components and equipment upon delivery. We assess our suppliers of the terminals and major components, such as servers and modems annually and those who fail our evaluation will be removed from our qualified suppliers' list. To replenish our list of qualified suppliers, our purchasing department either approach or is approached by potential suppliers from time to time. Our purchasing team then carry out our quality and reliability assessment by evaluating various aspects of a supplier, including its overall ability, technical capability and quality control over its production process.
- system quality assurance — the installation and integration processes are strictly monitored to ensure that they fully comply with our standardised operational procedures. We test our semi-finished application solutions at various stages of the assembly process to ensure their quality and compliance with all internal benchmarks before continuing on to the next stage of the production process. After completion of the assembly process, we perform thorough inspections to ensure that customers' specifications are met prior to delivery of our application solutions. Following completion of the installation process, our application solutions are tested to evaluate their performance and adjustments are made to optimise their functionality for our application solutions. Our customers also perform further testing of our application solutions after installation. We generally provide warranty against defects in some of our satellite and wireless data communication application solutions. We provide on-site technical support to our customers during our warranty period and carry out repairs at no cost to our customers. Once we have identified the particular faulty component or equipment, we contact our respective suppliers to arrange repair or replacement of the component or equipment.

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### AWARDS AND ACCREDITATIONS

Since our establishment, we have received certain awards and accreditations which are listed below:

Year of grant	Awards/accreditations	Awarding organizations	Description of the Awards
2005	Ten Best Software Products 全省十佳軟件	Hebei Province Software Industry Association	Award to the application of Jinwutong 警務通
2005	Hebei Sci-Tech Progress Prize	The Ministry of Public Security	Award to Traffic Offence Electronic Ticketing and Payment Solution
2004	Hebei Technology Advancement 3rd Class Award 河北科技進步三等獎	The People's Government of Hebei Province	Award to Traffic Offence Electronic Ticketing and Payment Solution

### RESEARCH, DESIGN AND DEVELOPMENT

Our Directors consider that a strong research and development capability is important to ensure our success and our ability to develop application solutions to meet the requirements of government departments or agencies, public utilities institutions and business enterprises. A strong research and development capability also enables us to continue to upgrade our existing application solutions in response to the changes in technological development.

In addition to research and development of our application solutions, our engineering team also work closely with our sales and marketing staff. Feedback from sales and marketing staff help guide the development of our application solutions to meet the requirements of different customers. To maintain the quality and market awareness of the research and development team, we provide on-going technical training and seminars for our research and development staff. Some members also attend and participate in exhibitions and external seminars to keep abreast of the latest technological developments and maintain regular contact and discussion with the PRC government department or agencies, public utilities institutions and business enterprises to ensure awareness of market needs.

As our engineering team is responsible for research and development also perform our application services, the cost of our research and development is included as part of our cost of sales.

For details of our major research and development initiatives that we intend to carry out in future, please refer to the section of “Future Plans and Use of Proceeds” of this prospectus.

We have a strong ability to design, develop and engineer a broad range of application solutions. As of the Latest Practicable Date, we have approximately 61 staff members engaged in the research and development and engineering and all of them have received tertiary education.

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### MARKETING AND PROMOTION

As at the Latest Practicable Date, we have a sales and marketing team of 35 members. The sales and marketing team is responsible for providing after-sales and consultancy service to major customers. In respect of sales to government departments or agencies and public utilities institutions, we principally obtain orders by placing competitive bids ourselves or through our agent, SkyComm Group.

For application solutions to be provided for business enterprises, generally we market our application solutions through various channels such as exhibitions, internet, advertisements and conference meetings. We have also sent our staff for on-site training or demonstrations in our customers' sites.

In order to promote our corporate image and our application solutions, we have adopted a series of marketing strategies, including publishing advertisements, holding technical discussions with customers, giving presentations and free trials of new application solutions to customers, and conducting satisfaction surveys with our customers. The data and feedback collected from these marketing activities are then used in the research and development process to improve our application solutions. We also participate in exhibitions and seminars to promote our application solutions in the PRC. During the Track Record Period, we have participated in the following exhibitions/seminars:

Year	Name of the exhibition/seminar
2008	China Satellite Conference China International Road Safety Product Expo China International Police Equipment Expo China Content Broadcasting Network Exhibition
2007	China (Shanghai) International Exhibition and Symposium on Police and Anti Terrorism Technology and Equipment China Satellite Conference Symposium on the Development of VSAT Satellite Communication Market in China Symposium on City Emergency Coalition Action

We also engage SkyComm Group as our agent to conduct certain pre-sale activities in respect of certain projects in order to maintain a more flexible cost structure.

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### CUSTOMERS

For each of the three years ended 31 December 2008 and the five months ended 31 May 2009, our five largest customers in aggregate accounted for approximately 64%, 59%, 46% and 77%, respectively of our total turnover. Sales to the single largest customers for the same period amounted to approximately 34%, 25%, 11% and 24% of our total turnover respectively. None of the Directors or any of their respective associates, or any shareholders, who owned more than 5% of our issued share capital as at the Latest Practicable Date, holds any interest in any of our five largest customers in any of the three financial years ended 31 December 2008 and the five months ended 31 May 2009.

Our application solutions serve mainly governmental departments or agencies, public utilities institutions and business enterprises in the PRC. Set out below is a table setting out the percentage of turnover attributable to each of the customer categories during the Track Record Period.

	For the year ended 31 December						For the five months ended 31 May	
	2006		2007		2008		2009	
	<i>RMB'000</i>	<i>% of turnover</i>	<i>RMB'000</i>	<i>% of turnover</i>	<i>RMB'000</i>	<i>% of turnover</i>	<i>RMB'000</i>	<i>% of turnover</i>
(1) Governmental departments or agencies	44,456	83%	63,147	50%	68,562	37%	8,816	19%
(2) Public utilities institutions	5,029	9%	2,128	2%	2,422	1%	412	1%
(3) Business enterprises	<u>4,385</u>	<u>8%</u>	<u>61,777</u>	<u>48%</u>	<u>116,090</u>	<u>62%</u>	<u>38,052</u>	<u>80%</u>
<b>Total:</b>	<u>53,870</u>	<u>100%</u>	<u>127,052</u>	<u>100%</u>	<u>187,074</u>	<u>100%</u>	<u>47,280</u>	<u>100%</u>

### PRICING POLICY

Some of our contracts are awarded on a competitive tender basis, which in general results in pressure on our pricing. Pricing for our major application solutions depends on the pricing for application solution of similar nature in order to increase our competitiveness on pricing. We determine our pricing primarily on the basis of the above factor, with appropriate consideration given to the size of transaction and the significance of the business opportunity to our growth.

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### CREDIT POLICY

In respect of the remaining balance of the contract sums, our average credit term is 0 to 180 days from acceptance of project subsequent to trial run of the application solutions and may vary according to our negotiation and relationship with different customers.

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

	As at 31 December			As at
	2006	2007	2008	31 May
	RMB'000	RMB'000	RMB'000	2009
				RMB'000
Current	<u>419</u>	<u>20,281</u>	<u>21,318</u>	<u>26,872</u>
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	<u>1,135</u>	<u>2,430</u>	<u>7,055</u>	<u>6,779</u>
Amounts past due	<u>8,439</u>	<u>23,069</u>	<u>50,232</u>	<u>45,879</u>
	<u>8,858</u>	<u>43,350</u>	<u>71,550</u>	<u>72,751</u>

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

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

The majority of the past due balances as at 31 May 2009 were due from government departments or agencies. Due to their lengthy budgeting and payment process, we may experience delay in our collection from them. However, there have been no significant dispute or default in payments from



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these customers. We have made full allowance for long overdue balances which are considered irrecoverable. The amount of allowance made for both the year ended 31 December 2006 and 31 December 2007 was nil whilst an amount of approximately RMB0.65 million was made for the years ended 31 December 2008, of which approximately RMB0.12 million was bad debt written off during 2008. No bad debt expense was provided for the five months ended 31 May 2009.

### INVENTORY CONTROL

Our inventories comprise components and equipment stocked for installation in our application solutions. For each of the three years ended 31 December 2008 and the five months ended 31 May 2009, the closing balance of our inventories amounted to approximately RMB3.07 million, RMB2.86 million, RMB3.16 million and RMB0.80 million respectively, which represented approximately 23%, 3%, 1% and 0% of our total current assets respectively.

We procure components required for our tendered projects on a project-by-project basis, except for some generic items, such as cases, racks, cable and wires, which are used in most of our projects. Hence, the nature of our business requires us to keep a minimal inventory level. Our inventory consists of a low level of components and equipment. We did not make any stock provision during the Track Record Period in accordance with our policy of reviewing the net realisable value of our inventories on regular basis. Deferred costs incurred on project which has been completed as completion or inspection certificates have not been issued are capitalised as inventory.

### SUPPLIERS

We purchase the components and equipment necessary for our application solutions from third parties. We source these components and equipment within the PRC except for StealthRay Products and certain terminals which are sourced overseas. Most of these components and equipment purchases are paid in Renminbi and US dollars and generally have a credit term of 0 to 90 days. During the Track Record Period, purchases from our top five suppliers together accounted for approximately 42%, 62%, 61% and 89% of our total purchases of these components and equipment, respectively, while the largest supplier accounted for approximately 18%, 27%, 23% and 40% respectively.

None of our Directors, their respective associates, or to the knowledge of our Directors, shareholders who will own more than 5% of our issued share capital immediately following the Share Offer had any interests in any of our five largest suppliers during the Track Record Period.

### COMPETITION

According to CCID Consulting, the satellite communication, wireless data communication and call centre application solutions industry has grown rapidly in recent years and competition is keen. Our Directors believe that the entry barrier for the satellite communication, wireless data communication and call centre application solutions industry in the PRC is relatively high as participants need to have technical expertise required to provide satellite communication, wireless data communication and call centre application services. Our Directors consider that the primary elements for competitiveness are technological innovation, the capability to adapt to the rapidly changing technologies, reliability, quality and pricing. Our Directors believe that application solution

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providers need to be technologically reliable, innovative and flexible in designing application solutions and competitive in terms of price and service quality. It is our Directors' belief that these can be achieved with experience and expertise in the industry and related technologies, continuous investment in research and development and in-depth understanding of local requirements and a comprehensive services network. To remain competitive, we strive to maintain and enhance our competitive edge in all these fronts.

### INTELLECTUAL PROPERTY

We rely on confidentiality agreements and other protections of our technical know-how to maintain our technical advantages in application solution design. We also expect to rely on copyrights to protect our proprietary technologies. We have entered into agreements with our employees acknowledging that we own the rights to all technology, inventions, trade secrets, works of authorship, developments and other processes generated in connection with their employment with us or their use of our resources or relating to our business or our property.

We have two trademarks registered with the China's Trademark Office of the State Administration for Industry and Commerce. We have one trademark in Hong Kong. For details, please refer to "Appendix VI — Statutory and General Information".

Up to the Latest Practicable Date, we have not been sued for infringement of intellectual property rights by any third party. As substantially all of our business is currently conducted in China, we have not taken any action outside China to protect our intellectual property.

### EMPLOYEES

As at the Latest Practicable Date, we employed 125 full-time employees. The following table sets forth the total number of employees by function as at the Latest Practicable Date:

	As at the Latest Practicable Date	
	Number of employees	% of total
Finance and administration	24	19.2
Sales and marketing	35	28.0
Research and development	25	20.0
Engineering	36	28.8
Procurement and quality control	5	4.0
TOTAL	<u>125</u>	<u>100</u>

### Employee training

In order to maintain quality, knowledge and skill levels of our employees, we also provide training for our employees periodically, including introductory training for new employees, technical training, professional and management training, team-building and communications training.

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### SOCIAL INSURANCE

As required by PRC regulations, Noter participates in social insurance plans organised by the respective PRC municipal governments in the areas where Noter operates. Noter has no obligation beyond the monthly contribution of 25% to 35% of basic staff salaries.

### INSURANCE

We do not maintain any product liability insurance, which is not compulsory under PRC law. As of the Latest Practicable Date, we have not received any material claims from our customers regarding any of our application solutions.

### ENVIRONMENTAL COMPLIANCE AND SAFETY

The environment and safety related laws and regulations applicable to our operations in the PRC include the PRC Environment Protection Law (1989) 《中華人民共和國環境保護法》, the PRC Environmental Impact Assessment Law (2002) 《中華人民共和國環境影響評價法》, and the PRC Production Safety Law (2002) 《中華人民共和國安全生產法》.

Due to the nature of our business, our assembly activities do not generate industrial pollutants and our operations do not raise any material safety or health related concerns. As at the Latest Practicable Date, we have not come across any non-compliance issues in respect of any applicable laws and regulations on environmental protection and safety or any complaints from our customers or the public in respect of safety and health issues relating to the use of, or any incidents arising from, the use of our application solutions.

The Directors are of the view that there are no environmental and safety laws and regulations which may affect the provision of our application solutions and application services in any material respect, and that our assembly activities are in compliance with the application laws and regulations of the PRC in respect of environmental protection and safety.

### LEGAL PROCEEDINGS

As of the Latest Practicable Date, we are not a party to any litigation, arbitration or claim of material importance, and the Directors were not aware of any pending or threatened litigation, arbitration or claim of material importance.

As advised by our PRC Legal Advisers, our Group has (i) obtained all licences, permits or certificates necessary to conduct its business; (ii) complied in its operations with all relevant laws and regulations of the PRC and the terms and conditions set out in the relevant approvals or licences our Group has been granted; and (iii) complied in all material aspects with PRC environmental protection laws and, in respect of employment contract terms and social insurance security contribution, the PRC labour laws.

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## OUR RELATIONSHIP WITH SKYCOMM GROUP AND OUR CONTROLLING SHAREHOLDERS

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### RELATIONSHIP WITH SKYCOMM GROUP

#### Background of SkyComm Group

SkyComm Group is principally engaged in the basic telecommunication and value added telecommunication businesses in the PRC.

Immediately prior to the Business Transfer in August 2006, SkyComm was owned as to 16% by Shanghai Development Co, 65.125% by Hebei Hongda, 13.375% by Hebei SkyComm Technology, 3% by Shanghai Software Co., and 2.5% by Beijing Data Communication.

As each of Hebei Hongda, Hebei SkyComm Technology and Beijing Data Communication had been 100% beneficially owned by Mr. Chan, Mr. Chan indirectly controlled an aggregate of 81% equity interest in SkyComm through Hebei Hongda, Hebei SkyComm Technology and Beijing Data Communication at all material times immediately before February 2008.

In February 2008, Mr. Chan disposed of all his indirect equity interest in SkyComm by disposing of all his beneficial interest in each of Hebei Hongda, Hebei SkyComm Technology and Beijing Data Communication, the details of which are set out as below:

#### (a) *Disposal of interests in Hebei Hongda*

Hebei Hongda had been 100% beneficially owned by Mr. Chan and was registered as to 25% (37.5% after August 2002) under his name and 75% (62.5% after August 2002) under the names of Wang Jianhua, Feng Ruiju, Zhou Ling, Yang Zhuping, Chang Jun and Ren Runqi as Mr. Chan's nominees (under the names of Wang Jianhua, Feng Ruiju, Yang Zhuping, Chang Jun and Ren Runqi as Mr. Chan's nominees after August 2002) since November 2000. Such nominee shareholder arrangements were in place to ensure compliance with the relevant legal requirements in the PRC with regard to the minimum number of shareholders in a domestic company established in the PRC at the material time. In addition, these nominees were members of the core management team members of SkyComm Group at the material time and the nominee shareholder arrangements were to give these core management higher status to facilitate them in the business operation and development of SkyComm Group.

In February 2008, in order to avoid possible conflict of interests with the Group, Mr. Chan disposed of all his beneficial interest in Hebei Hongda by selling all his 100% equity interest to Wang Jianhua, Yang Zhuping, Feng Ruiju and Ren Runqi at an aggregate cash consideration of RMB9.42 million, which was determined after arm's length negotiation among the parties and by reference to the value of 78.5% equity interest in SkyComm then directly and indirectly owned by Hebei Hongda. Each of Wang Jianhua, Yang Zhuping, Ren Runqi and Feng Ruiju had financed their respective acquisitions of the interests in Hebei Hongda with their own funds and had settled the consideration in cash by bank transfer after completion of the equity transfer.

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## OUR RELATIONSHIP WITH SKYCOMM GROUP AND OUR CONTROLLING SHAREHOLDERS

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### (b) *Disposal of interests in Hebei SkyComm Technology*

Hebei SkyComm Technology had been beneficially owned as to 25% by Mr. Chan (through Chang Jun as his nominee) and 75% by Hebei Hongda since December 2000. The nominee shareholder arrangement in respect of Mr. Chan's interests in Hebei SkyComm Technology was in place to ensure compliance with the relevant legal requirements in the PRC with regard to the minimum number of shareholders in a domestic company established in the PRC at the material time, and to give Chang Jun higher status to facilitate him in the business operation and development of SkyComm Group.

In February 2008, in order to avoid possible conflict of interests with the Group, Mr. Chan disposed of all his beneficial interest in Hebei SkyComm Technology by selling all his 25% equity interest in Hebei SkyComm Technology to Hebei Hongda for a cash consideration of RMB2 million, being the investment cost in the 25% of the total amount of registered capital in Hebei SkyComm Technology, resulting in Hebei Hongda beneficially owning 100% of the equity interest in Hebei SkyComm Technology. Such consideration had been included in the consideration payable under the disposal of Mr. Chan's 100% beneficial interests in Hebei Hongda set out in paragraph (a) above, for the reason that the disposal of Mr. Chan's interests in Hebei Hongda and Hebei SkyComm Technology was in substance the disposal of an aggregate of 78.5% interests in SkyComm directly held by Hebei Hongda and indirectly held by itself through Hebei SkyComm Technology.

### (c) *Disposal of interests in Beijing Data Communication*

Beijing Data Communication had been 100% beneficially owned by Mr. Chan and was registered as to 80% under his name and 20% under the name of Ren Runqi as his nominees. The nominee shareholder arrangement in respect of Mr. Chan's interests in Beijing Data Communication was in place to ensure compliance with the relevant legal requirements in the PRC with regard to the minimum number of shareholders in a domestic company established in the PRC at the material time, and to give Ren Runqi higher status to facilitate him in the business operation and development of SkyComm Group.

In February 2008, in order to avoid possible conflict of interests with the Group, Mr. Chan disposed of his entire beneficial interest in Beijing Data Communication by selling all his 100% equity interest in Beijing Data Communication to Yang Zhuping as to 80% and to Ren Runqi as to 20% for an aggregate consideration of RMB300,000 in cash, which was determined by reference to the value of 2.5% equity interest in SkyComm then directly owned by Beijing Data Communication. Each of Yang Zhuping and Ren Runqi had financed their respective acquisitions of the interests in Beijing Data Communication with their own funds and had settled the consideration in cash by bank transfer after completion of the equity transfer.

### (d) *Basis of determination of the respective considerations for the disposals*

The respective considerations receivable by Mr. Chan under the above disposals had been determined with reference to the appraised value of the assets and liabilities of SkyComm as of 31 December 2007 evaluated by a qualified valuer in the PRC, with a significant discount thereto after taking into account (i) the expected income of SkyComm Group that may be relinquished as a result of the Long Term Co-operation Agreement; (ii) the indirect benefits arising from the business referral

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arrangement, the non-compete undertakings by the SkyComm Group and its controlling shareholders and the established business cooperation and synergy effect under the Long Term Co-operation Agreement to be enjoyed by Mr. Chan as a shareholder of our Group; and (iii) the contribution to the development of SkyComm Group by these purchasers who were the core management of SkyComm Group for the past years, their passion to take up the SkyComm Group by way of management buyout, and their willingness to continue to run the SkyComm Group's business and to establish a strategic relationship with our Group by virtue of the Long Term Co-operation Agreement and the non-compete undertakings as referred to in the paragraph "non-compete undertaking" in this sub-section as part and parcel to the disposal.

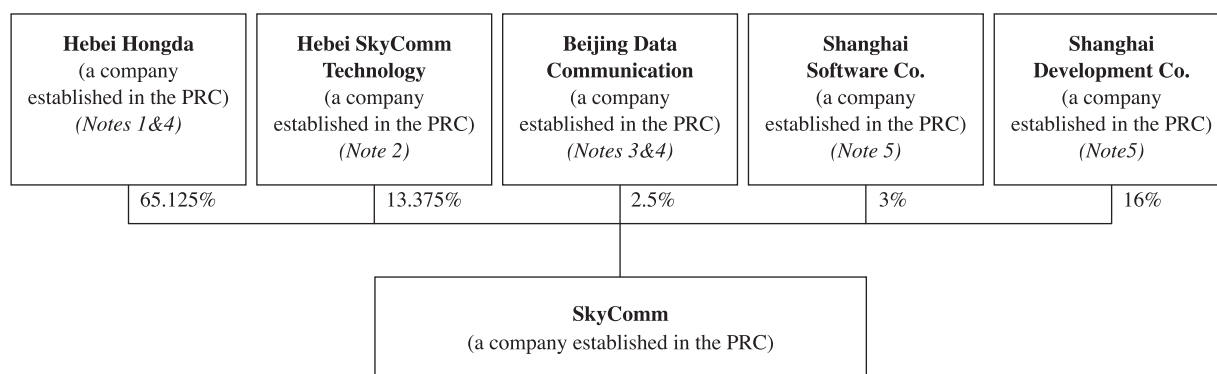
The Directors note that the appraised value of the 100% assets and liabilities of SkyComm as of 31 December 2007 amounted to approximately RMB120 million, and the aggregate consideration of RMB9.72 million receivable by Mr. Chan under the above disposals of his aggregate 81% indirect interests in SkyComm represented a significant discount of 90% of the attributable share of such appraised value. Nevertheless, the Directors note that the appraised value of the assets and liabilities of SkyComm included non-current assets, net current liabilities and non-current liabilities of SkyComm of 31 December 2007, and a significant portion of the then non-current assets of the SkyComm Group comprised of plant and equipment, which were non-liquid in nature. Taking into account the composition of the then assets and liabilities of the SkyComm Group, the Directors are satisfied that, had the purchasers chose to cease the operation of the SkyComm Group and liquidate their investments, the realizable value of SkyComm could represent a significant discount to the said appraised value.

The Directors note that after Mr. Chan disposed of his indirect interests in SkyComm at the abovementioned discount of the share of the appraised value of the assets and liabilities, we acquired the equipment and facilities of the ALL ACCESS platform from Hebei SkyComm and Shanghai SkyComm for a total cash consideration of approximately RMB53.09 million in December 2008, the appraised value of which were approximately RMB62.10 million as at 31 December 2007. Please refer to the section headed "Business — ALL ACCESS platform" for further details of the acquisition. Given that the subject matter of the disposal by Mr. Chan in his disposal of indirect interests in SkyComm comprised of both its then assets and liabilities while the acquisition by us of the equipment and facilities of the ALL ACCESS platform comprised of assets only, and that the price for acquiring such equipment and facilities had been determined by reference to their value as appraised by an independent qualified valuer of approximately RMB53.09 million as at 30 September 2008, the Directors consider that the price for us to acquire the equipment and facilities of the ALL ACCESS platform to be fair and reasonable.

Taking into account the major components of SkyComm's assets and liabilities as of 31 December 2007, and their implications on the possible realisable value, the Directors consider that the considerations for Mr. Chan's disposal of his indirect interests in SkyComm, which consisted of both assets and liabilities, were on an arm's length basis and on normal commercial terms notwithstanding the discount to the appraised value of the assets and liabilities of SkyComm.

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Set out below is the shareholding structure of SkyComm as at the Latest Practicable Date:



Notes:

1. The equity interest of Hebei Hongda was owned as to 25% by Wang Jianhua, 50% by Yang Zhuping and 25% by Ren Runqi as at the Latest Practicable Date. Hebei Hongda had been 100% beneficially owned by Mr. Chan and was registered as to 25% (37.5% after August 2002) under his name and 75% (62.5% after August 2002) under the names of Wang Jianhua, Feng Ruiju, Zhou Ling, Yang Zhuping, Chang Jun and Ren Runqi as Mr. Chan's nominees (under the names of Wang Jianhua, Feng Ruiju, Yang Zhuping, Chang Jun and Ren Runqi as Mr. Chan's nominees after August 2002) since December 2000 until February 2008, when Mr. Chan disposed of all his beneficial interest in Hebei Hongda by selling all his 100% equity interest to Wang Jianhua, Yang Zhuping, Feng Ruiju and Ren Runqi. Upon completion of the equity transfer, Hebei Hongda was owned as to 25% by each of these transferees, all of them were Independent Third Parties and members of the senior management of Hebei Hongda and SkyComm Group (other than Feng Ruiju). Feng Ruiju subsequently resigned from all her positions in Hebei Hongda and SkyComm Group and sold her equity interest in Hebei Hongda to Yang Zhuping for a cash consideration of RMB2,525,000, being the value of 25% of the registered capital of Hebei Hongda, to avoid potential conflict of interest and joined our Group as our Head of Wireless Data Communication Department in October 2008 for a better career development. As the value of 25% of the registered capital of Hebei Hongda did not significantly deviate from the consideration paid by Ms. Feng for her acquisition of such interests from Mr. Chan (that is, RMB2,355,000), and both Feng Ruiju and Yang Zhuping agreed that the factors for determining the considerations payable for Ms. Feng's acquisition for such equity interests from Mr. Chan remained substantially unchanged and valid at the time when she proposed to dispose of her equity interest in July 2008, both Mr. Yang and Ms. Feng considered it fair and reasonable to use value of 25% of the registered capital of Hebei Hongda as the basis for determining the consideration payable for Ms. Feng's disposal of her equity interest in Hebei Hongda.
2. Hebei SkyComm Technology was wholly and beneficially owned by Hebei Hongda.
3. Beijing Data Communication was owned as to 80% by Yang Zhuping and 20% by Ren Runqi, who were Independent Third Parties and members of the senior management of Beijing Data Communication and the SkyComm Group as at the Latest Practicable Date. Beijing Data Communication had been 100% beneficially owned by Mr. Chan and was registered as to 80% under his name and 20% under the name of Ren Runqi as his nominee until February 2008 when Mr. Chan disposed of his entire beneficially interest in Beijing Data Communication by selling all his 100% equity interest in Beijing Data Communication to Yang Zhuping as to 80% and to Ren Runqi as to 20%.
4. Each of the existing owners of Hebei Hongda and/or Beijing Data Communication has also confirmed that he is the beneficial owner of his equity interests in Hebei Hongda and/or Beijing Data Communication, and does not have any contract or arrangement with Mr. Chan and/or his associates in relation to any of his equity interests in Hebei Hongda and/or Beijing Data Communication. Save for the business relationship as disclosed in this prospectus, each of them are independent of and not connected with us or any of our connected persons.



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5. *Shanghai Software Co. is a subsidiary of Shanghai Development Co., a PRC joint stock limited company whose ordinary shares are listed on the Shanghai Stock Exchange. Each of Shanghai Software Co. and Shanghai Development Co. is an Independent Third Party.*

### **Business Transfer and business model before and after the Business Transfer**

The business of our Group was initially carried on by Hebei SkyComm, which was established by SkyComm, the holding company of the SkyComm Group, in December 2000 to engage in the satellite communication application solutions, development and application of related software, distribution, maintenance and technical support services communication apparatus and equipment and provision of other telecommunication services in the PRC. In March 2002, Shanghai SkyComm was established by SkyComm to engage in satellite communication application solutions, computer information international networking application solutions, research and development of communication apparatus and equipment, construction and engineering of communication and networking facilities and provision of technical consultation services therefor, distribution, maintenance and technical support services of communication apparatus and equipment and provision of other telecommunication services in the PRC.

Immediately prior to the Business Transfer in 2006, SkyComm, Hebei SkyComm and Shanghai SkyComm were indirectly owned and controlled by Mr. Chan, our Chairman, executive Director and one of our Controlling Shareholders. With a view to focus his resources in the development of the Related Businesses under a platform separated from other businesses then carried on by the SkyComm Group, and taken into account (i) the growing demand and market potential for the information communication application solutions and application services in the PRC, the Group's established position as one of the major satellite and wireless communication solutions providers in the PRC, its competitive strength in the market as more particularly described in the section headed "Business — Competitive Strengths" in this prospectus; (ii) the expected significant capital requirement for investment in the infrastructure required for business expansion and development in the telecommunication industry in order to maintain its competitiveness in the Excluded Business as compared with other State-owned and/or future foreign telecommunication network operators in the PRC, the expected increasingly tense competition following the progressive relaxation of foreign investments in the telecommunication industry in the PRC, and the limited resources for the SkyComm Group as a privately owned enterprise as compared with the other major operators in the market that limit the SkyComm Group's Excluded Business to the niche market (that is, by providing private network services to governmental, institutional and corporate customers only) with less favourable return on investment, Mr. Chan believed that, through segregating the Related Businesses from the other businesses of the SkyComm Group, and with the expertise in the industry and strong research, design and development capabilities established in the past, our Group can better utilise its resources and expertise, establish business presence of our Group in the international market and capture the business opportunities by collaborating with the SkyComm Group as well as other major telecommunication network operators in the PRC and worldwide. Further, in view of the relatively restrictive business entry requirements then imposed on foreign-invested enterprises in telecommunication business operations under the applicable PRC telecommunication laws and regulations as particularly explained below, which had made it impractical for the inclusion of the Excluded Business in our Group for the purpose of the Listing, the Related Businesses were



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## OUR RELATIONSHIP WITH SKYCOMM GROUP AND OUR CONTROLLING SHAREHOLDERS

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segregated from the other businesses of the SkyComm Group as part of the Reorganisation. In order to achieve clear delineation and segregation of our businesses from the other businesses of SkyComm Group, and in preparation for the Listing, the Business Transfer Agreement dated 31 August 2006 (as supplemented by a supplemental agreement dated 28 April 2009) was entered into between our Group, Hebei SkyComm and Shanghai SkyComm, pursuant to which our Group acquired from Hebei SkyComm and Shanghai SkyComm the Related Businesses.

Under the Business Transfer Agreement, Noter acquired from Hebei SkyComm and Shanghai SkyComm certain assets and liabilities (including, among other things, certain services contracts, accounts payable and receivables, but excluding certain equipment and facilities in respect of our Group's ALL ACCESS platform) relating to all the Related Businesses.

The Related Businesses include the provision of satellite communication application solutions and services, wireless data communication application solutions and services and call centre application solutions and services, together with related assets and liabilities (including all rights and obligations under all contracts and agreements relating to such Related Businesses).

The Excluded Businesses include the provision of satellite communication network, the provision of wireless data communication network and operation of the call centre outsourcing businesses and all related assets and liabilities (including all rights and obligations under all contracts and agreements related to such Excluded Business). The table below sets out the similarities and differences between the Related Businesses and the Excluded Businesses in terms of products and services, suppliers, customers and mode of operations at the time of the Business Transfer.

	Related Businesses	Excluded Businesses
<b>Products and services</b>	<ul style="list-style-type: none"><li>• Provision of application solutions.</li><li>• Software development and programming.</li><li>• System installation, system integration, assembly and testing.</li><li>• Provision of technical support and training.</li><li>• Provision of operation management, system maintenance and upgrade services.</li></ul>	<ul style="list-style-type: none"><li>• Data transmission through satellite or wireless data communication network and call centre operation services which require special license under the PRC laws and regulations.</li></ul>

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	Related Businesses	Excluded Businesses
<b>Suppliers</b>	<ul style="list-style-type: none"> <li>Manufacturer or distributor of components and equipment for application solutions which include satellite antennas, motor vehicles, modems, satellite transceiver, wireless terminals and computers and generic items such as cases, racks and cables.</li> </ul>	<ul style="list-style-type: none"> <li>In relation to provision of satellite data transmission services, provider of satellite communication resources such as satellite transponders.</li> <li>In relation to provision of wireless data transmission services and call centre services, manufacturer or distributor of components and equipment for wireless data communication network and call centre infrastructure which include wireless data transmitter, automatic call distribution system, trunk lines, computers and generic items such as cases, racks and cables.</li> </ul>
<b>Customers</b>	<ul style="list-style-type: none"> <li>Governmental departments or agencies, public utilities institutions and business enterprises in the PRC</li> </ul>	<ul style="list-style-type: none"> <li>Governmental departments or agencies, public utilities institutions and business enterprises in the PRC.</li> </ul>
<b>Mode of operation</b>	<ul style="list-style-type: none"> <li>To obtain new customers through market promotions and new orders from existing customers. Main source of income are sale of application solutions and provision of application services.</li> <li>Provision of application solutions on project basis.</li> <li>Provision of application services on on-going basis.</li> </ul>	<ul style="list-style-type: none"> <li>To maintain business relationship with existing customers and to develop new customers to fully utilize its network capacities and outsourcing call centre capacity.</li> <li>Provision of data transmission services and call centre outsourcing services on on-going basis.</li> </ul>

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Pursuant to the Telecommunication Regulations of the PRC, the basic and value-added telecommunication services providers must obtain telecommunication business operation license (電訊業務經營許可證) or the value-added telecommunication business operation license (增值電信業務經營許可證) issued by the information industry authority of the State Council or administrative authorities in charge of telecommunications in the respective provinces, autonomous regions and municipalities in accordance with their category of services. Basic telecommunication services include data and voice transmission services provided using the basic infrastructures of the public telecommunication network while value-added telecommunication services include internet connection services, media downloading services, voice mail services and electronic mails services provided using the basic infrastructures of the public telecommunication network. As advised by our PRC Legal Advisers, since we do not provide any of the basic telecommunication services or value-added telecommunication services, we are not required to obtain the telecommunication business operation license (電訊業務經營許可證) or the value-added telecommunication business operation license (增值電信業務經營許可證) under the PRC laws and regulations. As a result, we are not allowed to carry on the Excluded Businesses without such telecommunications operator licences and the foreign-invested enterprises (in particular for foreign-invested enterprises with foreign investors holding more than 49% of their equity interests) cannot obtain such telecommunications operator licences unless certain stringent conditions are satisfied and the relevant government approvals are obtained. SkyComm Group has possessed such telecommunications operator licences and continues to carry on such Excluded Businesses after the Reorganisation.

Pursuant to the Reorganisation, the parties would complete the procedures of the Business Transfer (including obtaining third parties' consent for transfer of certain contracts valid and continuing as at 30 June 2006) during a transitional period up to 31 December 2007

### *Business Model before the Business Transfer: From 1 January 2006 to 30 June 2006*

Before the Business Transfer, the departments of SkyComm Group responsible for running the Excluded Businesses were separate from the departments responsible for running the Related Businesses. As at 30 June 2006, the record date of the Business Transfer, there were approximately 253 employees in the departments for the Excluded Business and there were approximately 70 employees in the departments for the Related Businesses.

However, for the purpose of reducing the operation costs, there were sharing of services from other departments, such as general administrative department, finance and accounting department, between the Related Businesses and the Excluded Businesses.

Before the Business Transfer, although the Related Businesses and the Excluded Businesses were operated separately, SkyComm Group did not enter into two separate services contracts with its customers in order not to complicate the contract administration and to reduce the operation cost. Some services contracts between our customers and SkyComm Group during this period may be related to both the Related Services and the Excluded Services.

For the purpose of this prospectus, as the Controlling Shareholders controlled the operations of the Related Business before the Business Transfer and continue to control the entities comprising the listing group, and the control is not transitory and consequently, there was a continuation of the risks

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and benefits to controlling parties and therefore this is considered as business combinations under common control and that Accounting Guideline “Merger Accounting for Common Control Combinations” is applied for this transaction. Our financial information has been prepared using the merger basis of accounting as if the Related Business had been operated by us and the current group structure had been in existence throughout the Track Record Period.

### *Business Model during the Transitional Period: From 30 June 2006 to 31 December 2007*

After the Business Transfer, we started to enter into separate contracts with our customers in relation to the Related Services (other than certain satellite communication and wireless data communication application solutions for the reasons as described in the paragraph “Business Model after expiry of the Transitional Period from 31 December 2007 onwards” below).

However, most of the contracts with our then existing customers were continuing and had not expired as at the date of the Business Transfer Agreement. For the purpose of perfecting the legal procedures for the Business Transfer and to avoid confusion of our customers, we have obtained consents and acknowledgements from our customers, confirming that the rights and obligations relating to the Related Services under the original contracts with SkyComm Group (other than contracts for solutions as described in the paragraph “Business Model after expiry of the Transitional Period; From 31 December 2007 onwards” below) would be transferred from SkyComm Group to us, rather than re-entering into new contracts with these customers.

As part of the transitional arrangements during the period, we continued to provide certain of our Related Services to our customers under the name of SkyComm Group and pursuant to the original contracts between SkyComm Group and the customers. In such scenario, SkyComm Group received, on behalf of us, the fees for our Related Services under the original contracts and we received the fees for our Related Services under the original contracts from SkyComm Group. In general, the fees for the Related Services and the Excluded Services have been itemised in the original contracts. The total value of these contracts (which was inclusive of the related value added tax and/or business tax) amounted to approximately RMB75.39 million as at 30 June 2006. Our turnover (which was exclusive of the related value added tax and/or business tax) of approximately RMB29.99 million, RMB10.54 million, RMB10.80 million and nil attributable to the Related Services under these contracts had been recognised for each of the three years ended 31 December 2008 and the five months ended 31 May 2009 respectively. As at 31 May 2009, the outstanding value of these contracts (which was inclusive of the related value added tax and/or business tax) in relation to the Related Services that had not yet completed was approximately RMB21.84 million. After the Business Transfer and up to the Latest Practicable Date, our Group did not encounter any difficulties in recovering the fees received by SkyComm Group on our behalf in respect of the Related Services under these contracts. As at the Latest Practicable Date, only one of these contracts was yet to be completed.

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### *Business Model after expiry of the Transitional Period: From 31 December 2007 onwards*

In relation to most of the new projects (save as disclosed below), even if our customers chose to use the network of SkyComm Group, we would enter into a separate contract with our customers without involving SkyComm Group as a party. However, we have been cooperating with SkyComm Group in the following aspects:

- (i) we provide our customers with some of our satellite communication and wireless data communication application solutions which are compatible with and in support of the interface to the satellite and/or wireless telecommunications networks offered by SkyComm Group or other telecommunication service providers. Some of our customers are using SkyComm Group's satellite and wireless telecommunication networks to support the operation of our satellite communication and wireless data communication application solutions. If there is no co-operation between SkyComm and us in providing our application services, SkyComm Group and we normally charge and receive fees from our customers separately. Nevertheless, some of our customers, which are mainly governmental departments, prefer SkyComm Group and us to provide the Related Services and the Excluded Services together as a package. In that case, we will co-operate with SkyComm Group in relation to certain satellite communication and wireless data communication application solutions as a package to our customers, where SkyComm Group shall provide data transmission services to the ultimate customers and we shall provide the application solutions and application services including system maintenance and technical support. Pursuant to the co-operation with SkyComm Group, the customers would pay ongoing package services fees to SkyComm Group (which shall in turn remit the fees for our application services to us).

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Set out below is a table showing the proportion of turnover attributable to our application services provided for our customers who used the network of SkyComm Group and who used the network of other telecommunication network operator during the Track Record Period:

	For the year ended 31 December			For the five months ended 31 May
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Turnover attributable to our application services provided for our customers who used the network of SkyComm Group	1,532	1,668	1,419	1,415
Turnover attributable to our application services provided for our customers who used the network of other telecommunication network operator	<u>2,878</u>	<u>5,395</u>	<u>4,610</u>	<u>2,047</u>
<b>Total</b>	<u>4,410</u>	<u>7,063</u>	<u>6,029</u>	<u>3,462</u>

In addition, we have engaged SkyComm Group as our agent to conduct sales and marketing activities to certain clients or make the bids on behalf of us. We have formalised our commercial arrangements with SkyComm Group by entering into the Long Term Co-operation Agreement with SkyComm. For details, please refer to the paragraph “Long-Term Co-operation Agreement” below. As at 31 May 2009, there was no outstanding amount due from SkyComm Group in respect of the contracts entered into by SkyComm Group as our agent with our customers.

- (ii) for most of our call centre application solutions, we co-operated with SkyComm Group to bid and/or negotiate for certain call centre outsourcing contract as one-stop application solutions to our customers. We executed a tripartite agreement with SkyComm Group and our customers whereby SkyComm Group charge our customers for certain Excluded Services provided by SkyComm Group (including operation of outsourced call centres and data transmission services on SkyComm Group’s communication network) and we charge our customers for the Related Services (including provision of overall software design for product requirements and specifications, software programming and technical support,

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system installation and configuration, and quality control and testing) separately. For each of the three years ended 31 December 2008 and the five months ended 31 May 2009, our turnover attributable to provision of call centre application solutions and services (all of which uses SkyComm Group's communication network) amounted to approximately RMB2.98 million, RMB2.92 million, RMB4.28 million and RMB1.78 million respectively, representing approximately 6%, 2%, 2% and 4% of our total turnover. Our customers are still the ultimate users of our call centre application services whilst SkyComm Group is our business partner in relation to the provision of call centre application services;

- (iii) our office in Shijiazhuang of Hebei Province and our sales office and the operation centre of our ALL ACCESS platform in Beijing are leased from SkyComm Group. In respect of the lease of our office in Shijiazhuang, the lease is for a period of three years commencing from 1 July 2008 without any option to renew the lease. In respect of the lease of our sales office and operation centre of our ALL ACCESS platform in Beijing, we have an option by us to renew the lease on the same term (other than the option to renew and at the then market rent subject to a cap of 120% of the existing rent) for another 10 years commencing from the expiry of the initial term, unless terminated by us by giving a written notice of at least three months. In respect of the lease of our operation centre and sales office in Beijing, we have also been granted a purchase option pursuant to which we may, during the term of the lease, request SkyComm to sell the office premises to us at its then fair market value. So far as the Directors are aware of after making all reasonable enquiry, there are suitable premises alternative to these premises available for lease from Independent Third Parties. As advised by our property valuer, BMI Appraisals Limited, the rents payable by us under the above tenancy agreements represent fair market rents.
- (iv) we have granted a non-exclusive licence over the use of certain functions of our ALL ACCESS platform to SkyComm Group whereby SkyComm Group can have access to certain functions of our ALL ACCESS platform to provide satellite/wireless data telecommunication services for a term of 10 years commencing from 1 January 2009, subject to early termination in the manner specified in the licence agreement; and
- (v) we used to share with SkyComm Group on general and administration resources and facilities. Since 2008, all the general and administration resources have been segregated from SkyComm Group and we no longer share any general and administration resources and facilities with SkyComm.

### Long Term Co-operation Agreement

As the SkyComm Group is one of the wireless and satellite telecommunication and call centre operators and licence holders for the provision of telecommunication, the related value-added and call centre services in the PRC, which are required for use of the wireless data communication, satellite communication and call centre application solutions provided by us, we have maintained close working relationships with the SkyComm Group and another wireless and satellite telecommunication operator. To reinforce our business collaboration with the SkyComm Group, our Group and SkyComm entered into the Long Term Co-operation Agreement on 28 February 2008 (as supplemented by a supplemental agreement dated 14 April 2009) pursuant to which for a period of five years until



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December 2012, members of the SkyComm Group will, in respect of any business opportunities relating to the provisions of all telecommunication-related application solutions and application services (excluding telecommunication network services but including but not limited to the research and development of communication solutions and related software, development of the related technical solutions, installation, testing, maintenance, consultation and technical support services for communication equipment), refer all these business opportunities to our Group by either procuring such end customer to appoint or contract with Noter directly for the provisions of the services, or entering into contracts for provision of such services with end customers as agent on behalf of Noter for provision of the relevant services by Noter, provided that, in respect of each contract entered into by any member of SkyComm Group as agent on behalf of Noter pursuant to the Long Term Co-operation Agreement, our Group will pay 5% of the value of such contract to SkyComm as handling fee. For the year ended 31 December 2008 and the five months ended 31 May 2009, the total turnover of the business contracts entered into by SkyComm as agent of the Group pursuant to the Long Term Co-operation Agreement amounted to approximately RMB34.52 million and RMB6.32 million respectively which represented approximately 18% and 13% respectively of the turnover for the year ended 31 December 2008 and the five months ended 31 May 2009. Our Group has also provided a lump sum of RMB30 million to SkyComm as performance guarantee deposit for contracts entered into by SkyComm Group as agent for our Group. The performance guarantee deposit of RMB30 million was arrived at by reference to 10% of the estimated contract fee of the contracts to be entered into by SkyComm Group as agent for our Group during the term of the Long Term Co-operation Agreement. The amount of such performance guarantee deposit is subject to an annual adjustment in the manner as specified therein, and a sum equal to 10% of the contract fee of each of such contracts shall be refundable upon completion of, and the expiry of the warranty period under, such contract. As at the Latest Practicable Date, the amount of performance guarantee deposit retained by SkyComm pursuant to the Long Term Co-operation Agreement had not been adjusted nor utilised to secure performance of the relevant contracts. Any balance of the performance guarantee deposit will be refunded to our Group if the lump sum is not depleted upon expiry of the Long Term Co-operation Agreement. Based on the asset value and other information relating to the financial position of the SkyComm available to us, we are not aware of any circumstance that may indicate the inability of the SkyComm Group to refund any such balance of the performance guarantee deposit as and when it falls due and refundable. The Long Term Co-operation Agreement is subject to renewal for a term to be negotiated and agreed upon by the parties thereto prior to its expiry.

The Directors consider that the above 5% handling fee charged by SkyComm Group for its agency services under the Long Term Co-operation Agreement is on normal commercial terms, fair and reasonable to the Group and comparable to offers available from Independent Third Parties. While the SkyComm Group is obliged to refer all business opportunities relating to the satellite and wireless data communication application solutions and services to our Group under the Long Term Co-operation Agreement, there is no obligation on our part to procure our customers to use the satellite or wireless data transmission services offered by the SkyComm Group. Customers choose their satellite and/or wireless data transmission services providers, and we offer application solutions and services for the customers' specific purposes. In addition, SkyComm Group is not obliged to provide their network services to our customers only and as a result, SkyComm Group's satellite and/or wireless telecommunication networks are not exclusively used by our customers to support operation of our application solutions.



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## OUR RELATIONSHIP WITH SKYCOMM GROUP AND OUR CONTROLLING SHAREHOLDERS

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### Operational and management independence

Despite the close business relationship between SkyComm Group and us as a result of the Long Term Co-operation Agreement, SkyComm Group is our strategic business partner and such relationship does not affect the independence of our business operations and development. After the Business Transfer, we have been operating substantially independently from the SkyComm Group with, among others, our own accounting system and treasury function, sales and marketing team and administrative resources and other assets which are significant to the business and operation of our Group, such as trademarks and software. We have established our own research and development, technical and engineering teams and are able to provide integrated satellite and wireless data communication applications solutions and application services to our end customers independently. We have independent access to all of our customers, including those customers contracted through the agency arrangements or tripartite agreements under the Long Term Co-operation Agreement. The terms and conditions, including the service fees and scope and specifications of our application solutions and application services, have been negotiated and agreed directly and on arm's length basis between us and our customers. We also retain our own independent customer records. Save as incidental to such arrangements as referred to in this section, our own sales and marketing team are responsible for dealing with our existing customers and carrying out marketing activities such as exhibitions and seminars to broaden the customer base of the Group and none of the directors, senior management or employees of the SkyComm Group is an employee of, or is otherwise involved in, any of our administrative, development, engineering, sales, marketing and customer service teams. We also have independent access to our suppliers. Despite the fact that we have leased from SkyComm Group our office premises in Shijiazhuang and our operational centre of our ALL ACCESS platform and sales office in Beijing, and have granted a non-exclusive licence to SkyComm Group for their use of our ALL ACCESS platform, our Group's premises and ALL ACCESS platform have been operated by us independently. Please refer to the section headed "Business" in this prospectus for details of the business operations of our Group.

### Non-compete undertaking

As SkyComm Group has been working with us closely as a business partner and has access to some of our customers, to facilitate the enforcement of our business arrangement with SkyComm Group and protect our Group from potential competition, each of SkyComm, Shanghai SkyComm, Hebei SkyComm and the controlling shareholders of SkyComm, namely Hebei Hongda, Hebei SkyComm Technology, Beijing Data Communication, Yang Zhuping, Ren Runqi and Wang Jianhua (collectively the "**SkyComm Related Parties**") has given an irrevocable non-compete undertaking in our favour on 22 August 2009 pursuant to which each of the SkyComm Related Parties has, among other matters, irrevocably and unconditionally undertaken with us on a joint and several basis that at any time during the Relevant Period (as defined below), each of the SkyComm Related Parties shall, and shall procure that their respective associates shall:

- (i) save for the Exempted Business (as defined below), not, directly or indirectly, carry on, invest in or be engaged in any business which will or may compete with the business currently and from time to time engaged by our Group ("**Restricted Business**") including

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## OUR RELATIONSHIP WITH SKYCOMM GROUP AND OUR CONTROLLING SHAREHOLDERS

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but not limited to the marketing, sales, distribution, manufacturing and/or provision of satellite communication application solutions, wireless data communication solutions, call centre application solutions, the related application services and other products and services of our Group from time to time (“**Restricted Products and Services**”);

- (ii) not solicit any existing or then existing employee of our Group for employment by them or their respective associates;
- (iii) not, without the consent from our Company, make use of any information pertaining to the business of our Group which may have come to their knowledge through our business relationship with SkyComm Group for the purpose of competing with the Restricted Business; and
- (iv) in respect of any order or any part of it undertaken or proposed to be undertaken by them or their respective associates for the marketing, sales, distribution, manufacturing and/or provision of the Restricted Products and Services under the relevant order, unconditionally use reasonable endeavours to procure such customer(s) to appoint or contract with our Group directly for the sale and supply of the Restricted Products and Services or, if the circumstances do not permit so, to procure that such sale and supply of the Restricted Products and Services shall be referred to and performed by Noter pursuant to the Long Term Co-operation Agreement (as supplemented).

For the above purpose:

- (A) the “Relevant Period” means the period commencing from the date of the non-compete undertaking and shall expire for the earliest of the dates below:
  - (a) (as regards Hebei Hongda, Hebei SkyComm Technology, Beijing Data Communication, Yang Zhuping, Ren Runqi and Wang Jianhua only) the date on which they (individually or taken as a whole) cease to have control of 30% or more of voting rights in a shareholders’ meeting of SkyComm, or cease to have the power to control and nominate the majority of members of the board of directors of SkyComm; or
  - (b) (as regards Hebei SkyComm and Shanghai SkyComm only) the date on which Hebei SkyComm or Shanghai SkyComm cease to be a subsidiary of SkyComm; or
  - (c) the expiry of 80 years from the date of the non-compete undertaking.
- (B) the “Exempted Business” means (i) any direct or indirect investments of the SkyComm Related Parties and/or their respective associates in any member of our Group; or (ii) any such orders or contracts entered into by SkyComm Group for the marketing, sales, distribution, manufacturing and/or provision of the Restricted Products and Services for the provisions thereof by Noter pursuant to the Long Term Co-operation Agreement (as supplemented).

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## OUR RELATIONSHIP WITH SKYCOMM GROUP AND OUR CONTROLLING SHAREHOLDERS

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### RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Immediately following completion of the Share Offer and the Capitalisation Issue and taking no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and the options which may be granted under the Share Option Scheme, and assuming that the final Offer Price will be fixed at or above the Chengwei Conversion Trigger Price, our Company will be owned as to 43.53% by Creative Sector, the entire issued share capital of which is owned by Mr. Chan. As Mr. Chan and Creative Sector are, directly or indirectly, individually or together with others, entitled to exercise or control the exercise of 30% or more of the voting power at our general meetings, each of Mr. Chan and Creative Sector is regarded as our controlling Shareholder under the Listing Rules. Mr. Chan, who is the chairman and executive Director and the ultimate largest shareholder of our Company immediately prior to completion of the Share Offer and the Capitalisation Issue, has lived in the PRC for a substantial period of time. Up to the Latest Practicable Date, Mr. Chan has not been a full time government official of a country for a substantial period of time nor has he been a full time employee of a state or government-owned or operated entity for a substantial period of time.

The Directors consider that our Group is capable of carrying on our business independent of our Controlling Shareholders and their respective associates for the following reasons:

#### **Operational independence**

We are principally engaged in providing wireless data communication and satellite communication application solutions to a wide range of industries including government departments or agencies, public utilities institutions and business enterprises in the PRC and call centre application services in relation to call centre outsourcing services providers.

Our business was initially founded and carried on by Hebei Skycomm and Shanghai Skycomm, which were then indirectly controlled by Mr. Chan, before the Related Business were transferred to our Group in August 2006 pursuant to the Business Transfer under the Reorganisation. Thereafter and up to the Latest Practicable Date, our current businesses are principally based on (i) the business contracts entered into by our Group with our customers independently; (ii) the business undertakings acquired from Hebei Skycomm and Shanghai Skycomm pursuant to the Business Transfer Agreement; and (iii) the business contracts entered into by SkyComm Group as our agent pursuant to the Long Term Co-operation Agreement (as supplemented). Please refer to the paragraph headed “Long Term Co-operation Agreement” in this section for further particulars of the Long Term Co-operation Agreement.

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## OUR RELATIONSHIP WITH SKYCOMM GROUP AND OUR CONTROLLING SHAREHOLDERS

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Prior to the Business Transfer, one of our Controlling Shareholders, Mr. Chan, had been interested, directly or indirectly, in the registered capital of SkyComm, Hebei SkyComm and Shanghai SkyComm. He had also been involved in the management and operation of each of these companies in the capacity of a director. However, after the Business Transfer and as at the Latest Practicable Date, to align with the corporate strategy to focus on the development of the Related Businesses for the same reasons as that for the Business Transfer as referred to in the paragraph “Business Transfer and Business Model before and after the Business Transfer” in this section and to avoid possible conflict of interests with the Group, Mr. Chan has sold all his equity interests in, and resigned from the directorship and management in, the SkyComm Group, and ceased to be a shareholder and a director of any member of the SkyComm Group. Save for his indirect shareholding and directorship in the Group and Creative Sector, Mr. Chan did not have any interest in business which competes or is likely to compete, directly or indirectly, with the businesses of the Group.

We have our own research and development, marketing, technical and engineering teams, and we are able to provide integrated wireless and satellite communication application solutions, from tailor-made system integration services to the sale of satellite communication equipment, to our end customers independently. We have independent access to our suppliers and contractors, and none of our Controlling Shareholders is a supplier or intermediary for our Group’s suppliers.

We own our assets, such as trademarks, operational assets and equipment, that are significant to the business and operations of our Group. We have also leased the premises at Room 1109, Information Tower, 1403 Min Sheng Road, Pudong New Area, Shanghai, PRC (上海市浦東新區民生路1403號信息大廈1109室) from Mr. Chan as the office for Noter. Particulars of the lease are described in the paragraph “Continuing connected transactions” in this section. As the premises in Shanghai is used for office purposes only, our Directors do not consider any material reliance on the Controlling Shareholders in terms of our Group’s principal operating assets and properties. Save for such lease, we do not use any facilities of our Controlling Shareholders or their respective associates.

On the basis of the above, the Directors are of the view that our operation does not unduly rely on our Controlling Shareholders and we are able to operate our own business independently from our Controlling Shareholders.

### **Financial independence**

We have our own accounting and treasury functions.

As at 31 December 2006, 2007 and 2008 and 31 May 2009, several bank loans of our Group amounting to nil, nil, approximately HK\$37.10 million and HK\$22.25 million were secured by a personal guarantee and a mortgage of a residential property owned by Mr. Chan. All the bank borrowing secured by these personal guarantee and/or mortgage have been or will be repaid in full prior to Listing, and these personal guarantee and/or mortgage will be released by the banks upon or prior to the Listing. Mr. Chan also provided personal guarantees for the convertible loans as particularly described in the paragraph headed “Convertible Loans” in the section headed “History and Development” in this prospectus. Further, as security for the performance by CAA BVI and Mr. Chan under a senior secured promissory note of US\$10 million dated 17 November 2008 and issued by CAA BVI to Chengwei, each of Mr. Chan and Creative Sector has charged 51% of the issued share capital

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## OUR RELATIONSHIP WITH SKYCOMM GROUP AND OUR CONTROLLING SHAREHOLDERS

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of CAA BVI and our Company as the case may be in favour of Chengwei. The charge over shares of CAA BVI provided by Mr. Chan had been released on 28 August 2009. Pursuant to the terms of these convertible loans, all such guarantees and the share charge in respect of Creative Sector's interest in Shares of the Company will be released upon the Listing. Mr. Chan and Creative Sector have also irrevocably waived his/its rights in respect of the convertible loans arising from the conversion thereof into Shares.

During the Track Record Period, Mr. Chan provided a shareholder's loan of approximately HK\$36.6 million to CAA BVI which was fully capitalised by way of allotment and issue of 9,999 ordinary shares credited as fully paid in the capital of CAA BVI to Mr. Chan in January 2008. As at 31 December 2008, there was an amount due to Mr. Chan of approximately RMB3.86 million which will be settled in full by our Group out of its internal resources upon or prior to Listing.

Our Group has been able to satisfy our working capital requirements from internal resources, convertible loans and bank borrowings. On the basis of the above, the Directors are of the view that our Group does not rely on the Controlling Shareholders and/or their respective associates by virtue of their provision of financial assistance and this financial assistance has been or will be ceased or repaid upon the Listing.

### Management independence

We have our own management team for the management and operation of our business. Apart from Mr. Chan, the other members of our management team also have extensive experience in the telecommunications industry with over 10 years of experience. Details of biographies of our Directors and other senior management are set out in the section "Directors, Senior Management and Staff" of this document. Save for Mr. Chan's involvement in the management of our Group (in his capacity as Director and employee of our Group rather than as our Controlling Shareholders), the management team manages our Group's business independent from the Controlling Shareholders.

### CONTINUING CONNECTED TRANSACTIONS

Pursuant to an agreement ("**Shanghai Tenancy Agreement**") dated 1 November 2007 and entered into between Mr. Chan as landlord and our Group as lessee, our Group agreed to lease ("**Lease**") an office premises with a floor area of approximately 112.66 sq.m. located at Room 1109, Information Tower, 1403 Min Sheng Road, Pudong New Area, Shanghai (上海市浦東新區民生路1403號信息大廈1109室) for a term commencing from 1 November 2007 to 31 October 2010. The leased premises will be used for office purposes. The current monthly rent payable by our Group to Mr. Chan under the Shanghai Tenancy Agreement is RMB15,420 payable in advance on or before the tenth calendar day of each and every month. Such rent will be subject to an annual adjustment and exclusive of water, electricity, gas, communication, facilities and management fees. The rent was arrived at after arm's length negotiations between the parties and determined by reference to the market rent of the premises.

BMI Appraisals Limited, the property valuer of our Company, considers that such rent is at market level.

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## OUR RELATIONSHIP WITH SKYCOMM GROUP AND OUR CONTROLLING SHAREHOLDERS

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The Directors anticipate that the rent payable by our Group under the Shanghai Tenancy Agreement will not exceed RMB185,040 for the year ending 31 December 2009 and RMB154,200 for the year ending 31 December 2010. The annual caps represent the current rent payable by our Group to Mr. Chan pursuant to the Shanghai Tenancy Agreement and the expected rent payable by our Group to Mr. Chan.

Mr. Chan is one of our Controlling Shareholders (the particulars of which are set out in the paragraph headed “Relationship with our Controlling Shareholders” in this section) and is also our executive Director. He is therefore a connected person of our Company.

Under the Listing Rules, for so long as Mr. Chan remains as a connected person of our Company, the lease described above would constitute continuing connected transactions upon the Listing.

Based on the annual caps for the Lease under the Shanghai Tenancy Agreement, it is expected that each of the percentage ratios, where applicable, calculated by reference to Rule 14.07 of the Listing Rules, will exceed 0.1% but will not exceed 2.5%, and the monetary amount of the rent payable by our Group to Mr. Chan under the Shanghai Tenancy Agreement will not exceed RMB185,040 for the year ending 31 December 2009 and RMB154,200 for the year ending 31 December 2010, and therefore the Lease is exempt from the reporting, announcement and independent shareholders’ approval requirements as set out under Rule 14A.33(3) of the Listing Rules.

### **Non-Compete Undertaking**

Each of our Controlling Shareholders and Directors has confirmed that none of them is engaged in, or interested in any business (other than our Group) which, directly or indirectly, competes or may compete with our business. To protect our Group from potential competition, the Controlling Shareholders have given an irrevocable non-compete undertaking in our favour on 28 August 2009 pursuant to which each of the Controlling Shareholders has, among other matters, irrevocably and unconditionally undertaken with us on a joint and several basis that at any time during the CS Relevant Period (as defined below), each of the Controlling Shareholders shall, and shall procure that their respective associates (other than our Group) shall:

- (i) save for the CS Exempted Business (as defined below), not, directly or indirectly, carry on, invest in or be engaged in any Restricted Business including but not limited to the Restricted Products and Services;
- (ii) not solicit any existing or then existing employee of our Group for employment by them or their respective associates (excluding our Group);
- (iii) not, without the consent from our Company, make use of any information pertaining to the business of our Group which may have come to their knowledge in their capacity as our Controlling Shareholders, Directors and/or their respective associates (as the case may be) for the purpose of competing with the Restricted Business;
- (iv) in respect of any order or any part of it undertaken or proposed to be undertaken by them or their respective associates (excluding our Group) for the marketing, sales, distribution,

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## OUR RELATIONSHIP WITH SKYCOMM GROUP AND OUR CONTROLLING SHAREHOLDERS

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manufacturing and/or provision of the Restricted Products and Services under the relevant order, unconditionally use reasonable endeavours to procure such customer(s) to appoint or contract with our Group directly for the sale and supply of the Restricted Products and Services; and

For the above purpose:

- (A) the “CS Relevant Period” means the period commencing from the Listing Date and shall expire for the earliest of the dates below:
  - (a) the date on which the Controlling Shareholders (individually or taken as a whole) ceases to be a Controlling Shareholder for the purpose of the Listing Rules and (in respect of Mr. Chan only) the date on which he ceases to be a Director of our Company;
  - (b) the date on which our Shares cease to be listed on the Stock Exchange or (if applicable) other stock exchange;
- (B) the “CS Exempted Business” means any direct or indirect investments of the Controlling Shareholders and/or their respective associates (excluding our Group) in any member of our Group.

Each of our Controlling Shareholders has undertaken under the non-compete undertaking that he or it shall provide to us and/or our Directors (including the independent non-executive Directors) from time to time all information necessary for annual review by the independent non-executive Directors with regard to compliance of the terms of the non-compete undertaking by the Controlling Shareholders. Each of the Controlling Shareholders has also undertaken to make annual declaration on compliance with the terms of the non-compete undertaking in our annual report.

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

- (a) our independent non-executive Directors shall review, at least on an annual basis, the compliance with and enforcement of the terms of the non-compete undertaking by the Controlling Shareholders;
- (b) we will disclose any decisions on matters reviewed by the independent non-executive Directors relating to compliance and enforcement of the non-compete undertaking either through our annual report or by way of announcement;
- (c) we will disclose in the corporate governance report of our annual report on how the terms of the non-compete undertaking have been complied with and enforced; and

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## OUR RELATIONSHIP WITH SKYCOMM GROUP AND OUR CONTROLLING SHAREHOLDERS

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

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



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## DIRECTORS, SENIOR MANAGEMENT AND STAFF

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### DIRECTORS

#### Executive Directors

**CHAN Yuen Ming**, aged 53, is the chairman and an executive Director of our Company. Mr. Chan has been with our Group since its establishment in 2006 and is the founder of our Group. Mr. Chan was appointed as an executive Director on 4 December 2007. He is responsible for our Group's overall business development and strategic planning. Since 1990s, he was a key member of the management teams of several communication corporations in the PRC, including the SkyComm Group. These corporations are principally engaged in mobile communication, satellite communication, internet, wireless data and call centre businesses. Mr. Chan was the founder of the SkyComm Group responsible for establishing the businesses of the SkyComm Group in December 2000. During his time in the SkyComm Group up to his resignation from all his positions in the SkyComm Group in December 2008, Mr. Chan was responsible for the overall business development, strategic planning and corporate management and supervision of daily operation of the SkyComm Group, with principal focus on the Related Business after the Business Transfer. Mr. Chan is currently the director of CAA BVI, CAA HK and Noter. Apart from his interest and directorship in our Group, Mr. Chan is the lessor under the Shanghai Tenancy Agreement as currently disclosed under the section "Relationship with SkyComm Group and our Controlling Shareholders — Continuing Connected Transactions". Mr. Chan has not been a director of any other publicly listed company during the three years preceding the date of this prospectus.

**SHAO Kwok Keung**, aged 47, is the Chief Executive Officer and an executive Director of our Company since December 2007. Mr. Shao was appointed as an executive Director on 4 December 2007. He is responsible for the corporate management of the Company. Mr. Shao graduated with a honours diploma from Hong Kong Baptist College in 1984 and a master degree in business administration from Warwick University, U. K., in 1994. He is a fellow of the Chartered Association of Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants. Possessing more than 20 years of working experience in organizations across different industries, he has taken up finance and management positions in a CPA firm, a financial institution, a television station, satellite communication, telecommunications and consumer electronics product distribution and manufacturing companies. Prior to joining our Group, Mr. Shao was the group financial controller of IDT International Limited (Stock code: 00167), a company listed on the main board of the Stock Exchange. Mr. Shao has not been a director of any other publicly listed company during the three years preceding the date of this prospectus.

**GAO Hou Ming**, aged 42, is the Chief Technology Officer and an executive Director of our Company. He joined our Group in October 2008. Mr. Gao was appointed as an executive Director on 19 August 2009. After his graduation from Xian Electronic Technology University in July 1989 with a bachelor's degree in electromagnetic field and microwave technologies, Mr. Gao joined the No. 54 Research Centre of China Electronic Technology Group. Starting his career as a research technician in No. 54 Research Centre, he was progressively promoted and in September 2000 he became the Senior Engineer. He left No. 54 Research Centre and joined Hebei SkyComm as Assistant to General Manager in February 2001. Then in February 2002, he moved to SkyComm as Deputy Director of the communication centre until June 2004. In October 2004, he acted as General Manager and Chief Engineer of (北京天宇衛星通信有限公司) Beijing Sky Communication Satellite Communication Co.

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## DIRECTORS, SENIOR MANAGEMENT AND STAFF

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Ltd. until October 2008. He joined our Group in October 2008 and is responsible for leading the technical development of our Group including liaison with major suppliers on the roadmap of new products for the PRC market and development of new application solutions. He also provides technical support to the Satellite Communication Technology Business Department in the preparation of project proposals and technical advisory to customers. He has more than 18 years of experience in design, development, operation and management of satellite communication technologies. Mr. Gao has not been a director of any other publicly listed company during the three years preceding the date of this prospectus.

### Independent non-executive Directors

**PUN Yan Chak**, aged 51, is an independent non-executive Director of our Company. He joined our Group on 19 August 2009 when he was appointed as an independent non-executive Director. Mr. Pun graduated from the Chinese University of Hong Kong with a bachelor's degree of Science (major in Electronics, minor in General Business Management) in 1981. Upon graduation, he joined Hong Kong Telephone Company Limited (currently known as PCCW) as a Trainee Engineer and was promoted to Project Engineer and Engineer in September 1983 and September 1984 respectively. As an Engineer in the Datacom Engineering, Network Development Department, Mr. Pun was responsible for packet network capacity planning and development. Mr. Pun is a member of the Institution of Electrical Engineers and became a Chartered Engineer in October 1986. In 1989, Mr. Pun joined the Hong Kong Post Office as a Telecommunications Engineer. In 1993, Mr. Pun joined the Office of the Telecommunications Authority ("OFTA") as a Telecommunications Engineer. In 2004, Mr. Pun left OFTA and started his consulting career. Mr. Pun has not been a director of any other publicly listed company during the three years preceding the date of this prospectus.

**WONG Che Man, Eddy**, aged 49, is an independent non-executive Director of our Company. He joined our Group on 19 August 2009 when he was appointed as an independent non-executive Director. Mr. Wong graduated with a honours diploma in accounting from Hong Kong Baptist College in 1984. Mr. Wong has over 20 years of experience in the auditing and accounting profession. He is the sole proprietor of Eddy Wong & Co., Certified Public Accountants, and is a fellow member of the Hong Kong Institute of Certified Public Accountants and the Chartered Association of Certified Accountants. He is also an independent non-executive director of Sun Hing Vision Group Holdings Limited (Stock code: 00125), which is listed on the main board of the Stock Exchange. Mr. Wong was also an independent non-executive director of China Financial Industry Investment Fund Limited (currently known as National Investments Fund Limited) (Stock code: 01227) and an independent non-executive director of Smart Rich Energy Finance (Holdings) Limited (which is currently known as G-Resources Group Ltd. and previously known as Credit Card DNA Security System (Holdings) Limited) (Stock code: 01051) but resigned on 16 May 2007 and 25 March 2009, respectively. Save as disclosed, Mr. Wong has not been a director of any other publicly listed company during the three years preceding the date of this prospectus.

**LAM Kin Hung, Patrick**, aged 51, is an independent non-executive Director of our Company. He joined our Group on 19 August 2009 when he was appointed as an independent non-executive Director. Mr. Lam graduated from the University of London with an honoured Bachelor of Laws degree in 1988, from the University of Hong Kong with the Postgraduate Certificate in Laws in 1989, from the University of London with a Master of Laws degree in 1991 and from the City Polytechnic

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## DIRECTORS, SENIOR MANAGEMENT AND STAFF

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of Hong Kong (now known as the City University of Hong Kong) with a Postgraduate Diploma in Language and Law in 1991. He was admitted as a solicitor of the Supreme Court of Hong Kong and the Supreme Court of England and Wales in 1991, and was subsequently admitted as an Associate of the Chartered Institute of Arbitrators in 1993, and as a practitioner of the Supreme Court of Tasmania, Australia in 1994. He has been appointed as a China Appointed Attesting Officer since 2003. From 1996 to 2000, Mr. Lam had taken up part-time teaching positions in various tertiary institutions in China and Hong Kong, including the University of Xijiang (西江大學), the Open University of Hong Kong, Vocational Training Council and Sun Life of Canada (International) Limited, on subjects of law and building management. Mr. Lam is a practising solicitor and is currently a partner of Messrs. Patrick K.H. Lam & Co., a solicitor's firm in Hong Kong. Mr. Lam has not been a director of any other publicly listed company during the three years preceding the date of this prospectus.

Save as disclosed herein, to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there was no other matter with respect to the appointment of our Directors that needs to be brought to the attention of the Shareholders and there was no information relating to our Directors that is required to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules as at the Latest Practicable Date.

### SENIOR MANAGEMENT

**ZHU Ying Qun**, aged 40, joined our Group and has been appointed as the Head of Information Technology Business Department of our Group since 30 August 2006. He is responsible for the information technology business of the Company. Mr. Zhu graduated from 河北農業大學 (Hebei Agricultural University) in 1992 with a bachelor's degree in mechanical and electronic engineering. He has more than 10 years of experience relating to engineering and technology development in research and development centres, manufacturing and communication industries. Mr. Zhu joined the SkyComm Group in January 1997 and was appointed as the Head of the Information Technology Business Department of Hebei SkyComm in September 2004. Before joining our Group, Mr. Zhu was responsible for managing the call centre application solution business of Hebei SkyComm, with management oversight of the marketing of the call centre application solutions, project proposals and management, and provision of call centre application services (technical support and maintenance).

**XIU Zhi Bao**, aged 40, joined our Group and has been appointed as the Head of the Planning and Finance Department of our Group since 30 August 2006. He is responsible for corporate planning and finance aspects of our Group. Mr. Xiu graduated from 杭州電子工業學院 (Hangzhou Electronic Industrial College) in 1992 with a bachelor's degree in economics. He has more than 10 years of experience relating to finance and planning management in the manufacturing and communication industries. Mr. Xiu joined the SkyComm Group in July 1996 and was appointed as the General Manager of the Planning and Finance Department of SkyComm in January 2006. Before joining our Group, Mr. Xiu was responsible for devising financial plan and annual budget of SkyComm and supervising the finance management of SkyComm.

**YU Ping**, aged 36, joined our Group and has been appointed as the Head of the Satellite Communication Technology Business Department of our Group since 30 August 2006. She is responsible for the satellite communication technology business of our Group. Ms. Yu graduated from 中共河北省委黨校黨政幹部函授學院 (China Communist Party Hebei Party Cadet College) in 1999.

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## DIRECTORS, SENIOR MANAGEMENT AND STAFF

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She has more than 10 years of experience relating to office administration and communication in the communications industry. Ms. Yu joined the SkyComm Group in January 1998 and was appointed as Assistant General Manager of the Mobile Terminal Business Department of Hebei SkyComm in November 2004. Before joining our Group, Ms. Yu was responsible for managing the mobile terminal business and wireless data communication technology businesses of Hebei SkyComm, with management oversight of the marketing of wireless data communication application solutions, project proposals and management, and provision of wireless data communication application services (technical support and maintenance).

**ZHAO Hai Jun**, aged 38, joined our Group and has been appointed as the Head of the Research and Development Department of our Group since 1 October 2008. He is responsible for the research and development aspects of our Group. Mr. Zhao graduated from 蘭州大學 (Lanzhou University) majoring in Computer Science and Software Application. He has more than 10 years of experience relating to software engineering and mobile terminal technology in the information and communications industries. Mr. Zhao joined the SkyComm Group in January 2001 and was appointed as Assistant General Manager of the Mobile Terminal Business Department of Hebei SkyComm in September 2004. Before joining our Group, Mr. Zhao was responsible for overseeing the mobile terminal business for use of SkyComm Group's telecommunication network and the research and development of application software and technology in Hebei SkyComm for use of SkyComm Group's telecommunication network.

**FENG Rui Ju**, aged 49, joined our Group and has been appointed as the Head of Wireless Data Communication Department of our Group since 1 October 2008. She is responsible for the wireless data communication technology business of our Group and in charge of the marketing of wireless data communication application solutions, project proposals and management, and provision of wireless data communication application services (technical support and maintenance). Ms. Feng graduated from 河北廣播電視大學 (Hebei Broadcasting Television University) in July 1982 majoring in electronics technology. She has more than 15 years of experience relating to marketing, business development and administration in the communications industry. Ms. Feng joined the SkyComm Group in January 1998 and was appointed as General Manager of the Satellite Communication Business Department of Hebei SkyComm in July 2006. Before joining our Group, Ms. Feng was responsible for supervising and coordinating the operation of Hebei SkyComm in collaboration with us during the transitional period after the Business Transfer and pursuant to the agency and tripartite agreement arrangements under the Long Term Co-operation Agreement.

### COMPANY SECRETARY

**HO Hau Yin**, aged 33, is the company secretary of our Group. She joined our Group in October 2008. She is responsible for the accounting and company secretarial functions of our Group. Ms. Ho graduated from The City University of Hong Kong with a Bachelor of Arts with Honours Degree in Accountancy in 1997. She is a member of both the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. Having more than 10 years of working experience, Ms. Ho has held senior accounting positions in organizations across different industries, including CPA firms and listed companies. Prior to joining our Group, Ms. Ho was the Finance Manager of IDT International Limited (Stock code: 00167), a company listed on the main board of the Stock Exchange.

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## **DIRECTORS, SENIOR MANAGEMENT AND STAFF**

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### **AUDIT COMMITTEE**

Our Company established an audit committee on 28 August 2009 with its written terms of reference in compliance with the Listing Rules. The primary duties of the audit committee are to review and supervise our financial reporting process and internal control system, nominate and monitor external auditors and to provide advice and comments to the Board.

Our audit committee consists of three members, being Mr. Wong Che Man, Eddy, Mr. Pun Yan Chak and Mr. Lam Kin Hung, Patrick. Mr. Wong Che Man, Eddy currently serves as the chairman of our audit committee.

### **REMUNERATION COMMITTEE**

Our Company established a remuneration committee on 28 August 2009 with its written terms of reference in compliance with the code provisions of the Code on Corporate Governance Practices set out in appendix 14 to the Listing Rules. The primary duties of the remuneration committee are to evaluate the performance and make recommendations on the remuneration of our senior management and to recommend members of the Board.

Our remuneration committee consists of three members, being Mr. Pun Yan Chak, Mr. Wong Che Man, Eddy and Mr. Shao Kwok Keung. Mr. Pun Yan Chak currently serves as the chairman of our remuneration committee.

### **NOMINATION COMMITTEE**

Our Company established a nomination committee on 28 August 2009 with its written terms of reference by reference to the code provisions of the Code on Corporate Governance Practices set out in appendix 14 to the Listing Rules. The primary duties of the nomination committee are to make recommendations to our Board regarding candidates to fill vacancies on our Board and/or in senior management.

Our nomination committee consists of three members, being Mr. Lam Kin Hung, Patrick, Mr. Wong Che Man, Eddy and Mr. Shao Kwok Keung. Mr. Lam Kin Hung, Patrick currently serves as the chairman of our nomination committee.

### **COMPLIANCE ADVISER**

Our Company expects to appoint Guotai Junan Capital as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance adviser will advise our Company in the following circumstances:

- (1) before the publication of any regulatory announcement, circular or financial report;
- (2) where a transaction, which might be a notifiable or connected transaction, is contemplated including but not limited to share issues and share repurchases;

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## **DIRECTORS, SENIOR MANAGEMENT AND STAFF**

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- (3) where the Company proposes to use the proceeds of the Share Offer in a manner different from that detailed in this prospectus or where the business activities, developments or results of operation of our Group deviate from any forecast, estimate, or other information in this prospectus; and
- (4) where the Stock Exchange makes an inquiry of our Company regarding unusual movements in the price or trading volume of the Shares.

The term of appointment of the compliance adviser shall commence on the Listing Date and end on the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of its financial results for the first full financial year commencing after the Listing Date and such appointment may be subject to extension by mutual agreement.

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## SHARE CAPITAL

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*HK\$*

*Authorised share capital:*

<u>100,000,000,000</u>	Shares of HK\$0.01 each	<u>1,000,000,000</u>
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*Shares issued and to be issued, fully paid or credited as fully paid:*

2,000,000	Shares in issue at the date of this prospectus	20,000
748,000,000	Shares to be issued pursuant to the Capitalisation Issue	7,480,000
250,000,000	Shares to be issued pursuant to the Share Offer (excluding any Shares which may be issued under the Over-allotment Option and any Shares which may be issued pursuant to exercise of the options which may be granted under the Share Option Scheme)	2,500,000

*Total:*

<u>1,000,000,000</u>	Shares	<u>10,000,000</u>
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### Assumptions

The above table assumes that the Share Offer becomes unconditional.

The table takes no account of Shares which may be allotted and issued upon the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme or of any Shares which may be allotted and issued or repurchased by our Company pursuant to the general mandate given to our Directors to allot and issue or repurchase Shares as described below.

### Ranking

The Offer Shares and the Shares that may be issued pursuant to exercise of the Over-allotment Option will rank *pari passu* in all respects with all other existing Shares in issue as mentioned in this prospectus, and in particular, will be entitled to all dividends and other distributions hereafter declared, paid or made on the Shares after the date of this prospectus save for entitlements under the Capitalisation Issue.

### SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme on 28 August 2009. Under the Share Option Scheme, the eligible participants of the scheme, including directors, full-time employees of and advisers and consultants to our Company or our subsidiaries may be granted options which entitle them to subscribe for Shares, when aggregated with options granted under any other scheme, representing initially not more than 10% of the Shares in issue on the Listing Date. Further details of the rules of the Share Option Scheme are set out in the paragraph headed “Share Option Scheme” in Appendix VI to this prospectus.



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## SHARE CAPITAL

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### ISSUING MANDATE

Our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares with an aggregate nominal value not exceeding the sum of (a) 20% of the aggregate nominal value of the share capital of our Company in issue as enlarged by the Share Offer and the Capitalisation Issue (but excluding any Shares which may be issued pursuant to the Over-allotment Option); and (b) the aggregate nominal value of the share capital of our Company which may be repurchased by our Company under the Repurchase Mandate.

Our Directors may, in addition to the Shares which they are authorised to issue under the Issuing Mandate, allot, issue and deal in the Shares pursuant to a rights issue, an issue of Shares pursuant to the exercise of subscription rights attaching to any warrants or convertible securities of our Company, scrip dividends or similar arrangements or the exercise of options granted under the Share Option Scheme. The aggregate nominal value of the Shares which our Directors are authorised to allot and issue under this Issuing Mandate will not be reduced by the allotment and issue of such Shares.

This Issuing Mandate will expire:

- (i) at the conclusion of our Company's next annual general meeting; or
- (ii) upon the expiry of the period within which our Company is required by any applicable law or the Articles of Association to hold its next annual general meeting; or
- (iii) when varied, revoked or renewed by an ordinary resolution of our Shareholders in general meeting;

whichever occurs first.

For further details of the Issuing Mandate, see the paragraph headed "Resolutions in writing of our Shareholders passed on 28 August 2009" in Appendix VI to this prospectus.

### REPURCHASE MANDATE

Our Directors have been granted a general unconditional mandate to exercise all of the powers of our Company to repurchase Shares with an aggregate nominal value of not more than 10% of the aggregate nominal amount of the share capital of our Company in issue, as enlarged by the Share Offer and the Capitalisation Issue (but excluding any Share of the Company which may be issued pursuant to the Over-allotment Option).

This Repurchase Mandate relates only to repurchases made on the Stock Exchange or on any other stock exchange on which the Shares are listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and which are made in accordance with all applicable laws and the requirements of the Listing Rules. Further information required by the Stock Exchange to be included in this prospectus regarding the repurchase of Shares is set out in the section headed "Securities repurchase mandate" in Appendix VI to this prospectus.



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## SHARE CAPITAL

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This Repurchase Mandate will expire:

- (i) at the conclusion of our Company's next annual general meeting; or
- (ii) upon the expiry of the period within which our Company is required by any applicable law or the Articles of Association to hold its next annual general meeting; or
- (iii) when varied, revoked or renewed by an ordinary resolution of the Shareholders in general meeting;

whichever occurs first.

For further information about this Repurchase Mandate, please see the section headed "Resolutions in writing of our Shareholders passed on 28 August 2009" in Appendix VI to this prospectus.

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## PERSONS HAVING NOTIFIABLE INTERESTS UNDER THE SFO

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### PERSONS HAVING NOTIFIABLE INTERESTS UNDER THE SFO

So far as the Directors are aware, immediately following the completion of the Share Offer and the Capitalisation Issue (but without taking into account Shares which may be taken up or acquired under the Share Offer and any Shares which may be issued pursuant to the exercise of the Over-allotment Option and the options which may be granted under the Share Option Scheme), assuming that the final Offer Price will be fixed at or above the Chengwei Conversion Trigger Price, the following persons will have an interest or short position in the Shares and the underlying Shares which would fall to be disclosed to our Company under provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of members of our Group other than the Company:

<b>Name of Shareholder</b>	<b>Company/ Name of Group member</b>	<b>Capacity/ Nature of interest</b>	<b>Number and class of securities held (Note 1)</b>	<b>Approximate shareholding percentage (%)</b>
Creative Sector	Our Company	Beneficial owner	435,300,000 Shares (L)	43.53% (Note 2)
Mr. Chan	Our Company	Interest of controlled corporation (Note 3)	435,300,000 Shares (L)	43.53% (Note 2)
Chengwei	Our Company	Beneficial owner	106,200,000 Shares (L)	10.62% (Note 4)
Chengwei Ventures Evergreen Fund, L.P.	Our Company	Interest of a controlled corporation (Note 5)	106,200,000 Shares (L)	10.62% (Note 4)
Chengwei Ventures Evergreen Management, LLC.	Our Company	Interest of a controlled corporation (Note 6)	106,200,000 Shares (L)	10.62% (Note 4)
EXL Holdings LLC.	Our Company	Interest of a controlled corporation (Note 7)	106,200,000 Shares (L)	10.62% (Note 4)

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**PERSONS HAVING NOTIFIABLE INTERESTS UNDER THE SFO**

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<b>Name of Shareholder</b>	<b>Company/ Name of Group member</b>	<b>Capacity/ Nature of interest</b>	<b>Number and class of securities held (Note 1)</b>	<b>Approximate shareholding percentage (%)</b>
Mr. Li Eric Xun	Our Company	Interest of a controlled corporation (Note 7)	106,200,000 Shares (L)	10.62% (Note 4)
Ms. Li Yijing Zhu	Our Company	Interest of the spouse (Note 8)	106,200,000 Shares (L)	10.62% (Note 4)
Atlantis	Our Company	Beneficial owner	97,425,000 Shares (L)	9.74%
Atlantis Fund Management (Guernsey) Ltd.	Our Company	Interest of a controlled corporation (Note 9)	97,425,000 Shares (L)	9.74%
Profit Concept	Our Company	Beneficial owner	52,500,000 Shares (L)	5.25%
Wang Yan Yun	Our Company	Interest of a controlled corporation (Note 10)	52,500,000 Shares (L)	5.25%
Even Grow	Our Company	Beneficial owner	52,500,000 Shares (L)	5.25%
Tam Siu Fun, Yeko	Our Company	Interest of a controlled corporation (Note 11)	52,500,000 Shares (L)	5.25%

*Notes:*

- (1) The letter “L” denotes a person’s long position in our Shares or shares of the relevant Group member.
- (2) In the event that the final Offer Price is fixed below the Chengwei Conversion Trigger Price, the completion of the Assignment in consideration of and in exchange for Creative Sector transferring 106,200,000 Shares to Chengwei as particularly described in the paragraph headed “Convertible Loans” in the section headed “History and Development” in this prospectus shall not take place and in such event, Creative Sector will hold 541,500,000 Shares, representing approximately 54.15% of the issued share capital of our Company immediately after completion of the Share Offer and the Capitalisation Issue (and taking no account of any Shares that may be taken upon under the Share Offer and Shares to be issued pursuant to the exercise of the Over-allotment Option or options that may be granted under the Share Option Scheme).

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## PERSONS HAVING NOTIFIABLE INTERESTS UNDER THE SFO

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- (3) *These Shares will be registered in the name of Creative Sector, the entire issued share capital of which is owned by Mr. Chan, an executive Director. Mr. Chan is deemed to be interested in all the Shares in which Creative Sector is interested by virtue of the SFO.*
- (4) *In the event that the final Offer Price is fixed below the Chengwei Conversion Trigger Price, the completion of the Assignment of the Note and the exchange thereof for Shares as particularly described in the paragraph headed “Convertible Loans” in the section headed “History and Development” in this prospectus shall not take place and in such event, and taking no account of any Shares that may be taken upon thereby under the Share Offer, Chengwei will not have an interest or a short position in the Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of our Group.*
- (5) *Chengwei Ventures Evergreen Fund, L.P. holds approximately 89.28% of the issued share capital in Chengwei and therefore, subject to note (4) above, Chengwei Ventures Evergreen Fund, L.P. is deemed to be interested in the Shares in which Chengwei is interested by virtue of the SFO.*
- (6) *Chengwei Ventures Evergreen Fund, L.P. is an investment fund managed by Chengwei Ventures Evergreen Management, LLC. and therefore, subject to note (4) above, Chengwei Ventures Evergreen Management, LLC is deemed to be interested in the Shares in which Chengwei Ventures Evergreen Fund, L.P. is interested by virtue of the SFO.*
- (7) *Chengwei Ventures Evergreen Management, LLC. is owned as to 37% by EXL Holdings LLC., which is in turn owned as to 50% by Mr. Li Eric Xun. Therefore, subject to note (4) above, EXL Holdings LLC. is deemed to be interested in the Shares in which Chengwei Ventures Evergreen Management, LLC. is interested by virtue of the SFO, and Mr. Li Eric Xun is deemed to be interested in the Shares in which EXL Holdings LLC. is interested by virtue of the SFO.*
- (8) *Ms. Li Yijing Zhu is the wife of Mr. Li Eric Xun, and therefore, subject to note (4) above, Ms. Li Yijing Zhu is deemed to be interested in the Shares in which Mr. Li Eric Xun is interested by virtue of the SFO.*
- (9) *Atlantis is wholly owned by Atlantis Fund Management (Guernsey) Ltd., a limited company registered in Guernsey. Atlantis Fund Management (Guernsey) Ltd. is deemed to be interested in all the Shares in which Atlantis is interested by virtue of SFO.*
- (10) *Profit Concept is wholly owned by Wang Yan Yun. Wang Yan Yun is deemed to be interested in all the Shares in which Profit Concept is interested by virtue of SFO.*
- (11) *Even Grow is wholly owned by Tam Siu Fun, Yeko. Tam Siu Fun, Yeko is deemed to be interested in all the Shares in which Even Grow is interested by virtue of SFO.*

Save as disclosed herein, our Directors are not aware of any persons (who are not Directors or chief executive of our Company) who will, immediately following completion of the Share Offer and the Capitalisation Issue (but without taking into account Shares which may be taken up or acquired under the Share Offer and any Shares which may be issued pursuant to the exercise of the Over-allotment Option and the options which may be granted under the Share Option Scheme), have an interest or short position in the Shares and the underlying Shares which would fall to be disclosed to our Company under provisions of Divisions 2 and 3 of Part XV of the SFO, or will be directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of members of our Group other than the Company. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

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## FINANCIAL INFORMATION

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

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

### OVERVIEW OF OUR OPERATIONS

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

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

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

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## FINANCIAL INFORMATION

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

1. Satellite communication application solutions: the users of this type of application solutions mainly include different governmental departments or agencies, public utilities institutions and business enterprises in Beijing, Shanghai, Tianjin, Chongqing, Hebei Province, Shandong Province, Zhejiang Province, Guangdong Province, Hainan Province, Anhui Province, Inner Mongolia Autonomous Region and Guangxi Zhuang Autonomous Region. Our application solutions satisfy our customers' needs of satellite communication for emergency visual communication, communication during disaster rescues and satellite surveillance and supervision. We provide project design, project construction, provision of terminals, installation and testing, maintenance and technical support to our satellite communication application solutions.
2. Wireless data communication application solutions: the users of this type of application solutions mainly include different governmental departments or agencies, public utilities institutions and business enterprises. Our application solutions satisfy our customers' needs of wireless communication for traffic management, remote surveillance, remote control, remote adjustment and data collection. We provide project design, project construction, provision of terminals, installation and testing, maintenance and technical support to our wireless data communication application solutions.
3. Call centre application solutions: the users of this type of application solutions mainly include business enterprises in the area of telecommunication, banking and broadcasting. We provide the equipment, network support and technical support including overall software design for product requirements and specifications, software programming and technical support, system installation and configuration, and quality control and testing for the outsourced call centre operator in order for them to satisfy our customers' needs in standardising, regulating and controlling the quality of customer service, handling of end customer enquiries and business information despatching. During the Track Record Period, we provided our call centre application solutions to our customers in Hebei Province.

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

For the year ended 31 December 2006, our turnover attributable to provision of satellite communication application solutions and services, wireless data communication application solutions and services and call centre application solutions and services amounted to approximately RMB21.64 million, RMB29.25 million and RMB2.98 million respectively, representing 40%, 54% and 6% of our total turnover. For the year ended 31 December 2007, our turnover attributable to provision of satellite communication application solutions and services, wireless data communication application solutions and services and call centre application solutions and services amounted to approximately RMB90.17 million, RMB33.96 million and RMB2.92 million respectively, representing 71%, 27% and 2% of our

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total turnover. For the year ended 31 December 2008, our turnover attributable to provision of satellite communication application solutions and services, wireless data communication application solutions and services and call centre application solutions and services amounted to approximately RMB120.07 million, RMB62.72 million and RMB4.28 million respectively, representing 64%, 34% and 2% of our total turnover. For the five months ended 31 May 2009, our turnover attributable to provision of satellite communication application solutions and services, wireless data communication applications and services and call centre application solutions and services amounted to approximately RMB25.00 million, RMB20.50 million and RMB1.78 million respectively, representing approximately 53%, 43% and 4% of our total turnover.

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

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

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

### **BASIS OF PRESENTATION**

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

### **SIGNIFICANT FACTORS AFFECTING OUR RESULTS OF OPERATIONS**

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

The satellite communication, wireless data communication and call centre application solution industry is generally characterised by ongoing technological changes. Satellite communication, wireless data communication and call centre application solution technology, in turn, evolves in

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accordance with the needs of the market. We believe that a key to our success will be our ability to identify important technological and market trends and to adjust our research and development activities accordingly. We have devoted efforts to identifying the particular needs of our customers in China.

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

### **Development of various industries in China**

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

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

### **Competition**

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

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

### **Our sales are subject to cyclical fluctuations**

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



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

### Income taxes

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

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

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

The new CIT Law also imposes a withholding tax at 10%, unless reduced by a tax treaty or agreement, for dividends distributed by a PRC-resident enterprise to its immediate holding company outside the PRC for earnings accumulated beginning on 1 January 2008. Undistributed earnings generated prior to 1 January 2008 are exempt from such withholding tax. We have not provided for deferred taxes on accumulated earnings of Noter as of 31 May 2009 since these earnings are not intended to be distributed in the foreseeable future.

### CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The financial information sets out in the Accountants' Report in Appendix I to this prospectus has been prepared in accordance with HKFRSs. The preparation of the financial information in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Our Group bases the assumptions and estimates on historical experience and on various other assumptions

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that we believe to be reasonable and which form the basis for making judgments about matters that are not readily apparent from other sources. On an on-going basis, management evaluates its estimates. Actual results may differ from those estimates as facts, circumstances and conditions change.

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

**(i) Impairment of assets**

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

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

**(ii) Inventory provision**

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

**(iii) Depreciation**

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives, after taking into the account the estimated residual value. We review the estimated useful lives

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of the assets annually in order to determine the amount of depreciation expense to be recorded during any reporting period. The useful lives are based on our historical experience with similar assets and taking into account anticipated technological changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

### (iv) Income taxes

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

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS

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

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

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### Combined statements of comprehensive income

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

### Revenue

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

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

### Cost of sales

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

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

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### Gross profit

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

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

Note:

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

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### Other net income

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

### Administrative and distribution expenses

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

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

### Finance costs

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

### Research and development costs

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

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

#### *Turnover*

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

- Increase in the business of satellite communication application solutions and services by approximately RMB24.18 million driven by the increase in number of projects and number of customers.
- Increase in the business of wireless data communication application solutions and services by approximately RMB14.80 million. In addition more wireless data terminals were installed for projects done during the period and more services were provided to our customers.

#### *Cost of sales*

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

- More Stationary Satellite Communication Solutions were sold for the five months ended 31 May 2009 and their gross profit margins were relatively lower than the other satellite communication solutions products such as the Dynamic Satellite Communication Solutions which has a higher gross profit margin attributable to the application of more advanced technology.
- The provision of depreciation expense of ALL ACCESS platform commenced in January 2009 after its acquisition on 20 December 2008. Such depreciation charge was higher than the operating lease charge of the ALL ACCESS platform before acquisition during the five months ended 31 May 2008. Both the depreciation and operating lease charges were treated as an unallocated cost item under the classification of cost of sales.

#### *Gross profit margin*

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

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



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### *Other net income*

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

### *Administrative and distribution expenses*

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

### *Finance costs*

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

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

### *Turnover*

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

- increase in the business of satellite communication application solutions and services by approximately RMB29.91 million mainly due to increases in number of customers and number of projects. Amongst all product categories, the turnover amount of satellite communication systems was the highest.
- increase in the business of wireless data communication application solutions and services by approximately RMB28.76 million mainly attributable to the increase in sales of wireless data terminals which was driven by the launch of a new technology wireless data terminal.

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### *Cost of sales*

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

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

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

### *Gross profit margin*

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

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

### *Other net income*

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

### *Administrative and distribution expenses*

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

### *Finance costs*

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

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

#### *Turnover*

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

#### *Cost of sales*

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

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

#### *Gross profit margin*

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

#### *Other net income*

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

#### *Administrative and distribution expenses*

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

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### *Finance costs*

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

### ANALYSIS ON MAJOR BALANCE SHEET ITEMS

#### Trade and other receivables analysis

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

	As at 31 December			As at
	2006	2007	2008	31 May
	RMB'000	RMB'000	RMB'000	2009
				RMB'000
Trade receivables				
— current portion	8,858	43,350	64,087	65,181
— non-current portion <sup>(1)</sup>	<u>—</u>	<u>—</u>	<u>7,463</u>	<u>7,570</u>
	<u>8,858</u>	<u>43,350</u>	<u>71,550</u>	<u>72,751</u>

*Note:*

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

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

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

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

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

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

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

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As at 31 July 2009, approximately RMB28.65 million out of approximately RMB72.75 million of our trade receivables as at 31 May 2009 has been settled.

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

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

*Notes:*

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

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

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

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### Inventory analysis

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

	As at 31 December			As at
	2006	2007	2008	31 May
	RMB'000	RMB'000	RMB'000	2009
				RMB'000
Inventories	<u>3,071</u>	<u>2,861</u>	<u>3,156</u>	<u>795</u>

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

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

As at 31 July 2009, approximately RMB0.25 million out of approximately RMB0.80 million of our inventory as at 31 May 2009 has been used.

### Trade and other payables analysis

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

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

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

As at 31 July 2009, approximately RMB8.68 million out of approximately RMB16.07 million of our trade payables as at 31 May 2009 has been settled.

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The ageing analysis of trade payables are as follows:

	As at 31 December			As at 31 May
	2006	2007	2008	2009
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
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	<u>301</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>6,047</u>	<u>20,629</u>	<u>25,345</u>	<u>16,070</u>

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

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

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



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### Property, plant and equipment analysis

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

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

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

### LIQUIDITY AND CAPITAL RESOURCES

#### Overview

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

#### Net current liabilities/assets

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

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

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### Capital and reserves

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

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

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

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

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### Cash flow

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

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

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

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

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

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

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

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

### CAPITAL EXPENDITURE

#### Historical capital expenditure

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

Capital Expenditure <sup>(1)</sup>	For the year ended 31 December			For the five months ended
	2006	2007	2008	31 May 2009
	RMB'000	RMB'000	RMB'000	RMB'000
Purchase of electronic equipment	—	—	54,547	—
Purchase of office equipment	—	209	780	106
Purchase of computer software	99	43	277	12
	<u>99</u>	<u>43</u>	<u>277</u>	<u>12</u>
<b>Total</b>	<u>99</u>	<u>252</u>	<u>55,604</u>	<u>118</u>

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*Note:*

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

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

### **Planned Capital Expenditure**

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

- Approximately RMB22.06 million is expected to be used to purchase satellite communication application solutions demo products and wireless data communication solutions demo products. The purpose of these demo products is to improve our sales and marketing ability. In line with our plan to expand our sales and distribution network, we plan to increase the number of demo products so that our sales and marketing team can introduce our application solutions and services to potential customers more effectively by demonstrating to them the functions of our application solutions and services.
- Approximately RMB24.42 million is expected to be used to upgrade office facilities and set up office facilities in new office in the course of expanding our sales and distribution network.

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

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

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### CONTRACTUAL OBLIGATIONS AND CONTINGENT LIABILITIES

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

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

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

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

### Disclaimer

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

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### INDEBTEDNESS

#### Borrowings

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

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

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

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

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

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

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

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

As of 31 July 2009, being the latest practicable date for the purpose of this indebtedness statement in this prospectus, our total indebtedness amounted to approximately RMB115.20 million, consisting of convertible notes of approximately RMB44.40 million and fixed coupon borrowings of approximately RMB70.80 million.

As of 31 July 2009, being the latest practicable date for the purpose of this indebtedness statement in this prospectus, we had no banking facilities.

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

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



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

	<b>As at 31 July 2009</b>
	<i>RMB'000</i>
<b>CURRENT ASSETS</b>	
Inventories	9,120
Trade and other receivables	96,312
Cash and cash equivalents	<u>173,468</u>
 Total	 <u><u>278,900</u></u>
 <b>CURRENT LIABILITIES</b>	
Interest-bearing borrowings	115,201
Trade and other payables	45,750
Amount due to related parties	8,816
Amount due to a shareholder	2,300
Income tax payable	<u>8,352</u>
 Total	 <u><u>180,419</u></u>
 Net current assets	 <u><u>98,481</u></u>

### Liquidity ratios

#### a) Current ratio

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

#### b) Quick ratio

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

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### QUATITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

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

#### Interest rate risk

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

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

#### Foreign currency exchange risk

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

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

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

#### Credit risk

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

Our cash and bank deposits are placed with major financial institutions which we believe are of high credit rating. In respect of trade and other receivables, our staff in marketing and finance

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departments are responsible for monitoring collection and following up with the customers when payment is due. In addition, our management periodically monitors all outstanding receivables and assesses the credit worthiness of the customers. Our customers are required to pay us according to the contractual payment terms.

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

### OFF-BALANCE SHEET ARRANGEMENTS

We have no off-balance sheet transactions.

### DIRECTORS' CONFIRMATION ON NO MATERIAL ADVERSE CHANGE

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

### DIVIDEND POLICY AND DISTRIBUTABLE RESERVES

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

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

### WORKING CAPITAL

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

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### ADJUSTED NET TANGIBLE ASSETS

The following statement of our adjusted net tangible assets is based on our pro forma net tangible assets as at 31 May 2009, prepared in accordance with Rule 4.29 of the Listing Rules to illustrate the effects of the Share Offer on the combined net assets as at 31 May 2009, as shown in the Accountants' Report set out in Appendix I to this prospectus, adjusted as described below:

	<b>Combined net tangible assets attributable to the equity holders of the Company as at 31 May 2009 RMB'000 (Note 1)</b>	<b>Estimated net proceeds from the Share Offer RMB'000 (Note 2)</b>	<b>Unaudited pro forma adjusted net tangible assets RMB'000</b>	<b>Unaudited pro forma adjusted net tangible assets per Share RMB'000 (Note 3)</b>
Based on an Offer Price of HK\$1.38 per Share	148,133	261,800	409,933	0.41
Based on an Offer Price of HK\$1.78 per Share	148,133	346,280	494,413	0.49

*Notes:*

- (1) The combined net tangible assets attributable to the equity holders of the Company as at 31 May 2009 is compiled based on the accountants' report of the Group as at 31 May 2009, the text of which is set out in Appendix I to this prospectus, which is based on the combined net assets attributable to the equity holders as at 31 May 2009.
- (2) The estimated net proceeds from the Share Offer are based on the Offer Price of HK\$1.38 and HK\$1.78 per Share, after deduction of the underwriting fees and other related expenses payable by the Company. No account has been taken of the Shares which may be issued pursuant to any exercise of Over-allotment Option.
- (3) The unaudited pro forma adjusted net tangible asset value per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis of 1,000,000,000 Shares (being the number of shares expected to be in issue immediately after completion of the Share Offer and the Capitalisation Issue). No account has been taken of the Shares which may be issued pursuant to any exercise of Over-allotment Option.

### PROFIT ESTIMATE

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

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

### DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

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

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

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## FINANCIAL INFORMATION

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

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

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## FUTURE PLANS AND USE OF PROCEEDS

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### FUTURE PLANS

Our goal is to become one of the leading providers for application solutions for public safety, city integrated management and city emergency communication and related products in PRC. We will focus on the following areas:

- **Research and development of and purchase of new products for satellite communication application solutions**

We intend to develop our satellite communication application solutions to enhance communication coverage and bandwidth constraint of mobile phone network. By integration of the satellite and mobile phone network, this satellite communication application solution can address the video, data and internet need of automobile users while they are on the move. We intend to co-operate with mobile telecommunication service provider to develop the satellite communication application solution.

- **Further expansion of the scope of application of a wireless data communication application solution**

We intend to co-operate with other banks to promote our Traffic Offence Electronic Ticketing and Payment Solution to other bureaus responsible for traffic management in the PRC. At the same time, we intend to further enhance our terminal used in this solution to make it also suitable for other applications. To achieve these plans, it will involve research and development on software, hardware and terminals as well as marketing activities to promote the application solution.

We estimate that the cost for the above two projects to be approximately HK\$168.00 million.

Other than the plans described above, please see the section headed “Financial Information — planned capital expenditure” in this prospectus for further information about our other plans for future expansion.

### USE OF PROCEEDS

Assuming that the Over-allotment Option is not exercised and assuming an Offer Price of HK\$1.58 per Share (being the mid-point of the estimated price range), we estimate that the net proceeds to us from the Share Offer will be approximately HK\$345.5 million, after deducting the underwriting commissions and other estimated expenses payable by us in relation to the Share Offer. We intend to use the net proceeds to us from the Share Offer as follows:

- approximately 60% will be used for two new projects as follows:
  - (i) approximately 47% will be used for development of a new satellite communication application solution. Amongst which, approximately 36% will be used to acquire new terminals for this new satellite communication application solution and approximately 11% will be used for research and development; and

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## FUTURE PLANS AND USE OF PROCEEDS

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- (ii) approximately 13% will be used in a project to upgrade and promote our Traffic Offence Electronic Ticketing and Payment Solution.
- approximately 15% will be used for increasing the number of satellite communication application solutions and wireless data communication application solutions demo products;
- approximately 10% will be used for upgrading office facilities and setting up office facilities in new office in the course of expanding our sales and distribution network;
- approximately 5% will be used for recruiting sales and marketing and technical staff and providing training to our existing staff; and
- approximately 10% will be used for our general working capital.

If the Offer Price is set at the high-end or low-end of the proposed Offer Price range, the net proceeds of the Share Offer (assuming the Over-allotment Option is not exercised) will increase or decrease by approximately HK\$48 million, respectively. In such event, we will increase or decrease the allocation of the net proceeds to the above purpose on a pro-rata basis.

In the event that the Over-allotment Option is exercised, the additional net proceeds of about HK\$57 million (assuming that the Offer Price is determined at the mid-point of the stated range) will be applied by the Company in the same proportions as set out above. To the extent that the net proceeds of the Share Offer are not immediately required for the above purposes, we presently intend that such proceeds will be placed on short-term deposits with licensed banks or financial institutions in Hong Kong.

As advised by our PRC Legal Advisers, subject to the relevant PRC regulatory procedures, PRC governmental approvals, registrations and/or filings, the net proceeds from the Share Offer can be applied in the PRC according to the above intended use under the relevant existing PRC laws and regulations by: (i) increasing the registered capital of the Company's subsidiary in the PRC; (ii) establishing a new PRC subsidiary; (iii) acquiring equity interests in other companies in the PRC; and/or (iv) providing shareholder's loan to the Company's subsidiary in the PRC in the amount not exceeding the difference between the investment amount and the registered capital of such subsidiary. As advised by our PRC Legal Advisers, there are no material legal obstacles to obtain the relevant PRC government approval to apply the net proceeds from the Share Offer in the PRC.



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## UNDERWRITING

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### HONG KONG UNDERWRITERS

#### Lead Manager

Guotai Junan Securities (Hong Kong) Limited

#### Co-Lead Manager

DBS Asia Capital Limited

#### Co-Managers

China Merchants Securities (HK) Co., Limited  
CMB International Capital Corporation Limited  
Ever-Long Securities Company Limited  
Hyundai Securities (Asia) Limited  
Mega Capital (Asia) Company Limited  
OSK Securities Hong Kong Limited  
Sun Hung Kai International Limited  
VC Brokerage Limited

### INTERNATIONAL UNDERWRITERS

#### Lead Manager

Guotai Junan Securities (Hong Kong) Limited

#### Co-Lead Manager

DBS Asia Capital Limited

#### Co-Managers

CMB International Capital Corporation Limited  
Ever-Long Securities Company Limited  
Mizuho Securities Asia Limited

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## UNDERWRITING

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### UNDERWRITING ARRANGEMENTS AND EXPENSES

#### (a) Hong Kong Public Offering

##### *Hong Kong Underwriting Agreement*

Pursuant to the Hong Kong Underwriting Agreement, the Company is initially offering 25,000,000 Hong Kong Offer Shares (subject to adjustment) for subscription by way of Hong Kong Public Offering on and subject to the terms and conditions of this prospectus and the related Application Forms. It is expected that the Company will enter into the International Underwriting Agreement pursuant to which the Company will initially offer 225,000,000 International Placing Shares (subject to adjustment and to any additional new Shares to be issued pursuant to the exercise of the Over-allotment Option) for subscription by way of International Placing on and subject to the terms and conditions of this prospectus.

Subject to (i) the Listing Committee granting listing of, and permission to deal in the Shares in issue and to be issued as mentioned in this prospectus, including the Shares to be issued under the Share Offer, additional Shares to be issued pursuant to the exercise of the Over-allotment Option and any options up to 10% of the Shares in issue on the Listing Date, that may be granted under the Share Option Scheme, subject only to allotment and/or despatch of Share certificates for the Offer Shares and/or other usual conditions, on or before the Business Day preceding the Listing Date (or such later date as the Sole Global Coordinator (on behalf of the Hong Kong Underwriters) may agree in writing) and such approval and permission not having been subsequently revoked prior to 8:00 a.m. on the Listing Date and (ii) certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have severally agreed to apply or procure applications, on the terms and conditions of this prospectus and the related Application Forms, for the Hong Kong Offer Shares now being offered and which are not taken up under the Hong Kong Public Offering.

##### *Grounds for termination*

The obligations of the Hong Kong Underwriters to subscribe or procure subscribers for the Hong Kong Offer Shares under the Hong Kong Underwriting Agreement are subject to termination, if, at any time prior to 8:00 a.m. on the Listing Date:

- (a) there has come to the notice of Guotai Junan Securities:
  - (i) that any statement, considered by Guotai Junan Securities to be material, contained in this prospectus and/or the Application Forms in relation to the Share Offer was when the same was issued, or has become, untrue, incorrect or misleading in any material respect; or
  - (ii) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute an omission therefrom considered by Guotai Junan Securities to be material to the Share Offer; or

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## UNDERWRITING

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- (iii) any breach of any of the obligations imposed upon any party to the Hong Kong Underwriting Agreement or the International Underwriting Agreement (other than on any of the Underwriters, the Sponsor or the Lead Manager); or
  - (iv) any material adverse change or development involving a prospective material adverse change in the conditions, business affairs, prospects or the financial or trading position of the Group as a whole; or
  - (v) any breach by the Company, the executive Directors or the Covenantors, reasonably considered by Guotai Junan Securities to be material, of any of the warranties under the Hong Kong Underwriting Agreement or the International Underwriting Agreement;
- (b) there shall develop, occur, exist or come into effect:
- (i) any event, or series of events, beyond the reasonable control of the Hong Kong Underwriters (including, without limitation, acts of government, strikes, lockouts, fire, explosion, flooding, civil commotion, acts of war, acts of God, acts of terrorism, riot, public disorder, economic sanctions, outbreak of diseases or epidemics including SARS and avian influenza and such related/mutated forms or interruption or delay in transportation) which in the reasonable opinion of Guotai Junan Securities has or would have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or which prevents the processing of applications and/or payments pursuant to the Share Offer or pursuant to the underwriting thereof; or
  - (ii) any change or development involving a prospective change, or any event or series of events likely to result in any change or development involving a prospective change, in local, national, international, financial, economic, political, military, industrial, fiscal, regulatory or market conditions and matters and/or disaster or any monetary or trading settlement systems (including any moratorium or suspension on or material fluctuations in trading prices of the securities generally traded on the Stock Exchange, the New York Stock Exchange, the NASDAQ National Market or any of the stock exchanges in China, a material fluctuation in the exchange rate of Hong Kong dollars against any foreign currency or any interruption in securities settlement or clearance service or procedures in Hong Kong or anywhere in the world); or
  - (iii) any new law or regulation or change or development involving a prospective change in existing laws or regulations or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent authority in Hong Kong or any other jurisdictions relevant to any member of the Group (the “Specific Jurisdictions”); or
  - (iv) the imposition of economic sanctions, in whatever form, directly or indirectly, by or for the U.S. or by the European Union (or any member thereof) on Hong Kong or any of the Specific Jurisdictions; or

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## UNDERWRITING

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- (v) a change or development occurs involving a prospective change in taxation or currency exchange control (or the implementation of any exchange control) in Hong Kong or any of the Specific Jurisdictions; or
- (vi) any change or development involving a prospective change, or an actual occurrence of, any of the risks set out in the section headed “Risk factors” in this prospectus; or
- (vii) any litigation or claim of material importance of any third party being threatened or instigated against any member of the Group; or
- (viii) a valid demand by any creditor for repayment or payment of any indebtedness of any member of the Group or in respect of which any member of the Group is liable prior to its stated maturity; or
- (ix) any material loss or damage sustained by any member of the Group (howsoever caused and whether or not the subject of any insurance or claim against any person); or
- (x) a petition is presented for the winding-up or liquidation of any member of the Group or any member of the Group makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any member of the Group or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of any member of the Group or anything analogous thereto occurs in respect of any member of the Group; or
- (xi) any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary of Hong Kong and/or the Hong Kong Monetary Authority or other competent authority) or any of the Specific Jurisdictions,

which in the sole opinion of Guotai Junan Securities (for itself and on behalf of the Hong Kong Underwriters) (1) is or will have or could be expected to have a material adverse effect on the business, financial or other condition or prospects of the Group as a whole or in the case of paragraph (b)(viii) above, to any present or prospective shareholder of the Company in his, her or its capacity as such; or (2) has or will have or could reasonably be expected to have material adverse effect on the success, marketability or pricing of the Share Offer or the level of applications under the Hong Kong Public Offering or the level of interest under the International Placing; or (3) makes it inadvisable, inexpedient or impracticable for the Share Offer to proceed.

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## UNDERWRITING

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### *Undertakings to the Hong Kong Underwriters pursuant to the Hong Kong Underwriting Agreement*

The Company has undertaken to the Hong Kong Underwriters and each of them that it will not, and each of the Covenantors and executive Directors has jointly and severally undertaken to the Hong Kong Underwriters and each of them to procure, except pursuant to the Share Offer (including the issue of new Shares pursuant to the Capitalisation Issue and the exercise of the Over-allotment Option), the grant of options under the Share Option Scheme and the issue of new Shares pursuant to the exercise of options that may be granted under the Share Option Scheme and save as mentioned in this prospectus or with the prior written consent of Guotai Junan Securities (on behalf of the Hong Kong Underwriters), and unless in compliance with the requirements of the Listing Rules, the Company shall not, and shall procure that its subsidiaries shall not, allot or issue, or agree to allot or issue, any Shares or securities convertible into equity securities of the Company (whether or not of a class already listed) (including warrants or other convertible or exchangeable securities), or grant or agree to grant any options, warrants or other rights to subscribe for or otherwise acquire any securities or convertible or exchangeable into Shares or other securities of the Company, or repurchase Shares or other securities of the Company, or enter into any swap or other arrangement that transfers, in whole or in part, any of the economic consequences of ownership in any Shares, or offer to or agree to do any of the foregoing or announce any intention to do so, within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the Listing Date) and in the event of the Company doing any of the foregoing by virtue of the aforesaid consent or exceptions or during the period of six months immediately following the expiry of the first six months period after the Listing Date, the Company will take all reasonable steps to ensure that any such act will not create a disorderly or false market for any Shares or other securities of the Company.

Each of the Covenantors has jointly and severally undertaken to the Company and the Hong Kong Underwriters and each of them that without the prior written consent of Guotai Junan Securities (on behalf of the Hong Kong Underwriters), he or it shall not directly or indirectly (except in connection with the Stock Borrowing Agreement or the conversion/exchange of the convertible loans into Shares as mentioned in this prospectus) and shall procure that the relevant registered Shareholders shall not in the period commencing on the Listing Date and ending on a date which is six months from the Listing Date:

- (a) transfer or dispose of, nor enter into any agreements to transfer or dispose of or otherwise create any options, rights, interests or encumbrances (including the creation or entry into of any agreement to create any pledge or charge) in respect of any of those securities in respect of which they are shown by this prospectus to be the beneficial owner(s) or any interest in such securities (which includes any interest in a company which holds any such securities) or securities that constitute or confer the right to receive such securities or securities convertible into or exercisable or exchangeable for or repayable with such securities; or
- (b) enter into a swap agreement or any other agreement or any transaction that transfers, in whole or in part, directly or indirectly, the economic consequence of ownership of such securities, whether any such swap agreement or other agreement or transaction is to be settled by delivery of such securities or other securities, in cash or otherwise; or

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## UNDERWRITING

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- (c) agree (conditionally or unconditionally) to enter into or effect any transaction with the same economic effect as any of the transactions referred to in paragraphs (a) and (b) above; or
- (d) announce any intention to enter into or effect any of the transactions referred to in paragraphs (a), (b) or (c) above.

Each of Atlantis, FMG, Profit Concept, Even Grow and Chengwei has also severally undertaken with us, and Guotai Junan Securities (for itself and on behalf of the Underwriters) by way of separate deeds of undertakings, that subject to Listing taking place (and, in respect of Profit Concept, Even Grow and Chengwei, subject to Listing and conversion/exchange of the relevant convertible loans into Shares taking place), without the prior written consent of the Guotai Junan Securities, it shall not, directly or indirectly, and will procure that none of its associates or companies controlled by it or any nominee or trustee holding in trust for it shall, from the Listing Date up to and including the date falling six months after the Listing Date, offer, sell, transfer, contract to sell, or otherwise dispose of (including without limitation by the creation of any option, right, warrant to purchase or otherwise transfer or dispose of, or any lending, charge, pledge or encumbrance over) any of the Shares in respect of which it is shown in this prospectus to be the beneficial owner (directly or indirectly) (or, in respect of Profit Concept, Even Grow and Chengwei, after the said conversion/exchange of the relevant convertible loans into Shares) or any other securities convertible into or exchangeable for or which carry a right to subscribe, purchase or acquire any such Shares or other securities of the Company, or enter into any swap, derivative, lending, pledge or other arrangement that transfers directly or indirectly to another, in whole or in part, any of the economic consequences of the ownership of any such Shares in respect of which it is shown in this prospectus to be the beneficial owner (directly or indirectly) (or, in respect of Profit Concept, Even Grow and Chengwei, after the said conversion/exchange of the relevant convertible loans into Shares) and/or which are registered in its name or such other securities, or announce any intention do any of the foregoing transactions, whether any of the foregoing transactions are to be settled by delivery of Shares or such securities, in cash or otherwise.

Pursuant to rule 10.07(1) of the Listing Rules, each of the Controlling Shareholders shall not and shall procure that the relevant registered holder(s) shall not:

- (a) during the period commencing on the date by reference to which disclosure of the shareholding of the Controlling Shareholders is made in this prospectus and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares or securities of us in respect of which it is shown by this prospectus to be the beneficial owner; or
- (b) during the period of six months commencing on the date on which the period referred to in (a) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares referred to in (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interest or encumbrances, he or it would cease to be a controlling shareholder (as defined in the Listing Rules) of the Company.

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## UNDERWRITING

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Each of the Controlling Shareholders has undertaken to the Stock Exchange and the Company that, within the period commencing on the date by reference to which disclosure of the shareholding of the Controlling Shareholders is made in this prospectus and ending on the date which is 12 months from the Listing Date, he or it shall:

- (a) when he or it pledges or charges any Shares beneficially owned by him/it in favor of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan, immediately inform the Company of such pledge or charge together with the number of the Shares so pledged or charged; and
- (b) when he or it receives any indications, either verbal or written, from any pledgee or chargee of any of the pledged or charged Shares will be disposed of, immediately inform the Company of any such indications.

The Company shall inform the Stock Exchange as soon as it has been informed of such matters and disclose such matters by way of an announcement which will be published by way of announcement in accordance with Rule 2.07C of the Listing Rules as soon as possible.

### **(b) International Placing**

#### ***International Underwriting Agreement***

In connection with the International Placing, the Company is expected to enter into the International Underwriting Agreement with the International Underwriters and the Sole Global Coordinator. Under the International Underwriting Agreement, the International Underwriters would, subject to certain conditions set out therein, severally agree to purchase the International Placing Shares being offered pursuant to the International Placing or procure purchasers for such International Placing Shares.

It is expected that under the International Underwriting Agreement, the Company will grant to the Lead Manager the Over-allotment Option, exercisable by the Lead Manager during the period commencing from the Listing Date until 30 days from the last day for the lodging of applications under the Hong Kong Public Offering, to require the Company to allot and issue up to an aggregate of 37,500,000 additional Shares, representing 15% of the Offer Shares initially available under the Share Offer. These additional Shares will be issued at the Offer Price and will be solely for the purpose of covering over-allocations in the International Placing, if any.

### **(c) Underwriting Commission**

The Hong Kong Underwriters will receive an underwriting commission of 3.5% on the aggregate Offer Price of all the Hong Kong Offer Shares, out of which they will pay any sub-underwriting commission. For unsubscribed Hong Kong Offer Shares reallocated to the International Placing, we will pay an underwriting commission at the rate applicable to the International Placing and such commission will be paid to the relevant International Underwriters subject to the terms and conditions of the Underwriting Agreements. The commission payable to the Underwriters, together with the Stock Exchange listing fees, the Stock Exchange trading fee, the SFC transaction levy, legal and other

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## UNDERWRITING

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professional fees, printing and other expenses relating to the Share Offer which are currently estimated to be approximately HK\$49.5 million in aggregate (based on an Offer Price of HK\$1.58 per Share, being the mid-point of the stated range of the Offer Price of between HK\$1.38 and HK\$1.78 per Share and the assumption that the Overallotment Option is not exercised) is to be borne by the Company.

**(d) Underwriters' interests in the Company**

Other than pursuant to the Underwriting Agreements, none of the Underwriters has any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

Pursuant to Rule 3A.19 of the Listing Rules, we will appoint Guotai Junan Capital Limited as our compliance adviser for the period commencing on the Listing Date and ending on the date on which our financial results for the first full financial year commencing after the Listing Date is required to be published in compliance with Rule 13.46 of the Listing Rules.



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## STRUCTURE OF THE SHARE OFFER

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### OFFER PRICE AND PRICE PAYABLE ON APPLICATION

The Offer Price will not be more than HK\$1.78 and is expected to be not less than HK\$1.38 per Offer Share. Based on the maximum Offer Price of HK\$1.78 per Offer Share, plus 1% brokerage fee, 0.004% SFC transaction levy (per side) and 0.005% Stock Exchange trading fee (per side), one board lot of 2,000 Shares will amount to a total of HK\$3,595.92.

The Offer Price is expected to be determined by the Company and the Lead Manager (on behalf of the Underwriters) on Thursday, 10 September 2009, or such later date as may be agreed by the Company and the Lead Manager (on behalf of the Underwriters) but in any event no later than Monday, 14 September 2009.

If, based on the level of interest expressed by prospective professional and institutional investors during the book-building process, the Lead Manager (for itself and on behalf of the Underwriters, and with the consent of the Company) thinks it appropriate (for instance, if the level of interest is below the indicative Offer Price range), the indicative Offer Price range may be reduced below that stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering.

In such case, the Company will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering, cause there to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) notice of the reduction of the indicative Offer Price range. Such notice will also include any financial information which may change as a result of any such reduction. **If applications for Hong Kong Offer Shares have been submitted prior to the day which is the last day for lodging applications under the Hong Kong Public Offering, then even if the Offer Price is so reduced, such applications cannot be subsequently withdrawn. If, for any reason, the Offer Price is not agreed between the Company and the Lead Manager (on behalf of the Underwriters) on or before the Price Determination Date (or such later day as agreed), the Share Offer will not proceed and will lapse.**

### CONDITIONS

Acceptance of all applications for the Share Offer will be conditional upon:

- (i) the Listing Committee granting a listing of, and permission to deal in the Shares in issue and to be issued pursuant to the Capitalisation Issue and the Share Offer (including Shares which may fall to be issued pursuant to the exercise of the Over-allotment Option) and upon the exercise of options which may be granted under the Share Option Scheme, being up to 10% of the issued Shares upon Listing;
- (ii) the Offer Price having been duly determined and the execution and delivery of the Price Determination Agreement on or about the Price Determination Date; and

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## STRUCTURE OF THE SHARE OFFER

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- (iii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including the waiver of any condition(s) by the Lead Manager for itself and on behalf of the Underwriters) and not being terminated in accordance with the terms of that agreement or otherwise,

in each case on or before the dates and times specified in the Underwriting Agreements (unless and to the extent that such conditions are validly waived on or before such dates and times) and in any event not later than 4 October 2009, the date that is 30 days after the date of this prospectus.

If the above conditions are not fulfilled or waived, prior to the dates and times specified, the Share Offer will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published by us in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on the next day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in “How to Apply for the Hong Kong Offer Shares” in this prospectus. In the meantime, the application monies will be held in separate bank account(s) with the receiving bankers or other licensed bank(s) in Hong Kong.

**Share certificates for the Hong Kong Offer Shares are expected to be issued on Tuesday, 15 September 2009 but will only become valid certificates of title at 8:00 a.m. on Wednesday, 16 September 2009, provided that (i) the Share Offer has become unconditional in all respects and (ii) neither of the Underwriting Agreements has been terminated in accordance with its terms.**

### OFFER MECHANISM — BASIS OF ALLOCATION OF SHARES

#### The Share Offer

The Share Offer consists of the International Placing and the Hong Kong Public Offering. The 250,000,000 Shares initially offered will comprise 225,000,000 Shares being offered under the International Placing and 25,000,000 Shares being offered under the Hong Kong Public Offering. The 250,000,000 Shares being offered under the Share Offer will represent approximately 25% of the Company’s enlarged share capital immediately after completion of the Share Offer (without taking into account the exercise of the Over-allotment Option).

Subject to possible reallocation on the basis set forth below, 25,000,000 Shares, representing 10% of the total number of Shares initially being offered under the Share Offer, will be offered to the public in Hong Kong under the Hong Kong Public Offering. The Hong Kong Public Offering is open to all members of the public in Hong Kong as well as to institutional and professional investors.

Out of the total 250,000,000 Shares offered pursuant to the Share Offer, 225,000,000 Shares, representing 90% of the total number of Shares initially being offered under the Share Offer, will be placed with professional and institutional investors in Hong Kong, Japan, Singapore and United Kingdom and other jurisdictions under the International Placing. The International Placing Shares will be offered in Hong Kong, Japan, Singapore and United Kingdom and other jurisdictions outside the United States in offshore transactions, as defined in, and in reliance on, Regulation S.

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## STRUCTURE OF THE SHARE OFFER

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In connection with the Share Offer, the Company has granted to the Lead Manager the Over-allotment Option which is exercisable at any time during the period commencing from the Listing Date until 30 days from the last date for the lodging of applications under the Hong Kong Public Offering. Pursuant to the Over-allotment Option, the Company may be required to issue up to an aggregate of 37,500,000 additional Shares (representing 15% of the number of Shares initially being offered under the Share Offer) to cover over-allocations in the International Placing. Please refer to the paragraph “Over-allotment and stabilisation” below for further details.

The levels of indication of interest in the International Placing and the basis of allotment and the results of application under the Hong Kong Public Offering are expected to be published in the South China Morning Post (in English) and in the Hong Kong Economic Times (in Chinese) on or before Tuesday, 15 September 2009 and the website of the Stock Exchange at [www.hkex.com.hk](http://www.hkex.com.hk) on or before Tuesday, 15 September 2009.

### **The International Placing**

The Company is initially offering 225,000,000 International Placing Shares, representing 90% of the total number of Shares initially being offered in the Share Offer, for subscription by way of the International Placing. The International Placing is fully underwritten by the International Underwriters, subject to the terms and conditions of the International Underwriting Agreement. The International Underwriters are soliciting from prospective professional and institutional investors indications of interest in acquiring International Placing Shares in the International Placing. Professional investors generally include brokers, dealers and companies (including fund managers) whose ordinary business involves dealing in shares and other securities and entities which regularly invest in shares and other securities. Prospective professional and institutional investors will be required to specify the number of International Placing Shares they would be prepared to acquire either at different prices or at a particular price. This process is known as “book building”. In Hong Kong, retail investors should apply for Shares in the Hong Kong Public Offering, as retail investors applying for International Placing Shares, including retail investors applying through banks and other institutions, are unlikely to be allocated any International Placing Shares.

Allocation of the International Placing Shares pursuant to the International Placing is based on a number of factors, including the level and timing of demand and whether or not it is expected that the relevant investor is likely to buy further and/or hold or sell its Shares after the Listing. Such allocation is generally intended to result in a distribution of the International Placing Shares on a basis which would lead to the establishment of a broad shareholder base to the benefit of the Company and its Shareholders as a whole.

If the Hong Kong Public Offering is not fully subscribed, the Lead Manager may reallocate all or any unsubscribed Shares originally included in the Hong Kong Public Offering to the International Placing.

The International Underwriters or selling agents nominated by the International Underwriters shall, on behalf of the Company, conditionally place the International Placing Shares with professional

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## STRUCTURE OF THE SHARE OFFER

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and institutional investor in Hong Kong, Singapore, Japan and United Kingdom and other regions pursuant to Regulation S. The International Placing of the International Placing Shares shall be subject to the Share Offer restrictions set out under the section “Information about this Prospectus and the Share Offer” in this prospectus.

The total number of International Placing Shares to be allotted and issued pursuant to the International Placing may change as a result of the clawback arrangement referred to in the section “The Hong Kong Public Offering” below, the exercise of the Over-allotment Option and any reallocation of unsubscribed Shares originally included in the Hong Kong Public Offering.

### **The Hong Kong Public Offering**

The Company is initially offering 25,000,000 Hong Kong Offer Shares, representing 10% of the total number of Shares initially being offered in the Share Offer, for subscription by way of a public offer in Hong Kong. The Hong Kong Offer Shares are being offered at the Offer Price. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters, subject to the terms and conditions of the Hong Kong Underwriting Agreement.

The total number of Shares available for subscription under the Hong Kong Public Offering (after taking into account any reallocation referred to below) is to be divided equally into two pools for allocation purposes: pool A and pool B. The Shares in pool A will be allocated on an equitable basis to applicants who have applied for Shares with an aggregate subscription price of HK\$5 million (excluding the brokerage fee, the SFC transaction levy and the Stock Exchange trading fee payable) or less. The Shares in pool B will be allocated on an equitable basis to applicants who have applied for Shares with an aggregate subscription price of more than HK\$5 million (excluding the brokerage fee, the SFC transaction levy and the Stock Exchange trading fee payable) and up to the value of pool B. Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If Shares in one (but not both) of the pools are under-subscribed, the surplus Shares will be transferred to the other pool to satisfy demand in that pool and be allocated accordingly.

Applicants can only receive an allocation of Shares from either pool A or pool B but not from both pools. Multiple or suspected multiple applications within either pool or between pools and any application for more than the total number of Shares originally allocated to each pool (i.e., 12,500,000 Shares) are liable to be rejected. Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the Application Form submitted by him that he and any person(s) for whose benefit he is making the application have not received any Shares under the International Placing, and such applicant’s application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be).

The allocation of the Shares between the International Placing and the Hong Kong Public Offering is subject to adjustment. If the number of Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times the number of Shares initially available for subscription under the Hong Kong Public Offering, then Shares will be reallocated to the Hong Kong Public Offering from the International Placing, so that the total number of Shares available for subscription under the Hong Kong Public Offering will increase to 75,000,000 Shares, representing

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## STRUCTURE OF THE SHARE OFFER

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30% of the Shares initially available for subscription under the Share Offer. If the number of Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times the number of Shares initially available for subscription under the Hong Kong Public Offering, then the number of Shares to be reallocated to the Hong Kong Public Offering from the International Placing will be increased so that the total number of Shares available for subscription under the Hong Kong Public Offering will be 100,000,000 Shares, representing 40% of the Shares initially available for subscription under the Share Offer. If the number of Shares validly applied for under the Hong Kong Public Offering represents 100 times or more the number of Shares initially available for subscription under the Hong Kong Public Offering, then the number of Shares to be reallocated to the Hong Kong Public Offering from the International Placing will be increased, so that the total number of Shares available for subscription under the Hong Kong Public Offering will increase to 125,000,000 Shares, representing 50% of the Shares initially available for subscription under the Share Offer. In each such case, the additional Shares reallocated to the Hong Kong Public Offering will be allocated equally between pool A and pool B and the number of Shares allocated to the International Placing will be correspondingly reduced.

In addition, if the Hong Kong Public Offering is not fully subscribed, the Lead Manager in its discretion may reallocate all or any unsubscribed Shares originally included in the Hong Kong Public Offering to the International Placing.

Guotai Junan Securities is the Lead Manager of the Hong Kong Public Offering which is underwritten at the Offer Price by the Hong Kong Underwriters, on and subject to the terms and conditions of the Underwriting Agreements.

Allocation of Hong Kong Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants.

This could, where appropriate, consist of balloting which means that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

### OVER-ALLOTMENT AND STABILISATION

#### The Over-allotment Option

In connection with the Share Offer, it is expected that our Company will grant to the Lead Manager the Over-allotment Option, which will be exercisable by the Lead Manager within a period commencing from the Listing Date until 30 days from the last day for the lodging of applications under the Hong Kong Public Offering. Pursuant to the Over-allotment Option, our Company may be required to issue and allot at the Offer Price up to an aggregate of 37,500,000 additional Shares, representing 15% of the total number of Shares initially available under the Share Offer, in connection with

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## STRUCTURE OF THE SHARE OFFER

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over-allocations in the International Placing, if any. If the Over-allotment Option is exercised in full, the total Offer Shares will represent approximately 27.71% of our Company's enlarged issued share capital following the completion of the Share Offer and the exercise of the Over-allotment Option. In the event that the Over-allotment Option is exercised, a press announcement will be made.

### **Stabilising Action**

In connection with the Share Offer, the Lead Manager, on behalf of the International Underwriters, or any person acting for it, may over-allocate or effect transactions with a view to supporting the market price of the Shares at a level higher than that which might otherwise prevail for a limited period after the issue date. Such transactions, if commenced, may be discontinued at any time. The Lead Manager has been or will be appointed as stabilising manager for the purposes of the Share Offer in accordance with the Securities and Futures (Price Stabilising) Rules made under the SFO and, should stabilising transactions be effected in connection with the Share Offer, this will be at the absolute discretion of the Lead Manager.

Following any over-allotment of Shares in connection with the Share Offer, the Lead Manager or any person acting for it may cover such over-allocation by (among other methods) making purchases in the secondary market or exercising the Over-allotment Option in full or in part, or by any combination of purchases and exercise of the Over-allotment Option. Any such purchases will be made in compliance with all applicable laws and regulatory requirements including the Securities and Futures (Price Stabilising) Rules made under the SFO. The number of Shares which can be over-allocated will not exceed the number of Shares which may be issued upon exercise of the Over-allotment Option, being 37,500,000 Shares representing 15% of the Shares initially available under the Share Offer.

In order to facilitate the exercise of over-allocations in connection with the Share Offer, the Stock Borrowing Agreement will be entered into between the Lead Manager and Creative Sector pursuant to which Creative Sector will, if requested by the Lead Manager and subject to the terms of the Stock Borrowing Agreement, make available to the Lead Manager up to 37,500,000 Shares held by them which is equivalent to maximum number of new Shares to be allotted and issued by the Company under the Over-allotment Option, by way of stock borrowing, in order to cover the over-allocations in connection with the International Placing, if any.

Pursuant to Rule 10.07(3) of the Listing Rules, the Stock Borrowing Agreement will not be subject to the restrictions of Rule 10.07(1)(a) of the Listing Rules which otherwise restricts the disposal of shares by controlling shareholders following a new listing on the conditions that:

- (1) the stock borrowing arrangements as contemplated under the Stock Borrowing Agreement with Creative Sector will only be effected for the sole purpose of covering any short position prior to the exercise of the Over-allotment Option;
- (2) the maximum number of Shares to be borrowed from Creative Sector will be limited to the maximum number of Shares which may be allotted and issued by the Company upon full exercise of the Over-allotment Option;

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## STRUCTURE OF THE SHARE OFFER

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- (3) the same number of Shares so borrowed (if any) must be returned to Creative Sector or their nominees (as the case may be), no later than three Business Days after the earlier of (a) the last day on which the Over-allotment Option may be exercised; and (b) the day on which the Over-allotment Option is exercised in full;
- (4) the stock borrowing arrangements as contemplated under the Stock Borrowing Agreement will be effected in compliance with all applicable laws, rules and regulatory requirements; and
- (5) no payments will be made to Creative Sector by the Lead Manager under the Stock Borrowing Agreement.

The possible stabilising action which may be taken by the Lead Manager in connection with the Share Offer may involve (among other things) (i) over-allocations of Shares, (ii) purchases of Shares, (iii) establishing, hedging and liquidating positions in Shares, (iv) exercising the Over-allotment Option in whole or in part and/or (v) the Lead Manager attempting to do any of the foregoing. Specifically, prospective applicants for and investors in the Offer Shares should note that:

- the Lead Manager may, in connection with any stabilising action, maintain a long position in the Shares;
- there is no certainty regarding the extent to which and the time period for which the Lead Manager will maintain such a position;
- liquidation of any such long position by the Lead Manager may have an adverse impact on the market price of the Shares;
- no stabilising action can be taken to support the price of the Shares for longer than the stabilizing period which will begin on the Listing Date and is expected to expire on the 30th day after the date expected to be the last day for lodging applications under the Hong Kong Public Offering. After this date, when no further action may be taken to support the price of the Shares, demand for the Shares, and therefore the price of the Shares, could fall;
- the price of any security (including the Shares) cannot be assured to stay at or above its offer price by the taking of any stabilising action; and
- stabilising bids may be made or transactions effected in the course of the stabilising action at any price at or below the Offer Price, which means that stabilising bids may be made or transactions effected at a price below the price paid by applicants for, or investors in, the Shares.

### LISTING ON ANY OTHER STOCK EXCHANGE

Our Directors are not considering any listing of our Company on any other overseas stock exchange. The Company has not submitted any application nor obtained any approval for the listing of the Shares.



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## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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### 1. METHODS TO APPLY FOR THE HONG KONG OFFER SHARES

You may apply for the Hong Kong Offer Shares by using one of the following methods:

- using a **WHITE** or **YELLOW** Application Form; or
- electronically instructing HKSCC to cause HKSCC Nominees to apply for Hong Kong Offer Shares on your behalf.

### 2. WHICH APPLICATION METHOD YOU SHOULD USE

#### (a) **WHITE Application Forms**

Use a **WHITE** Application Form if you want the Hong Kong Offer Shares to be registered in your own name.

#### (b) **YELLOW Application Forms**

Use a **YELLOW** Application Form if you want the Hong Kong Offer Shares to be registered in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or your designated CCASS Participant's stock account.

#### (c) **Instruct HKSCC to make an electronic application on your behalf**

Instead of using a **YELLOW** Application Form, you may electronically instruct HKSCC to cause HKSCC Nominees to apply for the Hong Kong Offer Shares on your behalf via CCASS. Any Hong Kong Offer Shares allocated to you will be registered in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or your designated CCASS Participant's stock account.

#### *Note:*

The Hong Kong Offer Shares are not available to existing beneficial owners of the Shares, the Directors, chief executives or substantial Shareholders (as defined in the Listing Rules) of the Company or any of their associates (as defined in the Listing Rules) or United States persons (as defined in Regulation S) or persons who do not have a Hong Kong address.



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## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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### 3. WHERE TO COLLECT THE APPLICATION FORMS

You can collect a **WHITE** Application Form and this prospectus from:

- Any of the following offices of the Hong Kong Underwriters

**Guotai Junan Securities (Hong Kong) Limited**

27th Floor, Low Block  
Grand Millennium Plaza  
181 Queen's Road Central  
Hong Kong

**DBS Asia Capital Limited**

22nd Floor, The Center  
99 Queen's Road Central  
Hong Kong

**China Merchants Securities (HK) Co., Limited**

48th Floor  
One Exchange Square Central  
Hong Kong

**CMB International Capital Corporation Limited**

Units 1803-4, 18th Floor  
Bank of America Tower  
12 Harcourt Road  
Hong Kong

**Ever-Long Securities Company Limited**

18th Floor, Dah Sing Life Building  
99-105 Des Voeux Road Central  
Hong Kong

**Hyundai Securities (Asia) Limited**

Room 2301-04, 23rd Floor  
CITIC Tower  
1 Tim Mei Avenue  
Central  
Hong Kong

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## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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**Mega Capital (Asia) Company Limited**

Units 2213-2214, 22nd Floor  
Cosco Tower  
183 Queen's Road Central  
Hong Kong

**OSK Securities Hong Kong Limited**

12th Floor, World-Wide House  
19 Des Voeux Road Central  
Hong Kong

**Sun Hung Kai International Limited**

12th Floor, CITIC Tower  
1 Tim Mei Avenue  
Central  
Hong Kong

**VC Brokerage Limited**

28th Floor, The Centrium  
60 Wyndham Street  
Central  
Hong Kong

- Any one of the following branches/sub-branches of Bank of Communications Co., Ltd. Hong Kong Branch and Wing Lung Bank Limited:

(a) Bank of Communications Co., Ltd. Hong Kong Branch

Hong Kong Island	Hong Kong Branch	20 Pedder Street, Central
	King's Road Sub-Branch	67-71 King's Road
	Quarry Bay Sub-Branch	G/F., 981 C, King's Road, Quarry Bay
	Hennessy Road Sub-Branch	G/F., Bank of Communications Building., 368 Hennessy Road
Kowloon	Cheung Sha Wan Plaza Sub-Branch	Unit G04, Cheung Sha Wan Plaza, 833 Cheung Sha Wan Road
	Mongkok Sub-Branch	Shops A & B, G/F., Hua Chiao Commercial Centre, 678 Nathan Road
	Kwun Tong Sub-Branch	Shop A, G/F., Hong Ning Court, 55 Hong Ning Road, Kwun Tong
	Hunghom Sub-Branch	Flat A6, G/F., Wing Kwai Building, 1-3 Tak Man Street, Whampoa Estate, Hunghom

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## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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New Territories	Market Street Sub-Branch	G/F., 53 Market Street, Tsuen Wan
	Tiu Keng Leng Sub-Branch	Unit L2-064 & 065, Metro Town Shopping Mall, 8 King Ling Road, Tiu Keng Leng

(b) Wing Lung Bank Limited

Hong Kong Island	Head Office	45 Des Voeux Road Central
	North Point Branch	361 King's Road
	Johnston Road Branch	118 Johnston Road
Kowloon	Mongkok Branch	Bank Centre, 636 Nathan Road
	Tsim Sha Tsui Branch	4 Carnarvon Road
	Lam Tin Sceneway Plaza Branch	8 Sceneway Road

You can collect a **YELLOW** Application Form and this prospectus during normal business hours from 9:00 a.m. on Friday, 4 September 2009 to 12:00 noon on Wednesday, 9 September 2009 from:

- (i) the **depository counter of HKSCC** at 2nd Floor, Vicwood Plaza, 199 Des Voeux Road Central, Hong Kong; or
- (ii) your stockbroker, who may have such Application Form and this prospectus available.

#### 4. HOW TO COMPLETE THE APPLICATION FORMS

There are detailed instructions on each Application Form. You should read these instructions carefully. If you do not follow the instructions, your application may be rejected and returned, together with the accompanying cheque(s) or banker's cashier order(s), by ordinary post to you (or the first-named applicant in the case of joint applicants) at your own risk at the address stated in the Application Form.

If your application is made through a duly authorised attorney, the Company, the Sponsor and the Hong Kong Underwriters may accept it at their discretion, subject to any conditions they think fit, including evidence of the authority of your attorney.

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## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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In order for the **YELLOW** Application Form to be valid:

You, as the applicant(s), must complete the form as indicated below and sign on the first page of the application form. Only written signatures will be accepted.

- (a) if the application is made through a designated CCASS Participant (other than a CCASS Investor Participant):
  - the designated CCASS Participant must endorse the form with its company chop (bearing its company name) and insert its participant I.D. in the appropriate box;
- (b) if the application is made by an individual CCASS Investor Participant:
  - the Application Form must contain the CCASS Investor Participant's full name and Hong Kong identity card number; and
  - the CCASS Investor Participant must insert its participant I.D. in the appropriate box in the Application Form;
- (c) if the application is made by joint individual CCASS Investor Participants:
  - the Application Form must contain all joint CCASS Investor Participants' full names and Hong Kong identity card numbers of all joint CCASS Investor Participants; and
  - the participant I.D. must be inserted in the appropriate box in the Application Form;
- (d) if the application is made by a corporate CCASS Investor Participant:
  - the Application Form must contain the CCASS Investor Participant's company name and Hong Kong business registration certificate number; and
  - the participant I.D. and company chop (bearing its company name) must be inserted in the appropriate box in the Application Form.

Incorrect or incomplete details of CCASS Participants or the omission or inadequacy of CCASS Participant I.D. or other similar matters may render the application invalid.

### 5. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC

#### General

CCASS Participants may give **electronic application instructions** to HKSCC to apply for the Hong Kong Offer Shares and to arrange payment of the monies due on application and payment of refunds. This will be in accordance with their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures in effect from time to time.

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## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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If you are a CCASS Investor Participant, you may give electronic application instructions through the CCASS Phone System by calling +852 2979 7888 or through the CCASS Internet System (<https://ip.ccass.com>) (using the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

**Hong Kong Securities Clearing Company Limited**

Customer Service Centre  
2nd Floor,  
Vicwood Plaza  
199 Des Voeux Road Central  
Hong Kong

and complete an input request form.

Prospectuses are available for collection from the above address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You are deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application, whether submitted by you or through your broker or custodian, to the Company and its registrars.

### **Application for Hong Kong Offer Shares by HKSCC Nominees on your behalf**

Where a **WHITE** Application Form is signed by HKSCC Nominees on behalf of persons who have given **electronic application instructions** to apply for the Hong Kong Offer Shares:

- (i) HKSCC Nominees is only acting as a nominee for those persons and shall not be liable for any breach of the terms and conditions of the **white** Application Form or this prospectus;
- (ii) HKSCC Nominees does the following things on behalf of each such person:
  - agrees that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the stock account of the CCASS Participant who has inputted **electronic application instructions** on that person's behalf or that person's CCASS Investor Participant stock account;
  - undertakes and agrees to accept the Hong Kong Offer Shares in respect of which that person has given **electronic application instructions** or any lesser number;

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## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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- undertakes and confirms that that person has not applied for or taken up any Share under the International Placing nor otherwise participated in the International Placing;
- (if the **electronic application instructions** are given for that person's own benefit) declares that only one set of **electronic application instructions** has been given for that person's benefit;
- (if that person is an agent for another person) declares that that person has only given one set of **electronic application instructions** for the benefit of that other person and that that person is duly authorised to give those instructions as that other person's agent;
- understands that the above declaration will be relied upon by the Company, the Directors and the Lead Manager in deciding whether or not to make any allotment of the Hong Kong Offer Shares in respect of the **electronic application instructions** given by that person and that that person may be prosecuted if he makes a false declaration;
- authorises the Company to place the name of HKSCC Nominees on the register of members of the Company as the holder of the Hong Kong Offer Shares allotted in respect of that person's **electronic application instructions** and to send share certificate(s) and/or refund monies in accordance with the arrangements separately agreed between the Company and HKSCC;
- confirms that that person has read the terms and conditions and application procedures set out in this prospectus and agrees to be bound by them;
- confirms that that person has only relied on the information and representations in this prospectus in giving that person's **electronic application instructions** or instructing that person's broker or custodian to give electronic application instructions on that person's behalf;
- agrees that the Company and the Directors are liable only for the information and representations contained in this prospectus and any supplement thereto;
- agrees to disclose that person's personal data to the Company and its registrar, receiving bankers, advisers and agents and any information which they may require about that person;
- agrees (without prejudice to any other rights which that person may have) that once the application of HKSCC Nominees is accepted, the application cannot be rescinded for innocent misrepresentation;
- agrees that any application made by HKSCC Nominees on behalf of that person pursuant to **electronic application instructions** given by that person is irrevocable before 4 October 2009, such agreement to take effect as a collateral contract with the

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## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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Company and to become binding when that person gives the instructions and such collateral contract to be in consideration of the Company agreeing that it will not offer any Hong Kong Offer Shares to any person before 4 October 2009 except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the end of the fifth day after the time of opening of the application lists (excluding for this purpose any day which is not a Business Day) if a person responsible for this prospectus under Section 40 of the Hong Kong Companies Ordinance gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus;

- agrees that once the application of HKSCC Nominees is accepted, neither that application nor that person's **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by the announcement of the results of the Hong Kong Public Offering published by the Company;
- agrees to the arrangements, undertakings and warranties specified in the participant agreement between that person and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, in respect of the giving of **electronic application instructions** relating to Hong Kong Offer Shares;
- agrees with the Company (for the Company itself and for the benefit of each Shareholder of the Company) that Shares in the Company are freely transferable by the holders thereof; and
- agrees that that person's application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong.

### Effect of giving electronic application instructions to HKSCC

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and if you are joint applicants, each of you jointly and severally) are deemed to have given the instructions and authorizations set out below. Neither HKSCC nor HKSCC Nominees shall be liable to the Company or any other person in respect of the matters mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;
- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or the Offer Price being less than the initial price per Share paid on application, refund of the application monies, in each case including brokerage, SFC transaction levy and Stock Exchange trading fee, by crediting your designated bank account;

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## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all matters which it is authorised to do on your behalf in the **WHITE** Application Form.

### Multiple applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares in respect of which you have given such instructions and/or in respect of which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

### Minimum subscription amount and permitted multiples

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** in respect of a minimum of 2,000 Hong Kong Offer Shares. Such instructions in respect of more than 2,000 Hong Kong Offer Shares must be in one of the multiples set out in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

### Time for inputting electronic application instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

**Friday, 4 September 2009 — 9:00 a.m. to 8:30 p.m.<sup>(1)</sup>**  
**Saturday, 5 September 2009 — 8:00 a.m. to 1:00 p.m.<sup>(1)</sup>**  
**Monday, 7 September 2009 — 8:00 a.m. to 8:30 p.m.<sup>(1)</sup>**  
**Tuesday, 8 September 2009 — 8:00 a.m. to 8:30 p.m.<sup>(1)</sup>**  
**Wednesday, 9 September 2009 — 8:00 a.m.<sup>(1)</sup> to 12:00 noon**

- (1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input electronic application instructions from 9:00 a.m. on Friday, 4 September 2009 until 12:00 noon on Wednesday, 9 September 2009 (24 hours daily, except the last application day).



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## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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### Effect of bad weather on the last application day

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Wednesday, 9 September 2009, the last application day. If:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning signal is in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, 9 September 2009, the last application day will be postponed to the next Business Day which does not have either of those warning signals in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on such day.

### Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit each such instructions is given will be treated as an applicant.

### Section 40 of the Hong Kong Companies Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Hong Kong Companies Ordinance.

### Personal data

The section of the Application Form headed “Personal Data” applies to any personal data held by the Company and the registrar about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

### Warning

The subscription of the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. The Company, the Directors, the Lead Manager and the Underwriters take no responsibility for the application and provide no assurance that any CCASS Participant will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions** to HKSCC through the CCASS Phone System or the CCASS Internet System, CCASS Investor Participants are advised not to wait until the last minute to input their **electronic application instructions** to the systems. In the event that CCASS Investor Participants have problems connecting to the CCASS Phone System or the CCASS Internet System to submit their **electronic application**

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## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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**instructions**, they should either: (i) submit a **WHITE** or **YELLOW** Application Form; or (ii) go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Wednesday, 9 September 2009 or such later date as stated in the sub-paragraph headed "Effect of bad weather on the last application day" above.

### 6. HOW MANY APPLICATIONS YOU MAY MAKE

**You may make more than one application for the Offer Shares only if:**

You are a **nominee**, in which case you may lodge more than one application in your own name on behalf of different beneficial owners. In the box of the Application Form marked "For nominees" you must include:

- an account number, or
- some other identification code

for **each** beneficial owner. If you do not include this information, the application will be treated as being for your benefit.

**Otherwise, multiple applications are not allowed.**

Multiple applications or suspected multiple applications will be rejected. Save as referred to above, **all** of your applications (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**) will be rejected as multiple applications if you, or you and your joint applicants or any of your joint applicants together:

- make more than one application (whether individually or jointly with others) on a **WHITE** and/or **YELLOW** Application Form or by giving electronic application instructions to HKSCC Nominees via CCASS (if you are a CCASS Investor Participant or applying through a CCASS Clearing Participant or a CCASS Custodian Participant);
- apply both (whether individually or jointly) on one **WHITE** Application Form and one **YELLOW** Application Form or on one **WHITE** or **YELLOW** Application Form and give electronic application instructions to HKSCC;
- apply (whether individually or jointly with others) on one (or more) **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC Nominees via CCASS (if you are a CCASS Investor Participant or applying through a CCASS Clearing Participant or a CCASS Custodian Participant) for more than the total number of Hong Kong Offer Shares initially available in either pool A or pool B, as further described in the section headed "Structure of the Share Offer — The Hong Kong Public Offering"; or
- have indicated an interest for, or have been or will be allocated International Placing Shares under the International Placing.

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## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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**All** of your applications will also be rejected as multiple applications if more than one application is made for your **benefit**. If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company

then the application will be treated as being for your own benefit.

**Unlisted company** means a company with no equity securities listed on the Stock Exchange.

**Statutory control in relation to a company** means you:

- control the composition of the board of Directors of that company; or
- control more than half of the voting power of that company; or
- hold more than half of the issued share capital of that company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

### 7. HOW MUCH ARE THE HONG KONG OFFER SHARES

The maximum Offer Price is HK\$1.78 per Offer Share. You must also pay brokerage of 1%, SFC transaction levy of 0.004% and Stock Exchange trading fee of 0.005%. This means that for every board lot of 2,000 Offer Shares you will pay HK\$3,595.92. The Application Forms have tables showing the exact amount payable for certain multiples of the Offer Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and Stock Exchange trading fee in full when you apply for the Offer Shares. Your payment must be made by one cheque or one banker's cashier order and must comply with the terms set out in the Application Form.

If your application is successful, the brokerage is paid to participants of the Stock Exchange or the Stock Exchange (as the case may be), the transaction levy is paid to the SFC and the trading fee is paid to the Stock Exchange.

If the Offer Price as finally determined is less than HK\$1.78 per Offer Share, appropriate refund payments (including the brokerage, SFC transaction levy and Stock Exchange trading fee attributable to the surplus application monies) will be made to applicants, without interest. Details of the procedures for refund are contained below in the paragraph headed "13. Publication of Results, Despatch/collection of share certificates and refund cheques".

### 8. MEMBERS OF THE PUBLIC — TIME FOR APPLYING FOR HONG KONG OFFER SHARES

Completed **WHITE** or **YELLOW** Application Forms, with payment attached, must be lodged by 12:00 noon on Wednesday, 9 September 2009, or, if the application lists are not open on that day, then by 12:00 noon on the next Business Day upon which the lists are open.

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## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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Your completed Application Forms, with payment attached, should be deposited in the special collection boxes provided at any of the branches/sub-branches of Bank of Communications Co., Ltd. Hong Kong Branch and Wing Lung Bank Limited listed in the section headed “Where to collect the Application Forms” above, at the following times:

**Friday, 4 September 2009 — 9:00 a.m. to 5:00 p.m.**  
**Saturday, 5 September 2009 — 9:00 a.m. to 1:00 p.m.**  
**Monday, 7 September 2009 — 9:00 a.m. to 5:00 p.m.**  
**Tuesday, 8 September 2009 — 9:00 a.m. to 5:00 p.m.**  
**Wednesday, 9 September 2009 — 9:00 a.m. to 12:00 noon**

The latest time for inputting your **electronic applications instructions** via CCASS (if you are a CCASS Participant) is 12:00 noon on Wednesday, 9 September 2009, or, if the application lists are not open on that day, by the time and date stated in the paragraph headed “Effect of Bad Weather on the Opening of the Application Lists” below.

The application lists will be open from 11:45 a.m. to 12:00 noon on Wednesday, 9 September 2009, except as provided in the paragraph headed “Effect of Bad Weather on the Opening of the Application Lists” below.

### 9. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, 9 September 2009. Instead they will open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have either of those warnings in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon.

### 10. COMMENCEMENT OF DEALINGS IN THE SHARES ON THE STOCK EXCHANGE

Dealings in the Shares on the Stock Exchange are expected to commence on Wednesday, 16 September 2009. The Shares will be traded on the Stock Exchange in board lots of 2,000 each.

### 11. SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and the Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date chosen by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day.

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## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

All necessary arrangements have been made for the Shares to be admitted into CCASS. Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangements as such arrangements will affect their rights and interests.

### 12. DEPOSIT OF SHARE CERTIFICATES INTO CCASS

If you apply for Hong Kong Offer Shares using a **YELLOW** Application Form and your application is wholly or partially successful, your Share certificates will be issued in the name of HKSCC Nominees Limited and deposited into CCASS for credit to your CCASS Investor Participant stock account or the stock account of your designated CCASS Participant as instructed by you in your Application Form at the close of business on Tuesday, 15 September 2009, or under certain contingent situations, on any other date as shall be determined by HKSCC or HKSCC Nominees Limited.

If you are applying through a designated CCASS Participant (other than a CCASS Investor Participant):

- for Hong Kong Offer Shares credited to the stock account of your designated CCASS Participant (other than a CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allotted to you with that CCASS Participant.

If you are applying as a CCASS Investor Participant:

- the Company expects to publish the results of CCASS Investor Participants' applications, together with the result of the Hong Kong Public Offering, in the newspaper on Tuesday, 15 September 2009. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, 15 September 2009 or such other date as shall be determined by HKSCC or HKSCC Nominees Limited. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC will also make available to you an Activity Statement showing the number of Hong Kong Offer Shares credited to your stock account.

### 13. PUBLICATION OF RESULTS, DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND CHEQUES

We expect to announce the basis of allocation of the Hong Kong Offer Shares (a) in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese); (b) on the website of the Company at [www.chinaallaccess.com](http://www.chinaallaccess.com); and (c) on the website of the Stock Exchange at [www.hkex.com.hk](http://www.hkex.com.hk) on or before Tuesday, 15 September 2009. Results of applications and Hong Kong

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## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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identity cards, passport numbers or Hong Kong business registration certificate numbers (where applicable) of successful applicants of the Hong Kong Offer Shares are available on the website of the Company at [www.chinaallaccess.com](http://www.chinaallaccess.com) or the website of the Stock Exchange at [www.hkex.com.hk](http://www.hkex.com.hk) on or before Tuesday, 15 September 2009.

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum price per Share (excluding brokerage, Stock Exchange trading fee and SFC transaction levy thereon) paid on application, or if the conditions of the Share Offer are not fulfilled in accordance with the section headed “Structure of the Share Offer — Conditions” or if any application is revoked or any allocation pursuant thereto has become void, the application monies, or the appropriate portion thereof, together with the related brokerage, Stock Exchange trading fee and SFC transaction levy, will be refunded, without interest. It is intended that special efforts will be made to avoid any undue delay in refunding application monies where appropriate.

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application but, subject as mentioned below, in due course there will be sent to you by ordinary post, at your own risk to the address specified on the Application Form:

- (a) for applicants on **WHITE** Application Forms: (i) Share certificate(s) for all the Hong Kong Offer Shares applied for, if the application is wholly successful; or (ii) Share certificate(s) for the number of Hong Kong Offer Shares successfully applied for, if the application is partially successful (except for wholly successful and partially successful applicants on **YELLOW** Application Forms whose Share certificates will be deposited into CCASS as described above); and/or
- (b) for applicants on **WHITE** and **YELLOW** Application Forms, a refund cheque or refund cheques crossed “Account Payee Only” in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) the surplus application monies for the Hong Kong Offer Shares unsuccessfully applied for, if the application is partially unsuccessful; (ii) all the application monies, if the application is wholly unsuccessful; and/or (iii) the difference between the Offer Price and the maximum price per Share paid on application in the event that the Offer Price is less than the maximum price per Share paid on application, in each case including related brokerage at the rate of 1%, a Stock Exchange trading fee of 0.005% and a SFC transaction levy of 0.004% but without interest.

**Share certificates will only become valid certificates of title at 8:00 a.m. on Wednesday, 16 September 2009 provided that the Hong Kong Public Offering has become unconditional in all respects and neither of the Underwriting Agreements has been terminated in accordance with its terms.**

Subject as mentioned below, refund cheques for surplus application monies (if any) in respect of wholly and partially unsuccessful applications and in respect of successful applications if the final Offer Price is less than the price payable on application and Share certificates for successful applicants under **WHITE** Application Forms are expected to be posted on Tuesday, 15 September 2009. The right is reserved to retain any Share certificates and any surplus application monies pending clearance of cheque(s) or banker’s cashier order(s).

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## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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If you are applying for 1,000,000 or more Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form and have indicated your intention on your Application Form to collect your refund cheque(s) (where applicable) and/or (for applicants using **WHITE** Application Forms) Share certificate(s) (where applicable) from the Company's Hong Kong branch share registrar, Union Registrars Limited, and have provided all information required by your Application Form, you may collect (where applicable) your refund cheque(s) and (where applicable) share certificate(s) from Union Registrars Limited, at Rooms 1901-02, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Tuesday, 15 September 2009 or any other date notified by the Company in the newspapers as the date of despatch of Share certificates/refund cheques. If you are an individual who opts for personal collection, you must not authorise any other person to make collection on your behalf. If you are a corporate applicant which opts for personal collection, you must attend by your authorised representative bearing a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorized representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to the Company's branch share registrar. If you do not collect your refund cheque(s) and Share certificate(s), they will be despatched promptly to you by ordinary post to the address as specified in your Application Form at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares or if you apply for 1,000,000 Hong Kong Offer Shares or more but have not indicated on your Application Form that you will collect your refund cheque(s) (where applicable) and/or share certificate(s) (where applicable) in person, your refund cheque(s) (where applicable) and/or share certificate(s) (where applicable) will be sent to the address on your Application Form on Tuesday, 15 September 2009, by ordinary post and at your own risk.

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## TERMS AND CONDITIONS OF THE HONG KONG PUBLIC OFFERING

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### 1. GENERAL

- (a) If you apply for the Hong Kong Offer Shares in the Hong Kong Public Offering, you will be agreeing with our Company and the Lead Manager (on behalf of the Hong Kong Underwriters) as set out below.
- (b) If you electronically instruct HKSCC to cause HKSCC Nominees to apply for the Hong Kong Offer Shares on your behalf, you will have authorised HKSCC Nominees to apply on the terms and conditions set out below, as supplemented and amended by the terms and conditions applicable to the relevant application method.
- (c) In this section, references to “you”, “applicants”, “joint applicants” and other like references shall, if the context so permits, include references to both nominees and principals on whose behalf HKSCC Nominees are applying for the Hong Kong Offer Shares; and references to the making of an application shall, if the context so permits, include references to making applications electronically by giving instructions to HKSCC.
- (d) Applicants should read this prospectus carefully, including other terms and conditions of the Hong Kong Public Offering, the paragraph headed “The Hong Kong Public Offering” in the section headed “Structure of the Share Offer”, and in the section headed “How to Apply for the Hong Kong Offer Shares” and the terms and conditions set out in the relevant Application Form or imposed by HKSCC (as the case may be) prior to making an application.

### 2. OFFER TO PURCHASE THE HONG KONG OFFER SHARES

- (a) You offer to purchase from our Company at the Offer Price the number of the Hong Kong Offer Shares indicated in your Application Form (or any smaller number in respect of which your application is accepted) on the terms and conditions set out in this prospectus and the relevant Application Form.
- (b) For applicants using Application Forms, a refund cheque in respect of the surplus application monies (if any) representing the Hong Kong Offer Shares applied for but not allocated to you and representing the difference (if any) between the final Offer Price and the maximum Offer Price (including brokerage fee, the SFC transaction levy and the Stock Exchange trading fee attributable thereto), is expected to be sent to you at your own risk to the address stated on your Application Form.

Details of the procedure for refunds relating to each of the Hong Kong Public Offering methods are contained below in the paragraphs headed “If your application for the Hong Kong Offer Shares is successful (in whole or in part)” and “Refund of your money — additional information” in this section.

- (c) Any application may be rejected in whole or in part.



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## TERMS AND CONDITIONS OF THE HONG KONG PUBLIC OFFERING

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- (d) Applicants under the Hong Kong Public Offering should note that in no circumstances (save for those provided under section 40 of the Hong Kong Companies Ordinance) can applications be withdrawn once submitted. For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives, or causes to give, **electronic application instructions** to HKSCC via CCASS is a person who may be entitled to compensation under section 40 of the Hong Kong Companies Ordinance.

### 3. ACCEPTANCE OF YOUR OFFER

- (a) The Hong Kong Offer Shares will be allocated after the application lists close. Our Company expects to announce the final number of Hong Kong Offer Shares, the level of applications under the Hong Kong Public Offering and the basis of allocations of the Hong Kong Offer Shares in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on Tuesday, 15 September 2009.
- (b) The results of allocations of the Hong Kong Offer Shares under the Hong Kong Public Offering, including the Hong Kong Identity Card numbers, passport numbers or Hong Kong business registration certificate numbers (where applicable) of successful applicants and the number of Hong Kong Offer Shares successfully applied for, will be made available on Tuesday, 15 September 2009 in the manner described in “How to Apply for Hong Kong Offer Shares — 13. Publication of results, despatch/collection of share certificates and refund cheques”.
- (c) Our Company may accept your offer to purchase (if your application is received, valid, processed and not rejected) by announcing the basis of allocations and/or making available the results of allocations publicly.
- (d) If our Company accepts your offer to purchase (in whole or in part), there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares in respect of which your offer has been accepted if the conditions of the Share Offer are satisfied or the Share Offer is not otherwise terminated. Further details are contained in the section headed “Structure of the Share Offer”.
- (e) You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

### 4. EFFECT OF MAKING ANY APPLICATION

- (a) By making any application, you (and if you are joint applicants, each of you jointly and severally) for yourself or as agent or nominee and on behalf of each person for whom you act as agent or nominee:
- **instruct** and **authorise** our Company, the Lead Manager and the Underwriters (or their respective agents or nominees) to execute any transfer forms, contract notes or other documents on your behalf and to do on your behalf all other things necessary to

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## TERMS AND CONDITIONS OF THE HONG KONG PUBLIC OFFERING

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effect the registration of any Hong Kong Offer Shares allocated to you in your name(s) or HKSCC Nominees, as the case may be, as required by the Articles and otherwise to give effect to the arrangements described in this prospectus and the relevant Application Form;

- **undertake to sign all documents and to do all things necessary to enable you or HKSCC Nominees, as the case may be, to be registered as the holder of the Hong Kong Offer Shares allocated to you, and as required by the Memorandum of Association and the Articles;**
- **represent, warrant and undertake that you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act and you are outside the United States when completing the Application Form (as defined in Regulation S) and are not a U.S. person described in paragraph (k)(1) of Rule 902 of Regulation S under the U.S. Securities Act;**
- **represent and warrant that you are outside the United States and will acquire the Hong Kong Offer Shares in an offshore transaction (within the meaning of Regulation S);**
- **confirm** that you have received a copy of this prospectus and have only relied on the information and representations contained in this prospectus in making your application, and not on any other information or representations concerning our Company and you agree that neither our Company, the Lead Manager and/or the Underwriters nor any of their respective Directors, officers, employees, partners, agents, advisers or any other parties involved in the Share Offer is or will be liable for any information or representations not contained in this prospectus;
- **agree (without prejudice to any other rights which you may have) that once your application has been accepted, you cannot revoke or rescind it because of an innocent misrepresentation;**
- **(if the application is made by an agent on your behalf) warrant that you have validly and irrevocably conferred on your agent all necessary power and authority to make the application;**
- **(if the application is made for your own benefit) warrant that the application is the only application which has been or will be made for your benefit on a WHITE or YELLOW Application Form or by giving electronic application instructions to HKSCC;**

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## TERMS AND CONDITIONS OF THE HONG KONG PUBLIC OFFERING

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- (if you are an agent for another person) **warrant** that reasonable enquiries have been made of that other person that the application is the only application which will be made for the benefit of that other person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC, and that you are duly authorised to sign the Application Form or to give electronic application instruction as that other person's agent;
- **agree** that our Company, the Lead Manager, the Hong Kong Underwriters and their respective Directors and any other parties involved in the Hong Kong Public Offering are liable only for the information and representations contained in this prospectus;
- **agree** to disclose to our Company, its registrar, receiving banker, the Lead Manager, the Underwriters and their respective advisers and agents any personal data and any information which they require about you or the person(s) for whose benefit you have made this application;
- **agree** that once your application is accepted, your application will be evidenced by the results of the Hong Kong Public Offering made available by our Company;
- **undertake** and **confirm** that you (if the application is made for your benefit) or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest in or received or been placed or allocated (including conditionally and/or provisionally) and will not apply for or take up or indicate any interest in any International Placing Shares in the International Placing, nor otherwise participate in the International Placing;
- **warrant** the truth and accuracy of the information contained in your application;
- **agree** to disclose to our Company, the Lead Manager and their respective agents any information about you or the person(s) for whose benefit you have made the application which they require;
- **represent, warrant** and **undertake** that the allotment of or application for the Hong Kong Offer Shares to you or by you or by any person for whose benefit the application is made would not require the Company to comply with any requirements under any law or regulation (whether or not having the force of law) of any territory outside Hong Kong;
- **agree** that your application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong;
- **undertake** and **agree** to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;

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## TERMS AND CONDITIONS OF THE HONG KONG PUBLIC OFFERING

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- **authorise** our Company to place your name(s) or the name of HKSCC Nominees, as the case may be, on the register of members of our Company as the holder(s) of any Hong Kong Offer Shares allocated to you, and our Company and/or its agents to send any share certificate(s) (where applicable) and/or any refund cheque (where applicable) to you or (in the case of joint applicants) the first-named applicant in the Application Form by ordinary post at your own risk to the address stated on your Application Form (except that if you have applied for 1,000,000 Hong Kong Offer Shares or more and have so indicated in your Application Form, you can collect your share certificate(s) and/or refund cheque (where applicable) in person between 9:00 a.m. and 1:00 p.m. on Tuesday, 15 September 2009 (Hong Kong time) from Union Registrars Limited;
  - **understand** that these declarations and representations will be relied upon by our Company and the Lead Manager in deciding whether or not to allocate any Hong Kong Offer Shares in response to your application and that you may be prosecuted for false declaration;
  - if the laws of any place outside Hong Kong are applicable to your application, you **agree** and **warrant** that you have complied with all such laws and that none of our Company, the Lead Manager and/or the Underwriters nor any of their respective officers or advisers will infringe any laws outside Hong Kong as a result of the acceptance of your offer to purchase, or any actions arising from your rights and obligations under the terms and conditions contained in this prospectus;
  - **agree** with the Company and each Shareholder (and so that our Company, will be deemed by its acceptance in whole or in part of the application to have agreed, for itself and on behalf of each shareholder of our Company) to observe and comply with the Companies Law, the Companies Ordinance, the Memorandum of Association and the Articles;
  - **agree** with our Company and each Shareholder that Shares are freely transferable by the holders thereof;
  - **confirm** that you are aware of the restrictions on offering of the Hong Kong Offer Shares described in this prospectus.
- (b) If you apply for the Hong Kong Offer Shares using a **YELLOW** Application Form, in addition to the confirmations and agreements referred to in (a) above you **agree** that:
- all the Hong Kong Offer Shares to be allocated to you shall be issued in the name of HKSCC Nominees and deposited directly into CCASS operated by HKSCC for credit to your CCASS Investor Participant stock account or the stock account of your designated CCASS Participant, in accordance with your election on the Application Form;

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## TERMS AND CONDITIONS OF THE HONG KONG PUBLIC OFFERING

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- each of HKSCC and HKSCC Nominees reserves the right in its absolute discretion:
    - (1) **not to accept** any or part of the Hong Kong Offer Shares allotted to you in the name of HKSCC Nominees or **not to accept** such allotted Hong Kong Offer Shares for deposit into CCASS;
    - (2) to cause such allotted Hong Kong Offer Shares to be **withdrawn** from CCASS and transferred into your name at your own risk and costs; and
    - (3) to cause such **allotted Hong Kong Offer Shares to be issued in your name** (or, if you are a joint applicant, to the first-named applicant) and in such a case, to **post the share certificates** for such allotted Hong Kong Offer Shares at your own risk to the address on your Application Form by ordinary post **or to make available the same for your collection**;
  - each of HKSCC and HKSCC Nominees may adjust the number of allotted Hong Kong Offer Shares issued in the name of HKSCC Nominees;
  - neither HKSCC nor HKSCC Nominees shall have any liability for the information and representations not so contained in this prospectus and the Application Forms;
  - neither HKSCC nor HKSCC Nominees shall be liable to you in any way.
- (c) In addition, by giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and if you are joint applicants, each of you jointly and severally) are deemed to do the following additional things and neither HKSCC nor HKSCC Nominees will be liable to the Company nor any other person in respect of such things:
- **instruct** and authorise HKSCC to cause HKSCC Nominees (acting as nominee for the CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;
  - **instruct** and authorise HKSCC to arrange payment of the maximum Offer Price, brokerage fee, the SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of wholly or partly unsuccessful applications and/or if the final Offer Price is less than the maximum Offer Price of HK\$1.78 per Hong Kong Offer Share, refund the appropriate portion of the application money by crediting your designated bank account;
  - (in addition to the confirmations and agreements set out in paragraph (a) above) **instruct** and **authorise** HKSCC to cause HKSCC Nominees to do on your behalf the following:
    - **agree** that the Hong Kong Offer Shares to be allocated shall be registered in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or the stock account of the CCASS Participant who has inputted **electronic application instructions** on your behalf;

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## TERMS AND CONDITIONS OF THE HONG KONG PUBLIC OFFERING

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- **undertake** and **agree** to accept the Hong Kong Offer Shares in respect of which you have given **electronic application instructions** or any lesser number;
- (if the **electronic application instructions** are given for your own benefit) **declare** that only one set of **electronic application instructions** has been given for your benefit;
- (if you are an agent for another person) **declare** that you have given only one set of **electronic application instructions** for the benefit of that other person, and that you are duly authorised to give those instructions as that other person's agent;
- **understand** that the above declaration will be relied upon by our Company and the Lead Manager in deciding whether or not to make any allocation of the Hong Kong Offer Shares in respect of the **electronic application instructions** given by you and that you may be prosecuted if you make a false declaration;
- **authorise** our Company to place the name of HKSCC Nominees on the register of members of our Company as the holder of the Hong Kong Offer Shares allocated in respect of your **electronic application instructions** and to send share certificates and/or refund in accordance with arrangements separately agreed between the Company and HKSCC;
- **confirm** that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- **confirm** that you have only relied on the information and representations in this prospectus in giving your **electronic application instructions** or instructing your CCASS Clearing Participant or CCASS Custodian Participant to give **electronic application instructions** on your behalf;
- **agree** that our Company, the Lead Manager and the Underwriters and any of their respective Directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer are liable only for the information and representations contained in this prospectus;
- **agree** (without prejudice to any other rights which you may have) that once the application of HKSCC Nominees has been accepted, the application cannot be rescinded for innocent misrepresentation;

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## TERMS AND CONDITIONS OF THE HONG KONG PUBLIC OFFERING

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- **agree** to disclose your personal data to Guotai Junan Capital, our Company, the Hong Kong branch share registrar, the receiving banker(s), their respective agents and advisers together with any information about you which they require;
- **agree** that any application made by HKSCC Nominees on your behalf pursuant to **electronic application instructions** given by you is irrevocable before 4 October 2009, such agreement to take effect as a collateral contract with the Company and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Hong Kong Offer Shares to any person before 4 October 2009, except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is not a Business Day) if a person responsible for this prospectus under section 40 of the Hong Kong Companies Ordinance gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus;
- **agree** that once the application of HKSCC Nominees is accepted, neither that application nor your **electronic application instructions** can be revoked and that acceptance of that application will be evidenced by the results of the Hong Kong Public Offering made available by the Company; and
- **agree** to the arrangements, undertakings and warranties specified in the participant agreement between you and HKSCC and read with the General Rules of CCASS and the CCASS Operational Procedures, in respect of the giving of **electronic application instructions** relating to the Hong Kong Offer Shares.

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## TERMS AND CONDITIONS OF THE HONG KONG PUBLIC OFFERING

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### 6. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOCATED HONG KONG OFFER SHARES

You should note the following situations in which Hong Kong Offer Shares will not be allocated to you or your application is liable to be rejected:

**(a) If your application is revoked:**

By completing and submitting an Application Form or submitting electronic application instructions to HKSCC, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked before 4 October 2009. This agreement will take effect as a collateral contract with our Company, and will become binding when you lodge your Application Form or submit your electronic application instructions to HKSCC and our application has been made by HKSCC Nominees on your behalf accordingly. This collateral contract will be in consideration of our Company agreeing that it will not offer any Hong Kong Offer Shares to any person before 4 October 2009 except by means of one of the procedures referred to in this prospectus.

However, your application or the application made by HKSCC Nominees on your behalf may only be revoked before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is not a Business Day) if a person responsible for this prospectus under section 40 of the Hong Kong Companies Ordinance gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus.

If any supplement to this prospectus is issued, applicant(s) who have already submitted an application may or may not (depending on the information contained in the supplement) be notified that they can withdraw their applications. If application(s) have not been so notified, or if applicant(s) have been notified but have not withdrawn their applications in accordance with the procedure to be notified, all applications that have been submitted remain valid and may be accepted. Subject to the above, an application once made is irrevocable and applicants shall be deemed to have applied on the basis of this prospectus as supplemented.

If your application or the application made by HKSCC on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.



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## TERMS AND CONDITIONS OF THE HONG KONG PUBLIC OFFERING

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**(b) If the allocation of Hong Kong Offer Shares is void:**

The allocation of Hong Kong Offer Shares to you or to HKSCC Nominees, (if you give electronic application instructions or apply by **YELLOW** Application Form) will be void if the Listing Committee does not grant permission to list the Shares either:

- within three weeks from the closing of the applications lists; or
- within a longer period of up to six weeks if the Listing Committee notifies our Company of that longer period within three weeks of the closing of the application lists.

**(c) If you make applications under the Hong Kong Public Offering as well as the International Placing:**

By filling in any of the Application Forms or giving application instructions to HKSCC electronically, you agree not to apply for International Placing Shares under the International Placing.

Reasonable steps will be taken to identify and reject applications under the Hong Kong Public Offering from investors who have received International Placing Shares in the International Placing, and to identify and reject indications of interest in the International Placing from investors who have received Hong Kong Offer Shares in the Hong Kong Public Offering.

**(d) If our Company, the Lead Manager or their respective agents exercise their discretion:**

Our Company, the Lead Manager or their respective agents have full discretion to reject or accept any application, or to accept only part of any application, without having to give any reasons for

such rejection or acceptance.

**(e) If:**

- your application is a multiple or a suspected multiple application;
- your Application Form is not completed correctly;
- your payment is not made correctly or you pay by cheque or banker's cashier order and the cheque or banker's cashier order is not honoured on its first presentation;
- you or the person for whose benefit you are applying have applied for and/or received or will receive International Placing Shares under the International Placing;
- you apply for more than 50% of the Hong Kong Offer Shares initially being offered in the public for subscription;

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## TERMS AND CONDITIONS OF THE HONG KONG PUBLIC OFFERING

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- any of the Underwriting Agreements does not become unconditional or it is terminated in accordance with the terms thereof.
- (f) If you are giving **electronic application instructions** to HKSCC to apply for Hong Kong Offer Shares on your behalf, you will also not be allocated any Hong Kong Offer Shares if HKSCC Nominee's application is not accepted.

### 7. IF YOUR APPLICATION FOR THE HONG KONG OFFER SHARES IS SUCCESSFUL (IN WHOLE OR IN PART)

(a) **If you are applying using a WHITE Application Form and you elect to receive any share certificate(s) in your name:**

- Refund cheques for these applicants who apply for less than 1,000,000 Hong Kong Offer Shares are expected to be despatched on or before Tuesday, 15 September 2009 to the same address as that for Share certificate(s).
- Applicants who apply on **WHITE** Application Forms for 1,000,000 Hong Kong Offer Shares or more under the Hong Kong Public Offering and have indicated in their Application Forms that they wish to collect Share certificates and (where applicable) refund cheques in person from the Company's Hong Kong branch share registrar may collect Share certificates and (where applicable) refund cheques in person from the Company's Hong Kong branch share registrar, Union Registrars Limited, at Rooms 1901-02, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Tuesday, 15 September 2009.
- Applicants being individuals who opt for personal collection cannot authorise any other person to make collection on their behalf. Corporate applicants who opt for personal collection must attend by their authorised representatives bearing letters of authorisation from the corporation stamped with the corporation's respective chops. Both individuals and authorised representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to the Hong Kong branch share registrar.
- Uncollected Share certificates and (where applicable) refund cheques will be despatched by ordinary post at the applicants' own risk to the addresses specified in the relevant Application Forms.

(b) **If: (i) you are applying on a YELLOW Application Form; or (ii) you are giving electronic application instructions to HKSCC, and in each case you elect to have allocated Hong Kong Offer Shares deposited directly into CCASS:**

If your application is wholly or partly successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your CCASS Investor Participant stock account or the stock account of your designated CCASS Participant as instructed by you (on the

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## TERMS AND CONDITIONS OF THE HONG KONG PUBLIC OFFERING

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Application Form or electronically, as the case may be), at the close of business on Tuesday, 15 September 2009, or, under certain contingent situations, on any other date as shall be determined by HKSCC or HKSCC Nominees.

- ***If you are applying through a designated CCASS Participant (other than a CCASS Investor Participant) on a YELLOW Application Form:***

For Hong Kong Offer Shares credited to the stock account of your designated CCASS Participant (other than a CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allocated to you with that CCASS Participant.

- ***If you are applying as a CCASS Investor Participant on a YELLOW Application Form:***

The Company is expected to make available the results of the Hong Kong Public Offering, including the results of CCASS Investor Participants' applications, in the manner described in the paragraph headed "How to Apply for the Hong Kong Offer Shares — 13. Publication of results, despatch/collection of share certificates and refund cheques", on Tuesday, 15 September 2009. You should check the results made available by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, 15 September 2009 or such other date as shall be determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account you can check your new account balance via the CCASS Phone System or CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your stock account.

- ***If you have given electronic application instructions to HKSCC:***

The Company is expected to make available the application results of the Hong Kong Public Offering, including the results of CCASS Participants' applications (and in the case of CCASS Clearing Participants and CCASS Custodian Participants, the Company shall include information relating to the beneficial owner), your Hong Kong identity card/passport/Hong Kong business registration certificate number or other identification code (as appropriate) in the manner described in the paragraph headed "Results of allocations" in the section headed "How to Apply for the Hong Kong Offer Shares", on Tuesday, 15 September 2009. You should check the results made available by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, 15 September 2009 or any other date HKSCC or HKSCC Nominees chooses.

- ***If you are instructing your CCASS Clearing Participant or CCASS Custodian Participant to give electronic application instructions to HKSCC on your behalf:***

You can also check the number of Hong Kong Offer Shares allocated to you and the amount of refund (if any) payable to you with that CCASS Clearing Participant or CCASS Custodian Participant.

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## TERMS AND CONDITIONS OF THE HONG KONG PUBLIC OFFERING

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- *If you are applying as a CCASS Investor Participant by giving electronic instruction to HKSCC:*

You can also check the number of the Hong Kong Offer Shares allotted to you and the amount of refund (if any) payable to you via the CCASS Phone System and CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Tuesday, 15 September 2009. Immediately following the Credit of Hong Kong Offer Shares to your stock account and the credit of the refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of the Hong Kong Offer Shares credited to your stock account and the amount of refund credited to your designated bank account (if any).

**No receipt will be issued for application monies paid. The Company will not issue temporary documents of title.**

### **8. REFUND OF YOUR MONEY — ADDITIONAL INFORMATION**

- (a) You will be entitled to a refund (any interest accrued on refunded money prior to the date of despatch of refund cheques will be retained for the benefit of our Company) if:
- your application is not successful, in which case our Company will refund your application money together with the brokerage fee, the SFC transaction levy and the Stock Exchange trading fee to you, without interest;
  - your application is accepted only in part, in which case our Company will refund the appropriate portion of your application money, the brokerage fee, the SFC transaction levy and the Stock Exchange trading fee, without interest;
  - the Offer Price (as finally determined) is less than the price per Offer Share initially paid by the applicant on application, in which case our Company will refund the surplus application money together with the appropriate portion of the brokerage fee, the SFC transaction levy and the Stock Exchange trading fee, without interest; and
  - the conditions of Share Offer are not fulfilled in accordance with the section headed "Structure of the Share Offer — Conditions".
- (b) If you apply on a **YELLOW** Application Form for 1,000,000 Hong Kong Offer Shares or more under the Hong Kong Public Offering, you may collect your refund cheque (if any) in person from the Hong Kong branch share registrar on Tuesday, 15 September 2009. The procedure for collection of refund cheques for **YELLOW** Application Form applicants is the same as that for **WHITE** Application Form applicants set out in sub-paragraph (a) of the paragraph headed "If your application for the Hong Kong Offer Shares is successful (in whole or in part)" in this section.

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## TERMS AND CONDITIONS OF THE HONG KONG PUBLIC OFFERING

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- (c) If you are applying by giving electronic instructions to HKSCC to apply on your behalf, all refunds are expected to be credited to your designated bank account (if you are applying as a CCASS Investor Participant) or the designated bank account of your broker or custodian (if you are applying through a CCASS Clearing/Custodian Participant) on Tuesday, 15 September 2009.
- (d) All refunds by cheque will be crossed “Account Payee Only”, and made payable to you, or if you are a joint applicant, to the first-named applicant on your Application Form.
- (e) Refund cheques are expected to be despatched on Tuesday, 15 September 2009. Our Company intends to make special efforts to avoid undue delays in refunding money.

### 9. PERSONAL DATA

The main provisions of the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong) (the “Ordinance”) came into effect in Hong Kong on 20 December 1996. This Personal Information Collection Statement informs the applicant for and holder of the Hong Kong Offer Shares of the policies and practices of our Company and the Hong Kong branch share registrar in relation to personal data and the Ordinance.

#### (a) Reasons for the collection of your personal data

From time to time it is necessary for applicants for securities or registered holders of securities to supply their latest correct personal data to our Company and the Hong Kong branch share registrar when applying for securities or transferring securities into or out of their names or in procuring the services of the Hong Kong branch share registrar.

Failure to supply the requested data may result in your application for securities being rejected or in delay or inability of our Company or its Hong Kong branch share registrar to effect transfers or otherwise render their services. It may also prevent or delay registration or transfer of the Hong Kong Offer Shares which you have successfully applied for and/or the despatch of Share certificate(s), and/or refund cheque(s) to which you are entitled.

It is important that holders of securities inform our Company and the Hong Kong branch share registrar immediately of any inaccuracies in the personal data supplied.

#### (b) Purposes

The personal data of the applicants and the holders of securities may be used, held and/or stored (by whatever means) for the following purposes:

- processing of your application and verification of compliance with the terms and application procedures set out in the Application Forms and this prospectus and announcing results of allocations of the Hong Kong Offer Shares;

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## TERMS AND CONDITIONS OF THE HONG KONG PUBLIC OFFERING

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- enabling compliance with all applicable laws and regulations in Hong Kong and elsewhere;
- registering new issues or transfers into or out of the names of holders of securities including, where applicable, in the name of HKSCC Nominees;
- maintaining or updating the registers of holders of securities of our Company;
- conducting or assisting to conduct signature verifications, any other verification or exchange of information;
- establishing benefit entitlements of holders of securities of our Company, such as dividends, rights issues and bonus issues;
- distributing communications from our Company and its subsidiaries;
- compiling statistical information and shareholder profiles;
- making disclosures as required by any laws, rules or regulations;
- disclosing relevant information to facilitate claims on entitlements; and
- any other incidental or associated purposes relating to the above and/or to enable our Company and the Hong Kong branch share registrar to discharge their obligations to holders of securities and/or regulators and/or other purpose to which the holders of securities may from time to time agree.

### (c) **Transfer of personal data**

Personal data held by our Company and the Hong Kong branch share registrar relating to the applicants and the holders of securities will be kept confidential but our Company and the Hong Kong branch share registrar, to the extent necessary for achieving the above purposes or any of them, may make such enquiries as they consider necessary to confirm the accuracy of the personal data and in particular, they may disclose, obtain or provide (whether within or outside Hong Kong) the personal data of the applicants and the holders of securities to or from any and all of the following persons and entities:

- our Company or its appointed agents such as financial advisers and receiving bankers;
- HKSCC and HKSCC Nominees, who will use the personal data for the purposes of operating CCASS (in cases where the applicants have requested that the Hong Kong Offer Shares be deposited into CCASS);

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## TERMS AND CONDITIONS OF THE HONG KONG PUBLIC OFFERING

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- any agents, contractors or third party service providers who offer administrative, telecommunications, computer, payment or other services to our Company and/or the Hong Kong branch share registrar in connection with the operation of their businesses;
- the Stock Exchange, the SFC and any other statutory, regulatory or governmental bodies; and
- any other persons or institutions with which the holders of securities have or propose to have dealings, such as their bankers, solicitors, accountants or stockbrokers.

By signing an Application Form or by giving electronic application instructions to HKSCC, you agree to all of the above.

**(d) Access and correction of personal data**

The Ordinance provides the applicants and the holders of securities with rights to ascertain whether our Company and/or the Hong Kong branch share registrar hold their personal data, to obtain a copy of that data, and to correct any data that is inaccurate. In accordance with the Ordinance, our Company and the Hong Kong branch share registrar have the right to charge a reasonable fee for the processing of any such data access request. All requests for access to data or correction of data or for information regarding policies and practices or the kinds of data held should be addressed to our Company for the attention of the Company Secretary or (as the case may be) the Hong Kong branch share registrar for the attention of the Privacy Compliance Officer (for the purposes of the Ordinance).

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



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

4 September 2009

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 prospectus of the Company dated 4 September 2009 (the “Prospectus”) 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 Prospectus, which was completed on 28 August 2009, 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, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and principal place of business in Hong Kong at Room 406, 4/F, Empire Centre, 68 Mody Road, Kowloon, Hong Kong. Following the Reorganisation completed on 28 August 2009 as detailed in the paragraph headed “The Reorganisation” in the section “History and Development” of the Prospectus, 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		Principal activity
			Direct %	Indirect %	
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 Co., Ltd. ("Noter") (河北諾特通信技 術有限公司) <sup>(i)</sup>	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's 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 Prospectus, 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 <sup>(ii)</sup>
Hebei Sky Communication Co., Ltd <sup>(i)</sup> (河北天宇通信有限公司)	The PRC/ 5 December 2002	RMB20,000,000	81%
Shanghai Sky Communication Co., Ltd <sup>(i)</sup> (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 Prospectus, 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	<u>(11,208)</u>
Net identifiable assets and liabilities	18,459
Premium on acquisition	<u>84,141</u>
Consideration paid, satisfied in cash	<u><u>102,600</u></u>

**B FINANCIAL INFORMATION****1 Combined income statements**

	<i>Section C</i>	<b>Years ended 31 December</b>			<b>Five months ended</b>	
	<i>Note</i>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>31 May</b>	
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
					<i>(unaudited)</i>	
<b>Revenue</b>	2	53,870	127,052	187,074	8,261	47,280
Cost of sales		<u>(32,079)</u>	<u>(76,381)</u>	<u>(104,085)</u>	<u>(3,873)</u>	<u>(33,389)</u>
<b>Gross profit</b>		21,791	50,671	82,989	4,388	13,891
Other net income	4	—	91	805	524	1,681
Administrative and distribution expenses		<u>(2,164)</u>	<u>(3,668)</u>	<u>(7,144)</u>	<u>(2,527)</u>	<u>(4,392)</u>
<b>Profit from operations</b>		19,627	47,094	76,650	2,385	11,180
Finance costs	5(a)	<u>—</u>	<u>(615)</u>	<u>(7,116)</u>	<u>(1,163)</u>	<u>(2,899)</u>
<b>Profit before tax</b>	5	19,627	46,479	69,534	1,222	8,281
Income tax	6	<u>(4,372)</u>	<u>—</u>	<u>(1,738)</u>	<u>—</u>	<u>(1,339)</u>
<b>Profit for the year/ period</b>		<u>15,255</u>	<u>46,479</u>	<u>67,796</u>	<u>1,222</u>	<u>6,942</u>
<b>Attributable to:</b>						
Equity holders of the Company		14,436	46,479	67,796	1,222	6,942
Minority interests		<u>819</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
<b>Profit for the year/ period</b>		<u>15,255</u>	<u>46,479</u>	<u>67,796</u>	<u>1,222</u>	<u>6,942</u>
<b>Earnings per share</b>	10					
Basic (RMB)		<u>0.019</u>	<u>0.062</u>	<u>0.090</u>	<u>0.002</u>	<u>0.009</u>
Diluted (RMB)		<u>0.019</u>	<u>0.060</u>	<u>0.079</u>	<u>0.002</u>	<u>0.009</u>

The accompanying notes form part of the Financial Information.

**2 Combined statements of comprehensive income**

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

The accompanying notes form part of the Financial Information.

**APPENDIX I****ACCOUNTANTS' REPORT****3 Combined balance sheets**

	<i>Section C Note</i>	<b>2006</b> <i>RMB'000</i>	<b>At 31 December 2007</b> <i>RMB'000</i>	<b>2008</b> <i>RMB'000</i>	<b>At 31 May 2009</b> <i>RMB'000</i>
<b>Non-current assets</b>					
Property, plant and equipment	11	3,060	2,618	57,476	53,161
Trade and other receivables	13	—	—	21,263	21,620
		<u>3,060</u>	<u>2,618</u>	<u>78,739</u>	<u>74,781</u>
<b>Current assets</b>					
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
		<u>13,428</u>	<u>83,828</u>	<u>275,155</u>	<u>253,713</u>
<b>Current liabilities</b>					
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
		<u>89,674</u>	<u>100,822</u>	<u>202,131</u>	<u>170,506</u>
<b>Net current (liabilities)/assets</b>		<u>(76,246)</u>	<u>(16,994)</u>	<u>73,024</u>	<u>83,207</u>
<b>Total assets less current liabilities</b>		<u>(73,186)</u>	<u>(14,376)</u>	<u>151,763</u>	<u>157,988</u>
<b>Non-current liabilities</b>					
Interest-bearing borrowings	16	—	8,964	8,346	8,223
Deferred tax liabilities	6(c)	—	—	1,738	1,632
		<u>—</u>	<u>8,964</u>	<u>10,084</u>	<u>9,855</u>
<b>Net (liabilities)/assets</b>		<u>(73,186)</u>	<u>(23,340)</u>	<u>141,679</u>	<u>148,133</u>
<b>Capital and reserves</b>					
Paid-in capital	19	—	—	73	73
Reserves	20	<u>(73,186)</u>	<u>(23,340)</u>	<u>141,606</u>	<u>148,060</u>
<b>Total equity</b>		<u>(73,186)</u>	<u>(23,340)</u>	<u>141,679</u>	<u>148,133</u>

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								Total equity RMB'000
		Paid in capital RMB'000	Capital reserve RMB'000	Statutory general reserve RMB'000	Translation reserve RMB'000	Merger reserve RMB'000	Retained profits RMB'000	Sub-total RMB'000	Minority interests 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	RMB'000
					(unaudited)	
<b>Operating activities</b>						
Cash generated from/(used in) operations	14(b)	77,466	(20,937)	27,453	(97,227)	8,089
Income tax paid		—	—	—	—	—
<b>Net cash generated from/(used in) operating activities</b>		<u>77,466</u>	<u>(20,937)</u>	<u>27,453</u>	<u>(97,227)</u>	<u>8,089</u>
<b>Investing activities</b>						
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	—	—	—
<b>Net cash (used in)/generated from investing activities</b>		<u>(99)</u>	<u>(232)</u>	<u>(55,515)</u>	<u>(685)</u>	<u>423</u>
<b>Financing activities</b>						
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)
<b>Net cash (used in)/generated from financing activities</b>		<u>(77,291)</u>	<u>44,652</u>	<u>179,214</u>	<u>110,267</u>	<u>(24,468)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<u>76</u>	<u>23,483</u>	<u>151,152</u>	<u>12,355</u>	<u>(15,956)</u>
<b>Cash and cash equivalents at beginning of the year/period</b>		<u>—</u>	<u>76</u>	<u>23,559</u>	<u>23,559</u>	<u>174,711</u>
<b>Cash and cash equivalents at end of the year/period</b>	14(a)	<u>76</u>	<u>23,559</u>	<u>174,711</u>	<u>35,914</u>	<u>158,755</u>

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 Information**

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 RMB'000	2007 RMB'000	2008 RMB'000	2008 RMB'000 (unaudited)	2009 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	<u>2,976</u>	<u>2,921</u>	<u>4,282</u>	<u>1,734</u>	<u>1,779</u>
	<u>53,870</u>	<u>127,052</u>	<u>187,074</u>	<u>8,261</u>	<u>47,280</u>

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 <i>RMB'000</i>	Provision of wireless data communication application solutions and services <i>RMB'000</i>	Provision of call centre application solutions and services <i>RMB'000</i>	Total <i>RMB'000</i>
Revenue from external customers (note)	<u>21,640</u>	<u>29,254</u>	<u>2,976</u>	<u>53,870</u>
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 <i>RMB'000</i>	Provision of wireless data communication application solutions and services <i>RMB'000</i>	Provision of call centre application solutions and services <i>RMB'000</i>	Total <i>RMB'000</i>
Customer A	7,732	10,420	—	18,152
Customer B	<u>5,738</u>	<u>—</u>	<u>—</u>	<u>5,738</u>
	<u>13,470</u>	<u>10,420</u>	<u>—</u>	<u>23,890</u>

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 <i>RMB'000</i>	Provision of wireless data communication application solutions and services <i>RMB'000</i>	Provision of call centre application solutions and services <i>RMB'000</i>	Total <i>RMB'000</i>
Revenue from external customers (note)	<u>90,169</u>	<u>33,962</u>	<u>2,921</u>	<u>127,052</u>
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 <i>RMB'000</i>	Provision of wireless data communication application solutions and services <i>RMB'000</i>	Provision of call centre application solutions and services <i>RMB'000</i>	Total <i>RMB'000</i>
Customer A	21,532	10,758	—	32,290
Customer C	<u>18,769</u>	<u>—</u>	<u>—</u>	<u>18,769</u>
	<u>40,301</u>	<u>10,758</u>	<u>—</u>	<u>51,059</u>

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

	Year ended 31 December 2008			<b>Total</b> <i>RMB'000</i>
	<b>Provision of satellite communication application solutions and services</b> <i>RMB'000</i>	<b>Provision of wireless data communication application solutions and services</b> <i>RMB'000</i>	<b>Provision of call centre application solutions and services</b> <i>RMB'000</i>	
Revenue from external customers (note)	<u>120,074</u>	<u>62,718</u>	<u>4,282</u>	<u>187,074</u>
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:

	<b>Provision of satellite communication application solutions and services</b> <i>RMB'000</i>	<b>Provision of wireless data communication application solutions and services</b> <i>RMB'000</i>	<b>Provision of call centre application solutions and services</b> <i>RMB'000</i>	<b>Total</b> <i>RMB'000</i>
Customer D	19,855	—	—	19,855
Customer E	<u>18,971</u>	<u>—</u>	<u>—</u>	<u>18,971</u>
	<u>38,826</u>	<u>—</u>	<u>—</u>	<u>38,826</u>

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 <i>RMB'000</i>	Provision of wireless data communication application solutions and services <i>RMB'000</i>	Provision of call centre application solutions and services <i>RMB'000</i>	Total <i>RMB'000</i>
Revenue from external customers (note)	<u>826</u>	<u>5,701</u>	<u>1,734</u>	<u>8,261</u>
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 <i>RMB'000</i>	Provision of wireless data communication application solutions and services <i>RMB'000</i>	Provision of call centre application solutions and services <i>RMB'000</i>	Total <i>RMB'000</i>
Customer A	<u>—</u>	<u>3,610</u>	<u>—</u>	<u>3,610</u>

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 <i>RMB'000</i>	Provision of wireless data communication application solutions and services <i>RMB'000</i>	Provision of call centre application solutions and services <i>RMB'000</i>	Total <i>RMB'000</i>
Revenue from external customers (note)	<u>25,001</u>	<u>20,500</u>	<u>1,779</u>	<u>47,280</u>
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 <i>RMB'000</i>	Provision of wireless data communication application solutions and services <i>RMB'000</i>	Provision of call centre application solutions and services <i>RMB'000</i>	Total <i>RMB'000</i>
Customer D	11,517	9,971	—	21,488
Customer E	6,147	—	—	6,147
Customer F	<u>—</u>	<u>5,041</u>	<u>—</u>	<u>5,041</u>
	<u>17,664</u>	<u>15,012</u>	<u>—</u>	<u>32,676</u>

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
<b>Profit</b>					
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	<u>19,627</u>	<u>46,479</u>	<u>69,534</u>	<u>1,222</u>	<u>8,281</u>
 <b>Assets</b>					
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	<u>16,488</u>	<u>86,446</u>	<u>353,894</u>	<u>191,036</u>	<u>328,494</u>
 <b>Liabilities</b>					
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	<u>89,674</u>	<u>109,786</u>	<u>212,215</u>	<u>115,572</u>	<u>180,361</u>

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	RMB'000
				(unaudited)	
Interest income from non-current trade and other receivables	—	—	—	—	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)	—	—
	<u>—</u>	<u>91</u>	<u>805</u>	<u>524</u>	<u>1,681</u>

**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	RMB'000
				(unaudited)	
(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
	<u>—</u>	<u>615</u>	<u>7,116</u>	<u>1,163</u>	<u>2,899</u>
(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
	<u>2,906</u>	<u>2,691</u>	<u>5,670</u>	<u>2,067</u>	<u>2,887</u>

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 has allowed 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 RMB'000	2007 RMB'000	2008 RMB'000	2008 RMB'000 (unaudited)	2009 RMB'000
<b>PRC income tax</b>					
- 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)
	<u>4,372</u>	<u>—</u>	<u>1,738</u>	<u>—</u>	<u>1,339</u>

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	<u>19,627</u>	<u>46,479</u>	<u>69,534</u>	<u>1,222</u>	<u>8,281</u>
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 ( <i>note</i> )	(930)	—	—	—	—
Effect of non-deductible expenses	—	—	—	—	(255)
Effect of non-PRC entities not subject to income tax	<u>3</u>	<u>446</u>	<u>963</u>	<u>601</u>	<u>1,118</u>
Actual income tax expense	<u>4,372</u>	<u>—</u>	<u>1,738</u>	<u>—</u>	<u>1,339</u>

*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	<u>—</u>	<u>4,372</u>	<u>4,372</u>	<u>4,372</u>
	<u>4,372</u>	<u>4,372</u>	<u>4,372</u>	<u>5,817</u>

- (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:

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



## 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
<i>Executive directors</i>					
CHAN Yuen Ming	—	278	—	10	288
SHAO Kwok Keung	—	529	—	10	539
GAO Hou Ming	—	132	—	—	132
<i>Independent non-executive directors</i>					
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
<i>Executive directors</i>					
CHAN Yuen Ming	—	238	—	10	248
SHAO Kwok Keung	—	543	—	10	553
GAO Hou Ming	—	—	—	—	—
<i>Independent non-executive directors</i>					
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
<i>Executive directors</i>					
CHAN Yuen Ming	—	645	—	10	655
SHAO Kwok Keung	—	1,388	—	10	1,398
GAO Hou Ming	—	58	—	—	58
<i>Independent non-executive directors</i>					
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
<i>Executive directors</i>					
CHAN Yuen Ming	—	137	—	—	137
SHAO Kwok Keung	—	—	—	—	—
GAO Hou Ming	—	—	—	—	—
<i>Independent non-executive directors</i>					
PUN Yan Chak	—	—	—	—	—
WONG Che Man, Eddy	—	—	—	—	—
LAM Kin Hung, Patrick	—	—	—	—	—
	—	137	—	—	137

Year ended 31 December 2006				
	Salaries, allowances and benefits- in-kind	Discretionary bonuses	Retirement scheme contributions	Total
Directors' fees				
<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<i>Executive directors</i>				
CHAN Yuen Ming	—	259	—	259
SHAO Kwok Keung	—	—	—	—
GAO Hou Ming	—	—	—	—
<i>Independent non-executive directors</i>				
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
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				(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
	<i>Number of individuals</i>	<i>Number of individuals</i>	<i>Number of individuals</i>	<i>Number of individuals (unaudited)</i>	<i>Number of individuals</i>
Nil to RMB1,000,000	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>

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 Prospectus 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
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000 (unaudited)</i>	<i>RMB'000</i>
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	<u>—</u>	<u>1,124</u>	<u>2,419</u>	<u>505</u>	<u>118</u>
Profit attributable to equity holders (diluted)	<u>14,436</u>	<u>47,603</u>	<u>70,215</u>	<u>1,727</u>	<u>7,060</u>

*Weighted average number of ordinary shares (diluted)*

	Years ended 31 December			Five months ended 31 May	
	2006	2007	2008	2008	2009
	<i>Number of shares '000</i>	<i>Number of shares '000</i>	<i>Number of shares '000</i>	<i>Number of shares '000</i>	<i>Number of shares '000</i>
				(Unaudited)	
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
Weighted average number of ordinary shares (diluted) at 31 December/ 31 May	<u>750,000</u>	<u>794,726</u>	<u>892,836</u>	<u>811,359</u>	<u>757,467</u>

**11 Property, plant and equipment**

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

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	<u>3,071</u>	<u>2,861</u>	<u>3,156</u>	<u>795</u>

(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	<u>25,449</u>	<u>69,143</u>	<u>96,665</u>	<u>1,351</u>	<u>27,021</u>

## 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)	<u>—</u>	<u>—</u>	<u>13,800</u>	<u>14,050</u>
	<u>—</u>	<u>—</u>	<u>21,263</u>	<u>21,620</u>
Current				
Trade receivables	8,858	43,350	64,617	65,711
Less: Allowance for doubtful debts	<u>—</u>	<u>—</u>	<u>(530)</u>	<u>(530)</u>
	8,858	43,350	64,087	65,181
Performance guarantee deposit (ii)	—	—	14,400	14,650
Other receivables, prepayments and deposits	<u>1,423</u>	<u>2,251</u>	<u>10,180</u>	<u>14,332</u>
	<u>10,281</u>	<u>45,601</u>	<u>88,667</u>	<u>94,163</u>

(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/period, 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	<u>—</u>	<u>—</u>	<u>530</u>	<u>530</u>

At 31 December 2008 and 31 May 2009, trade debtors of RMB849,000, which have been overdue 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 those 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	<u>76</u>	<u>23,559</u>	<u>174,711</u>	<u>158,755</u>

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

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

## 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
	<u>11,343</u>	<u>37,735</u>	<u>44,245</u>	<u>32,017</u>

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	—	—	—
	<u>6,047</u>	<u>20,629</u>	<u>25,345</u>	<u>16,070</u>

#### 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
	<u>—</u>	<u>18,413</u>	<u>149,653</u>	<u>128,442</u>
Non-current portion				
Bank loans (note 17)	—	—	8,346	8,223
Convertible notes	—	8,964	—	—
	<u>—</u>	<u>8,964</u>	<u>8,346</u>	<u>8,223</u>
	<u>—</u>	<u>27,377</u>	<u>157,999</u>	<u>136,665</u>

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:

	<b>Liability component</b> <i>RMB'000</i>	<b>Equity component</b> <i>RMB'000</i>	<b>Total</b> <i>RMB'000</i>
At 1 January 2006 and 31 December 2006	<u>—</u>	<u>—</u>	<u>—</u>
At 1 January 2007	—	—	—
Issuance of convertible notes	26,885	1,207	28,092
Accrual of interest costs	<u>492</u>	<u>—</u>	<u>492</u>
At 31 December 2007	<u>27,377</u>	<u>1,207</u>	<u>28,584</u>
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	<u>(8,967)</u>	<u>(600)</u>	<u>(9,567)</u>
At 31 December 2008	<u>51,856</u>	<u>1,960</u>	<u>53,816</u>
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	<u>(8,848)</u>	<u>(297)</u>	<u>(9,145)</u>
At 31 May 2009	<u>44,095</u>	<u>1,663</u>	<u>45,758</u>

## 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
	<u>—</u>	<u>—</u>	<u>37,099</u>	<u>22,249</u>

Representing:

Term loan (i)	—	—	20,636	13,748
Mortgage loan (ii)	—	—	8,621	8,501
Short term borrowing (iii)	—	—	7,842	—
	<u>—</u>	<u>—</u>	<u>37,099</u>	<u>22,249</u>

(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 28 August 2009, 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
	<u>1,324</u>	<u>717</u>	<u>1,858</u>	<u>4,542</u>

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:

<b>Name of party</b>	<b>Relationships</b>
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 Prospectus.
- (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 RMB'000	2007 RMB'000	2008 RMB'000	2008 RMB'000 (unaudited)	2009 RMB'000
<b><i>Recurring transactions:</i></b>					
Rental expenses charged by					
- Mr. Chan Yuen Ming	—	—	216	77	77
<b><i>Non-recurring transactions:</i></b>					
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	RMB'000
				(unaudited)	
Short term employee benefits	587	529	2,377	260	180
Post-employment benefits	13	19	43	25	12
	<u>600</u>	<u>548</u>	<u>2,420</u>	<u>285</u>	<u>192</u>

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	<u>(58,613)</u>	<u>8,376</u>	<u>—</u>	<u>—</u>
Shanghai SkyComm	<u>(13,800)</u>	<u>3,431</u>	<u>—</u>	<u>—</u>
SkyComm Tech	<u>(316)</u>	<u>(318)</u>	<u>—</u>	<u>—</u>
SkyComm	<u>(54)</u>	<u>(162)</u>	<u>—</u>	<u>—</u>
Ms. Wong Yuk Lan (note 18)	<u>—</u>	<u>—</u>	<u>8,621</u>	<u>(312)</u>
Representing:				
Amounts due from related parties	<u>—</u>	<u>11,807</u>	<u>8,621</u>	<u>—</u>
Amounts due to related parties	<u>(72,783)</u>	<u>(480)</u>	<u>—</u>	<u>(312)</u>

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 180 days (being the credit period which may vary on a case by case basis) after acceptance of project, subject to 5%-10% retention money, if any, to be withheld by customers in our projects until expiry of the warranty period. For sale of terminal equipment, contract sums are normally payable upon delivery of the relevant terminal equipment. The Group may grant credit up to 180 days to its customer according to the negotiation and relationship with these customers. 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 <i>RMB'000</i>	More than 1 year but less than 2 years <i>RMB'000</i>	More than 2 years but less than 5 years <i>RMB'000</i>	More than 5 years <i>RMB'000</i>	Total <i>RMB'000</i>	Balance sheet carrying amount <i>RMB'000</i>
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
	<u>85,302</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>85,302</u>	<u>85,302</u>

At 31 December 2007						
Contractual undiscounted cash outflow						
	Within 1 year or on demand <i>RMB'000</i>	More than 1 year but less than 2 years <i>RMB'000</i>	More than 2 years but less than 5 years <i>RMB'000</i>	More than 5 years <i>RMB'000</i>	Total <i>RMB'000</i>	Balance sheet carrying amount <i>RMB'000</i>
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
	<u>99,237</u>	<u>10,400</u>	<u>—</u>	<u>—</u>	<u>109,637</u>	<u>105,414</u>

## At 31 December 2008

## Contractual undiscounted cash outflow

	Within 1 year or on demand <i>RMB'000</i>	More than 1 year but less than 2 years <i>RMB'000</i>	More than 2 years but less than 5 years <i>RMB'000</i>	More than 5 years <i>RMB'000</i>	Total <i>RMB'000</i>	Balance sheet carrying amount <i>RMB'000</i>
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
	<u>203,537</u>	<u>454</u>	<u>1,362</u>	<u>8,739</u>	<u>214,092</u>	<u>206,105</u>

## At 31 May 2009

## Contractual undiscounted cash outflow

	Within 1 year or on demand <i>RMB'000</i>	More than 1 year but less than 2 years <i>RMB'000</i>	More than 2 years but less than 5 years <i>RMB'000</i>	More than 5 years <i>RMB'000</i>	Total <i>RMB'000</i>	Balance sheet carrying amount <i>RMB'000</i>
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
	<u>163,401</u>	<u>454</u>	<u>1,361</u>	<u>8,544</u>	<u>173,760</u>	<u>172,912</u>

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:

	2006		At 31 December 2007		2008		At 31 May 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.

	<i>Effective for annual accounting periods beginning on or after</i>
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 28 August 2009, 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 Prospectus. 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

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## APPENDIX II      UNAUDITED PRO FORMA FINANCIAL INFORMATION

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*The information set forth in this appendix does not form part of the accountants' report prepared by KPMG, Certified Public Accountants, Hong Kong, the reporting accountants of our Company, as set forth in Appendix I to this prospectus, and is included herein for illustrative purposes only.*

*The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the accountants' report set forth in Appendix I to this prospectus.*

*For illustrative purpose, the financial information prepared in accordance with Paragraph 4.29 of the Listing Rules, is set out here to provide prospective investors with further information about how the financial information of China All Access (Holdings) Limited and its subsidiaries (the "Group") might be affected by completion of the Share Offer as if the Share Offer had been completed on 31 May 2009. The unaudited pro forma financial information has been prepared for illustrative purpose only and because of its nature, it may not give a true picture of the Group's financial condition on the completion of the Share Offer.*

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## APPENDIX II      UNAUDITED PRO FORMA FINANCIAL INFORMATION

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### (A) UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

*The following statement of unaudited pro forma adjusted net tangible assets of the Group is based on the combined net assets as at 31 May 2009, as shown in the Accountants' Report set out in Appendix I to this prospectus, adjusted as below:*

	<b>Combined net tangible assets attributable to the equity holders of the Company as at 31 May 2009</b>	<b>Estimated net proceeds from the Share Offer</b>	<b>Unaudited pro forma adjusted net tangible assets</b>	<b>Unaudited pro forma adjusted net tangible assets per Share</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Note 1)</i>	<i>(Note 2)</i>		<i>(Note 3)</i>
Based on an Offer Price of HK\$1.38 per Share	148,133	261,800	409,933	0.41
Based on an Offer Price of HK\$1.78 per Share	148,133	346,280	494,413	0.49

*Notes:*

- (1) The combined net tangible assets attributable to the equity holders of the Company as at 31 May 2009 is compiled based on the accountants' report of the Group, the text of which is set out in Appendix I to this prospectus, which is based on the combined net assets attributable to the equity holders as at 31 May 2009.
- (2) The estimated net proceeds from the Share Offer are based on the Offer Price of HK\$1.38 and HK\$1.78 per Share, after deduction of the underwriting fees and other related expenses payable by the Company. No account has been taken of the Shares which may be issued pursuant to any exercise of Over-allotment Option.
- (3) The unaudited pro forma adjusted net tangible asset value per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis of 1,000,000,000 Shares (being the number of Shares expected to be in issue immediately after completion of the Share Offer and the Capitalisation Issue). No account has been taken of the Shares which may be issued pursuant to any exercise of Over-allotment Option.

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## APPENDIX II      UNAUDITED PRO FORMA FINANCIAL INFORMATION

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### (B) UNAUDITED PRO FORMA ESTIMATED EARNINGS PER SHARE

Estimated combined profit for the six months  
ended 30 June 2009<sup>(1)&(2)</sup> .....Not less than RMB18 million

Unaudited pro forma estimated earnings  
per Share<sup>(3)</sup> .....Not less than RMB0.018

*Notes:*

- (1) The bases on which the above profit estimate for the six months ended 30 June 2009 have been prepared are summarised in Appendix III to this prospectus.
- (2) The estimate of the combined profit for the six months ended 30 June 2009 prepared by our Directors is based on, in the absence of unforeseen circumstances, the combined income statements of our Group for the five months ended 31 May 2009 and the unaudited management account of our Group for the one month ended 30 June 2009. The Directors are not aware of any unforeseen circumstances which have arisen during the six months ended 30 June 2009. The estimate has been prepared on the basis of the accounting policies being consistent in all material respects with those currently adopted by our Group as set out in note 1 “Significant accounting policies” under section C of the Accountants’ Report set out in Appendix I to this prospectus.
- (3) The calculation of the estimated earnings per Share on a pro forma basis is based on the estimated combined profit for the year ended 30 June 2009, assuming that our Company had been listed since 1 January 2009 and a total of 1,000,000,000 Shares have been in issue during the entire year. The calculation of the pro forma estimated earnings per Share does not take into account any Shares which may be issued upon the exercise of the Over-allotment Option. If the Over-allotment Option is exercised in full, the number of Shares in issue would be 1,037,500,000 Shares, and the estimated earnings per Share on the pro forma basis mentioned above would be RMB0.017.

**C.    COMFORT LETTER ON UNAUDITED PRO FORMA FINANCIAL INFORMATION**

*The following is a text of a report prepared for the purpose of incorporation in this prospectus, received from the auditors and reporting accountants of the Company, KPMG, Certified Public Accountants, Hong Kong in respect of the unaudited pro forma financial information for the purpose of incorporation in this prospectus.*



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

4 September 2009

The Directors  
China All Access (Holdings) Limited

Dear Sirs

We report on the unaudited pro forma statement of adjusted net tangible assets and unaudited pro forma estimated earnings per share ("unaudited Pro Forma Financial Information") of China All Access (Holdings) Limited ("the Company") and its subsidiaries ("the Group") set out in part (A) and part (B) of Appendix II of the prospectus dated 4 September 2009 ("the Prospectus"), which has been prepared by the directors of the Company solely for illustrative purposes to provide information about how the proposed offering might have affected the financial information presented. The basis of preparation of the unaudited Pro Forma Financial Information is set out on pages II-1 to II-3 of the Prospectus.

**Responsibilities**

It is the responsibility solely of the directors of the Company to prepare the unaudited Pro Forma Financial Information in accordance with Paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

It is our responsibility to form an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.



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## APPENDIX II      UNAUDITED PRO FORMA FINANCIAL INFORMATION

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### **Basis of opinion**

We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements (“HKSIR”) 300 “Accountants’ Reports on Pro Forma Financial Information in Investment Circulars” issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the unaudited Pro Forma Financial Information with the directors of the Company. The engagement did not involve independent examination of any of the underlying financial information.

Our work did not constitute an audit or review made in accordance with Hong Kong Standards on Auditing or Hong Kong Standards on Review Engagements issued by the HKICPA, and accordingly, we do not express any such audit or review assurance on the unaudited Pro Forma Financial Information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Our procedures on the unaudited Pro Forma Financial Information have not been carried out in accordance with attestation standards or other standards and practices generally accepted in the United States of America or auditing standards of the Public Company Accounting Oversight Board (United States) and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

The unaudited Pro Forma Financial Information is for illustrative purpose only, based on the judgements and assumptions of the directors of the Company, and because of its hypothetical nature, it does not provide any assurance or indication that any event will take place in the future and may not be indicative of:

- the financial position of the Group as at 31 May 2009 or any future date; or
- the earnings per Share of the Group for six months ended 30 June 2009 or any future periods.

We make no comments regarding the reasonableness of the amount of net proceeds from the issuance of the Company’s Shares, the application of those net proceeds, or whether such use will actually take place as described under “Use of Proceeds” set out in the section “Future Plans and Use of Proceeds” of the Prospectus.

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## APPENDIX II      UNAUDITED PRO FORMA FINANCIAL INFORMATION

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### Opinion

In our opinion:

- a) the unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;
- b) such basis is consistent with the accounting policies of the Group, and
- c) the adjustments are appropriate for the purposes of the unaudited Pro Forma Financial Information as disclosed pursuant to Paragraph 4.29(1) of the Listing Rules.

Yours faithfully  
**KPMG**  
*Certified Public Accountants*  
Hong Kong

The estimated combined profit attributable to equity holders of the Group for the six-month period ended 30 June 2009 is set out in the section headed “Financial information — Profit estimate” in this prospectus.

#### **1. BASES**

Our Directors have prepared the estimate of the combined profit attributable to equity holders of the Group for the six months ended 30 June 2009 based on our combined results of the Group for five months ended 31 May 2009 which are included in the accountants’ report as set out in Appendix I to this prospectus, and the unaudited management accounts for the one month ended 30 June 2009. We have undertaken to the Stock Exchange that our interim financial report for the six months ended 30 June 2009 will be audited pursuant to Rule 11.18 of the Listing Rules. The profit estimate has been presented on the basis of the accounting policies consistent in all material respects with those currently adopted by our Group as summarized in the accountants’ report, the text of which is set out in Appendix I to this prospectus.

**2. LETTERS**

Set forth below are the texts of the letters received by the Directors from KPMG, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, and from the Sponsor, Guotai Junan Capital Limited, prepared for the purpose of incorporation in this prospectus in connection with the profit estimate.

**(i) Letter from KPMG**

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

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

4 September 2009

Dear Sirs,

We have reviewed the accounting policies and calculations adopted in arriving at the estimate of the combined profit attributable to the shareholders of China All Access (Holdings) Limited ("the Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for the six months ended 30 June 2009 (the "Profit Estimate"), for which the directors of the Company (the "Directors") are solely responsible, as set out in the section headed "Financial Information" of the prospectus issued by the Company dated 4 September 2009 ("the Prospectus").

The Profit Estimate has been prepared by the Directors based on the combined results of the Group for the five months ended 31 May 2009 included in the Accountants' Report as set out in Appendix I to the Prospectus and the results shown in the unaudited management accounts of the Group for the one month ended 30 June 2009.

In our opinion, so far as the accounting policies and calculations are concerned, the Profit Estimate has been properly compiled in accordance with the assumptions made by the Directors as set out in part 1 of Appendix III to the Prospectus and is presented on a basis consistent in all material respects with the accounting policies adopted by the Group as set out in our Accountants' Report dated 4 September 2009, the text of which is set out in Appendix I to the Prospectus.

Yours faithfully,  
**KPMG**  
*Certified Public Accountants*  
Hong Kong

**(ii) Guotai Junan Capital Limited****Guotai Junan Capital Limited**

4 September 2009

The Directors

China All Access (Holdings) Limited

Dear Sirs,

We refer to the estimate of the combined profit attributable to equity holders of China All Access (Holdings) Limited (the “Company”) and its subsidiaries (together the “Group”) for the six months ended 30 June 2009 (the “Profit Estimate”) as set forth under “Profit Estimate” in the section headed “Financial information” in the prospectus of the Company dated 4 September 2009.

The Profit Estimate, for which the directors of the Company (the “Directors”) are solely responsible, has been prepared by them based on the combined results of the Group for the five months ended 31 May 2009 and the unaudited management accounts of the Group for the one month ended 30 June 2009.

We have discussed with you the bases upon which the Profit Estimate has been made. We have also considered the letter dated 4 September 2009 addressed to you and us from KPMG regarding the accounting policies and calculations upon which the Profit Estimate has been made.

On the basis of the foregoing and the accounting policies and calculations adopted by you and reviewed by KPMG, we have formed the opinion that the Profit Estimate, for which you as the Directors are solely responsible, has been made after due and careful enquiry.

Yours faithfully,  
For and on behalf of  
**Guotai Junan Capital Limited**  
**Wilson Lo**  
*Executive Director*

*The following is the text of a letter, summary of values and valuation certificates, prepared for the purpose of incorporation in this prospectus received from BMI Appraisals Limited, an independent valuer, in connection with its valuations as at 30 June 2009 of the properties leased by the Group in Hong Kong and the PRC.*

## **BMI APPRAISALS**

BMI Appraisals Limited 中和邦盟評估有限公司

Suite 11-18, 31/F., Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong  
香港灣仔港灣道6-8號瑞安中心3111-18室  
Tel電話：(852) 2802 2191 Fax傳真：(852) 2802 0863  
Email電郵：info@bmintelligence.com Website網址：www.bmintelligence.com

4 September 2009

The Directors

**China All Access (Holdings) Limited**

Room 406, 4th Floor

Empire Centre

No. 68 Mody Road

Tsim Sha Tsui

Kowloon

Hong Kong

Dear Sirs,

### **INSTRUCTIONS**

We refer to the instructions from China All Access (Holdings) Limited (the “Company”) for us to value the properties leased by the Company and/or its subsidiaries (together referred to as the “Group”) located in Hong Kong and the People’s Republic of China (the “PRC”). We confirm that we have performed inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market values of the properties as at 30 June 2009 (the “date of valuation”).

### **BASIS OF VALUATION**

Our valuations of the concerned properties have been based on the Market Value, which is defined as “the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion”.

**PROPERTY CATEGORIZATION**

In the course of our valuations, the portfolio of properties of the Group is categorized into the following groups:

Group I — Property leased by the Group in Hong Kong

Group II — Properties leased by the Group in the PRC

**VALUATION METHODOLOGY**

In valuing the properties leased by the Group, we are of the opinion that they have no commercial value either because of their non-assignability in the open market or there are prohibitions against assignment and/or subletting contained in the tenancy agreements or the lack of marketable and substantial profit rents.

**TITLE INVESTIGATION**

We have not searched the titles of the properties and have not scrutinized the original title documents to verify ownership or to ascertain the existence of any amendments, which do not appear on the copies handed to us. However, we have been given a copy of the tenancy agreements of the properties leased by the Group. All documents have been used for reference only.

**VALUATION ASSUMPTIONS**

Our valuations have been made on the assumption that the properties are sold in the open market in their existing states without the benefit of deferred terms contract, leaseback, joint venture, management agreement of any similar arrangement which might serve to affect the values of the properties.

In addition, no account has been taken of any option or right of pre-emption concerning of effecting sale of the properties and no forced sale situation in any manner is assumed in our valuations.

**VALUATION CONSIDERATIONS**

We have inspected the exterior and wherever possible, the interior of the properties. During the course of our inspections, we did not note any serious defects. However, no structural surveys have been made nor have any tests been carried out on any of the services provided in the properties. We are, therefore, unable to report that the properties are free from rot, infestation or any other structural defects.

In the course of our valuations, we have relied to a considerable extent on the information given by the Group and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenures, particulars of occupancy, floor areas, identification of the properties and other relevant information.

We have not carried out detailed on-site measurements to verify the correctness of the floor areas in respect of the properties but have assumed that the floor areas shown on the documents handed to us are correct. Dimensions, measurements and areas included in the valuation certificates are based on information contained in the documents provided to us by the Group and are therefore only approximations.

We have no reason to doubt the truth and accuracy of the information provided to us by the Group and we have relied on the Group's confirmation that no material facts have been omitted from the information so supplied. We consider that we have been provided with sufficient information to reach an informed view.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the properties or for any expenses or taxation, which may be incurred in effecting a sale.

Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

Our valuations have been prepared in accordance with the HKIS Valuation Standards on Properties (First Edition 2005) published by the Hong Kong Institute of Surveyors.

Our valuations have been prepared under the generally accepted valuation procedures and are in compliance with the requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.



**REMARKS**

Unless otherwise stated, all money amounts stated herein are in Hong Kong Dollars (HK\$) and no allowances have been made for any exchange transfers. The exchange rate adopted is the average rate as at the date of valuation being HK\$1=RMB0.8815. There has been no significant fluctuation in the exchange rate between that date and the date of this letter.

Our Summary of Values and the Valuation Certificates are attached herewith.

Yours faithfully,  
For and on behalf of  
**BMI APPRAISALS LIMITED**

**Dr. Tony C.H. Cheng**

*BSc., MUD, MBA(Finance), MSc.(Eng), PhD(Econ),  
MHKIS, MCIArb, AFA, SIFM, FCIM,  
MASCE, MIET, MIEEE, MASME, MIE  
Managing Director*

**Joannau W.F. Chan**

*BSc., MSc., MRICS, MHKIS, RPS(GP)  
Senior Director*

*Notes:*

*Dr. Tony C. H. Cheng is a member of the Hong Kong Institute of Surveyors (General Practice) who has over 16 years' experience in valuations of properties in Hong Kong and the People's Republic of China.*

*Ms. Joannau W.F. Chan is a member of the Hong Kong Institute of Surveyors (General Practice) who has over 16 years' experience in valuations of properties in Hong Kong and over 10 years' experience in valuations of properties in the People's Republic of China.*

## SUMMARY OF VALUES

No. Property	Market Value in existing state as at 30 June 2009
	<i>HK\$</i>
<b>Group I — Property leased by the Group in Hong Kong</b>	
1. Room No. 406 on 4th Floor, Empire Centre, No. 68 Mody Road, Tsim Sha Tsui, Kowloon, Hong Kong	No Commercial Value
<b>Sub-total:</b>	Nil
<b>Group II — Properties leased by the Group in the PRC</b>	
2. A portion of 7th Floor, Cyber City, No. 60 West Street, Zhang An District, Shi Jia Zhuang City, Hebei Province, the PRC	No Commercial Value
中國河北省石家莊市長安區西大街60號數碼城第7層一部份	
3. Room 1109, Information Tower, No. 1403 Min Sheng Road, Pudong New Area, Shanghai, the PRC	No Commercial Value
中國上海市浦東新區民生路1403號信息大廈1109室	
4. Room 202 on 2nd Floor, Block C, No. 22 Wan Yuan Street, Economy and Technology Development Zone, Beijing, the PRC	No Commercial Value
中國北京經濟技術開發區萬源街22號C座202室	
<b>Sub-total:</b>	Nil
<b>Grand-total:</b>	Nil

## VALUATION CERTIFICATE

## Group I — Property leased by the Group in Hong Kong

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 June 2009 HK\$
1.	Room No. 406 on 4th Floor, Empire Centre, No. 68 Mody Road, Tsim Sha Tsui, Kowloon, Hong Kong	<p>The property comprises an office unit on the 4th Floor of a 15-storey office building (including an upper ground floor and a lower ground floor) which was completed in 1981.</p> <p>The gross floor area of the property is approximately 1,400 sq.ft. (or about 130.06 sq.m.).</p> <p>Pursuant to a tenancy agreement entered into between an independent third-party landlord, Hornbook Investment Limited (referred to as “Hornbook”) and Shao Kwok Keung dated 14 March 2008, the property is leased to Shao Kwok Keung for office use for a term commencing on 18 February 2008 and expiring on 28 February 2010 (including a rent free period from 18 February 2008 to 17 March 2008) at a monthly rent of HK\$44,541 exclusive of rates, government rent, management fee, air-conditioning charge, cleaning service charges and other outgoings. The Company then became the tenant of the property by a novation agreement entered into between Hornbook and the Company dated 23 April 2008.</p>	The property is occupied by the Group for office purpose.	No Commercial Value

*Note:*

The original tenant of the property was Shao Kwok Keung, who is the Chief Executive Officer and an executive Director of the Company. Pursuant to the aforesaid novation agreement, the Company became the tenant of the property in substitution of Shao Kwok Keung as from the date of the agreement.

## VALUATION CERTIFICATE

## Group II - Properties leased by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 June 2009 HK\$
2.	A portion of 7th Floor, Cyber City, No. 60 West Street, Zhang An District, Shi Jia Zhuang City, Hebei Province, the PRC  中國河北省石家莊市長安區西大街60號數碼城第7層一部份	<p>The property comprises an office unit on the 7th Floor of a high-rise commercial building which was completed in about 1999.</p> <p>The gross floor area of the property is approximately 9,580 sq.ft. (or about 890 sq.m.).</p> <p>Pursuant to a tenancy agreement, No. NT-XZ-2008003, entered into between an independent third-party landlord, Sky Communication Group Co., Ltd (天宇通信集團有限公司) (referred to as “SkyComm”) and Hebei Noter Communication Technology Co. Ltd. (河北諾特通信技術有限公司) (referred to as “Noter”) dated 30 June 2008, the property is leased to Noter for office use for a term of 3 years commencing on 1 July 2008 and expiring on 30 June 2011 at an annual rent of RMB350,000 exclusive of water, electricity, gas, telephone and tv subscription expenses, sanitary charge and management fee.</p>	The property is occupied by the Group for office purpose.	No Commercial Value

## Notes:

- Pursuant to the aforesaid tenancy agreement, the tenant of the property is Noter, which is an indirect wholly-owned subsidiary of the Company.
- Pursuant to a Business License, No. 130100400000997, dated 21 December 2007 issued by Shi Jia Zhuang Administration for Industry and Commerce (石家莊市工商行政管理局), Noter was established on 21 August 2006 with a registered capital of US\$19,500,000 and the operation period is effective from 21 August 2006 to 20 August 2036 for the business of research, development and consultation services on communication technology; development of communication software; sales of in-house products; maintenance of communication equipment and related technical support services; hire and rental services for communication equipment; import, export and wholesale of communication equipment (application for the relevant licences according to the relevant regulations for dealing in commodities which require a quota permit and/or specific licences); design, installation and provision of related labour services for integration of communication system.

3. The opinion given by the PRC legal adviser — Commerce & Finance Law Offices dated 4 September 2009 to the Group is as follows:
  - a. The land use rights and building ownership rights of the property are legally vested in Skycomm and Skycomm has the right to lease the property to Noter for office purpose;
  - b. The existing use of the property is in compliance with its permitted use;
  - c. The tenancy agreement is legally valid and binding on the contracting parties; and
  - d. According to the tenancy agreement, Noter is entitled to legally use the property without obtaining any further approval and permission.

## VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 June 2009 HK\$
3.	Room 1109, Information Tower, No. 1403 Min Sheng Road, Pudong New Area, Shanghai, the PRC  中國上海市浦東新區民 生路1403號信息大廈 1109室	<p>The property comprises an office unit on the 11th Floor of a 25-storey commercial building plus a basement which was completed in about 2007.</p> <p>The gross floor area of the property is approximately 1,213 sq.ft. (or about 112.66 sq.m.).</p> <p>Pursuant to a tenancy agreement, No. NT-Z-2008001, entered into between Chan Yuen Ming (陳元明) (referred to as “Chan”), who is the chairman and an executive Director of the Company, and Hebei Noter Communication Technology Co. Ltd. (河北諾特通信技術有限公司) (referred to as “Noter”) dated 1 November 2007, the property is leased to Noter for office use for a term of 3 years commencing on 1 November 2007 and expiring on 31 October 2010 at a monthly rent of RMB15,420 for the 1st year of the tenancy term. The monthly rent will be subject to review for the remaining 2 years of the tenancy term. During the tenancy term, the rent is exclusive of water, electricity, gas, communication, facilities and management fees.</p>	The property is occupied by the Group for office purpose.	No Commercial Value

*Notes:*

- Pursuant to the aforesaid tenancy agreement, the tenant of the property is Noter, which is an indirect wholly-owned subsidiary of the Company.
- Pursuant to a Business License, No. 130100400000997, dated 21 December 2007 issued by Shi Jia Zhuang Administration for Industry and Commerce (石家莊市工商行政管理局), Noter was established on 21 August 2006 with a registered capital of US\$19,500,000 and the operation period is effective from 21 August 2006 to 20 August 2036 for the business of research, development and consultation services on communication technology; development of communication software; sales of in-house products; maintenance of communication equipment and related technical support services; hire and rental services for communication equipment; import, export and wholesale of communication equipment (application for the relevant licences according to the relevant regulations for dealing in commodities which require a quota permit and/or specific licences); design, installation and provision of related labour services for integration of communication system.

3. The opinion given by the PRC legal adviser — Commerce & Finance Law Offices dated 4 September 2009 to the Group is as follows:
  - a. The land use rights and building ownership rights of the property are legally vested in Chan and Chan has the right to lease the property to Noter for office purpose;
  - b. The existing use of the property is in compliance with its permitted use;
  - c. The tenancy agreement is legally valid and binding on the contracting parties; and
  - d. According to the tenancy agreement, Noter is entitled to legally use the property without obtaining any further approval and permission.

## VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 June 2009 HK\$
4.	Room 202 on 2nd Floor, Block C, No. 22 Wan Yuan Street, Economy and Technology Development Zone, Beijing, the PRC  中國北京經濟技術開發 區萬源街22號C座202室	<p>The property comprises an office unit on the 2nd Floor of a high-rise commercial building which was completed in about 2002.</p> <p>The gross floor area of the property is approximately 3,720 sq.ft. (or about 345.6 sq.m.).</p> <p>Pursuant to a tenancy agreement, No. NT-ZH-200901-02, entered into between an independent third-party landlord, Sky Communication Group Co., Ltd (天宇通信集團有限公司) (referred to as “SkyComm”) and Hebei Noter Communication Technology Co. Ltd. (河北諾特通信技術有限公司) (referred to as “Noter”) dated 4 January 2009, the property is leased to Noter for the purpose of operation centre or other commercial uses specified by Noter from time to time for a term of 10 years commencing on 1 January 2009 and expiring on 31 December 2018 at an annual rent of RMB327,900 exclusive of electricity fee. The responsible party for other expenses such as water, heating and cooling fees is to be determined by negotiation with reference to the regulations of local government authority and the property management of Skycomm.</p>	The property is occupied by the Group as operational centre and sales office.	No Commercial Value

*Notes:*

- Pursuant to the aforesaid tenancy agreement, the tenant of the property is Noter, which is an indirect wholly-owned subsidiary of the Company.
- Pursuant to a Business License, No. 130100400000997, dated 21 December 2007 issued by Shi Jia Zhuang Administration for Industry and Commerce (石家莊市工商行政管理局), Noter was established on 21 August 2006 with a registered capital of US\$19,500,000 and the operation period is effective from 21 August 2006 to 20 August 2036 for the business of research, development and consultation services on communication technology; development of communication software; sales of in-house products; maintenance of communication equipment and related technical support services; hire and rental services for communication equipment; import, export and wholesale of communication equipment (application for the relevant licences according to the relevant regulations for dealing in commodities which require a quota permit and/or specific licences); design, installation and provision of related labour services for integration of communication system.



3. The opinion given by the PRC legal adviser — Commerce & Finance Law Offices dated 4 September 2009 to the Group is as follows:
  - a. The land use rights and building ownership rights of the property are legally vested in Skycomm and Skycomm has the right to lease the property to Noter for office purposes;
  - b. The existing use of the property is in compliance with its permitted use;
  - c. The tenancy agreement is legally valid and binding on the contracting parties; and
  - d. According to the tenancy agreement, Noter is entitled to legally use the property without obtaining any further approval and permission.

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## **APPENDIX V      SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND THE CAYMAN ISLANDS COMPANY LAW**

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Set out below is a summary of certain provisions of the memorandum and articles of association of our Company and of certain aspects of Cayman Islands company law.

### **1.    MEMORANDUM OF ASSOCIATION**

The memorandum of association provides that our objects are unrestricted. The objects of our Company are set out in Clauses 3 and 4 of the memorandum of association which is available for inspection at the address and during the period specified in the paragraph headed “Documents delivered to the Registrar of Companies in Hong Kong and available for inspection” specified in appendix VII to this prospectus. As an exempted company, our Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of our Company carried on outside the Cayman Islands.

### **2.    ARTICLES OF ASSOCIATION**

The Articles of Association were adopted on 28 August 2009. The following is a summary of certain provisions of the Articles of Association.

#### **(a)   Directors**

##### *(i)   Power to allot and issue shares*

Without prejudice to any special rights or restrictions for the time being attaching to any shares or any class of shares, any share may be issued upon such terms and conditions and with such preferred, deferred or other special rights, or such restrictions, whether as regards dividend, voting, return of capital or otherwise, as our Company may from time to time by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as our Directors may determine) and any preference shares may be issued on terms that they are liable to be redeemed upon the happening of a specified event or upon a given date and either at the option of our Company or at the option of the holder. Our Directors may issue warrants to subscribe for any class of shares or securities of our Company on such terms as they may from time to time determine.

All unissued shares in our Company shall be at the disposal of our Directors, who may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and generally on such terms they shall in their absolute discretion think fit, but so that no shares shall be issued at a discount.

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## APPENDIX V      SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND THE CAYMAN ISLANDS COMPANY LAW

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(ii) *Power to dispose of the assets of our Company or any subsidiary*

There are no specific provisions in the Articles of Association relating to the disposal of the assets of our Company or any of its subsidiaries although our Directors may exercise all powers and do all acts and things which may be exercised or done or approved by our Company and which are not required by the Articles of Association or relevant statutes of the Cayman Islands to be exercised or done by our Company in general meeting.

(iii) *Compensation or payments for loss of office*

Payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by our Company in general meeting.

(iv) *Loans and the giving of security for loans to Directors*

Where the shares of our Company remain listed on the Stock Exchange or on a stock exchange in such other territory as our Directors may from time to time decide, our Company may not make, without the approval of, or ratification by, our Company in general meeting, any loans to, or provide any guarantee, indemnity or security in respect of any loan to a Director or any of his associates, provided that the Articles of Association do not prohibit the granting of any loan or the provision of any guarantee, indemnity or security (i) to be applied for, or in respect of a liability incurred for any business of our Company, (ii) for the purchase by a Director (or the repayment of a loan for his purchase) of a residence where the amount of the loan, the liability under the guarantee or indemnity or the value of the security does not exceed 80% of the fair market value of such residence nor 5% of the consolidated net asset value of our Company as shown in its latest audited accounts; provided that any such loan is on normal commercial terms and is secured by a legal charge over the residence; or, (iii) of any amount to, or in respect of a liability of, a company in which our Company has an equity interest, and the amount of such loan, or the liability assumed by our Company under such guarantee, indemnity or security, does not exceed its proportional interest in such company.

(v) *Financial assistance to purchase shares of our Company or its holdings company*

There are no provisions in the Articles of Association relating to the giving by our Company of financial assistance for the purchase, subscription or other acquisition of shares of our Company or of its holding company. The law on this area is summarised in paragraph 4(b) below.

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**APPENDIX V      SUMMARY OF THE CONSTITUTION OF OUR COMPANY  
AND THE CAYMAN ISLANDS COMPANY LAW**

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(vi) *Disclosure of interests in contracts with our Company or any of its subsidiaries*

A Director may hold any other office or place of profit with our Company (except that of an auditor) in conjunction with his office of Director for such period and upon such terms as the Directors may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) as the Directors may determine. A Director may be or become a director or other officer of, or be otherwise interested in, any company promoted by our Company or any other company in which our Company may be interested, and shall not be liable to account to our Company or the members for any remuneration, profit or other benefit received by him as a director or officer of or from his interest in such other company. The Directors may also cause the voting power conferred by the shares in any other company held or owned by our Company to be exercised in such manner in all respects as they think fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company. A Director shall not vote or be counted in the quorum on any resolution of our Directors concerning his own appointment or the appointment of any of his associates as the holder of any office or place of profit with our Company or any other company in which our Company is interested (including the arrangement or variation of the terms thereof, or the termination thereof).

Subject to the provisions of the Articles of Association, no Director or proposed or intended Director shall be disqualified by his office from contracting with our Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor will any contract with regard thereto or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to our Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. If to the knowledge of a Director, he or any of his associates, is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with our Company, he must declare the nature of his or, as the case may be, his associate(s)' interest at the meeting of our Directors at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest or that of his associates then exists, or in any other case at the first meeting of our Directors after he knows that he or his associate(s) is or has become so interested.

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## **APPENDIX V      SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND THE CAYMAN ISLANDS COMPANY LAW**

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Save as otherwise provided by the Articles of Association, a Director may not vote (nor be counted in the quorum for the voting) on any resolution of the Directors approving any contract or arrangement in which he or any of his associate(s) is to his knowledge materially interested, and if he does so his vote will not be counted, but this provisions will not apply to any of the following matters, namely:

- (aa) any contract or arrangement for the giving to the Director or his associate(s) of any security or indemnity in respect of money lent by him or any of them or obligations undertaken by him for the benefit of our Company;
- (bb) any contract or arrangement for the giving by our Company of any security to a third party in respect of a debt or obligation of our Company or any company in which our Company has an interest for which the Director or his associate(s) has himself/themselves guaranteed or secured in whole or in part;
- (cc) any contract or arrangement by a Director or his associate(s) to subscribe for shares or debentures or other securities of our Company to be issued pursuant to any offer or invitation to the members or debenture or other securities holders or to the public which does not provide the Director and his associate(s) any privilege not accorded to any other members or debenture or other securities holders or to the public;
- (dd) any contract or arrangement concerning an offer of the shares, debentures or other securities of or by our Company for subscription or purchase where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer and/or for the purposes of making any representations, the giving of any covenants, undertakings or warranties or assuming any other obligations in connection with such offer;
- (ee) any contract or arrangement in which the Director or his associate(s) is/are interested by virtue only of his/their interest in shares or debentures or other securities of our Company and/or his/their being the offeror or one of the offerors or is interested in one of the offerors for the purchase or effective acquisition of such shares, debentures or other securities;
- (ff) any contract or arrangement concerning any company in which he or his associate(s) is/are interested directly or indirectly, whether as an officer or an executive or a member of that company, other than a company in which the Director or his associates owns 5% or more of the voting equity capital or voting rights of any class of shares of such company (or of any third company through which his interest is derived), excluding shares which carry no voting rights at general meetings and no or nugatory dividend and return of capital rights, and excluding shares held directly or indirectly through our Company;

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## APPENDIX V      SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND THE CAYMAN ISLANDS COMPANY LAW

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- (gg) any proposal or arrangement for the benefit of employees of our Company or its subsidiaries including a pension fund or retirement, death or disability benefit scheme or personal pension plan under which a Director, his associate(s) and employees of our Company or of any of its subsidiaries may benefit and which has been approved by or is subject to and conditional on approval by the relevant tax authorities for taxation purposes or relates to Directors, associate(s) of Directors and employees of our Company or any of its subsidiaries and does not give the Director or his associate(s) any privilege not accorded to the relevant class of persons of which the Director is a member and to whom such scheme or fund relates;
- (hh) any proposal concerning the adoption, modification or operation of any share scheme involving the issue or grant of options over shares or other securities by our Company to, or for the benefit of, the employees of our Company or its subsidiaries under which the Director or his associate(s) may benefit; and
- (ii) any contract, agreement, transaction or proposal concerning the purchase and/or maintenance of any insurance policy for the benefit of any Director, his associate(s), officer or employee pursuant to the Articles of Association.

### (vii) *Remuneration*

The Directors shall be entitled to receive by way of ordinary remuneration for their services such sum as is from time to time determined by our Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as they may agree, or failing agreement, equally, except that in such event any Director holding office for less than the whole of the relevant period in respect of which the remuneration is paid shall only rank in such division in proportion to the time during such period for which he has held office. The foregoing provisions shall not apply to a Director who holds any salaried employment or office in our Company except in the case of sums paid in respect of Directors' fees. The Directors shall also be entitled to be repaid all travelling, hotel and other expenses reasonably incurred by them respectively in or about the performance of their duties as Directors, including their expenses of travelling to and from Directors' meetings, committee meetings or general meetings, or otherwise incurred whilst engaged on the business of our Company or in the discharge of their duties as Directors.

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## APPENDIX V      SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND THE CAYMAN ISLANDS COMPANY LAW

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The Directors may grant special remuneration to any Director who performs any special or extra services to or at the request of our Company. Such special remuneration may be made payable to such Director in addition to or in substitution for his ordinary remuneration as a Director, and may be made payable by way of salary, commission or participation in profits or otherwise as may be arranged. Notwithstanding the foregoing the remuneration of the managing director, joint managing director, deputy managing director or an executive Director or a Director appointed to any other office in the management of our Company may be fixed from time to time by the Directors and may be by way of salary, commission or participation in profits or otherwise or by all or any of those modes and with such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the Directors may from time to time decide. Such remuneration is in addition to his ordinary remuneration as a Director.

The Directors also have power to establish and maintain or procure the establishment and maintenance of any contributory or non-contributory pension or superannuation funds for the benefit of, or to give or procure the giving of donations, gratuities, pensions, allowances or emoluments to, any persons who are or were at any time in the employment or service of our Company, or of any company which is a subsidiary of our Company, or is allied or associated with our Company or with any such subsidiary company, or who are or were at any time directors or officers of our Company or of any such other company as aforesaid, and holding or who have held any salaried employment or office in our Company or such other company, and the spouses, widows, widowers, families and dependants of any such persons and may make payments for or towards the insurance of any such persons. Any Director holding any such employment or office is entitled to participate in and retain for his own benefit any such donation, gratuity, pension, allowance or emolument.

### *(viii) Retirement, appointment and removal*

At each annual general meeting, one-third of the Directors for the time being (or if their number is not three or a multiple of three, then the number nearest to but not less than one third) will retire from office by rotation provided that every Director shall be subject to retirement at least once every three years. The Directors to retire in every year will be those who have been longest in office since their last election but as between persons who became Directors on the same day those to retire shall (unless they otherwise agree between themselves) be determined by lot.

A Director is not required to retire upon reaching any particular age.

The Directors are entitled to attend and speak at all general meetings.

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## APPENDIX V      SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND THE CAYMAN ISLANDS COMPANY LAW

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The number of Directors shall not be fewer than one. A Director may be removed by an ordinary resolution of our Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for breach of any contract of service between him and our Company). Subject to the statutes and the provisions of the Articles of Association, our Company may from time to time in general meeting by ordinary resolution elect any person to be a Director either to fill a casual vacancy or as an additional Director. In addition, the Directors may appoint any person to be a Director either to fill a casual vacancy or as an additional Director but so that the number of Directors so appointed shall not exceed the maximum number determined from time to time by the members in general meeting. Any Director so appointed by the Directors shall hold office only until the next following annual general meeting of our Company and shall then be eligible for re-election at the meeting.

The Directors may from time to time entrust to and confer upon the chairman, deputy chairman, managing director, joint managing director, deputy managing director or executive director of our Company all or any of the powers of the Directors that they may think fit, provided that the exercise of all powers by such Director shall be subject to such regulations and restrictions as the Directors may from time to time make and impose. The Directors may delegate any of their powers to committees consisting of such member or members of their body and such other persons as they think fit, and they may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall in the exercise of the powers so delegated conform to any regulations that may from time to time be imposed upon it by the Directors.

### (ix) *Borrowing powers*

The Directors may from time to time at their discretion exercise all the powers of our Company to raise or borrow or to secure the payment of any sum or sums of money for the purposes of our Company and to mortgage or charge its undertaking, property and uncalled capital or any part thereof. The Directors may raise or secure the payment or repayment of such sum or sums in such manner and upon such terms and conditions in all respects as they think fit and in particular, but subject to the provisions of the Companies Law, by the issue of debentures, debenture stock, bonds or other securities of our Company, whether outright or as collateral security for any debt, liability or obligation of our Company or of any third party.

*Note: The provisions summarised above, in common with the Articles of Association in general, may be varied with the sanction of a special resolution of our Company.*



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## APPENDIX V      SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND THE CAYMAN ISLANDS COMPANY LAW

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(x) *Qualification shares*

Directors are not required under the Articles of Association to hold any qualification shares.

(xi) *Indemnity to Directors*

The Articles of Association contain provisions that provide indemnity to, among other persons, the Directors from and against all actions, costs, charges, losses, damages and expenses which they or any of them may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty or supposed duty in their respective offices or trusts, except such (if any) as they shall incur or sustain through their own fraud or dishonesty.

**(b) Alterations to constitutive documents**

The memorandum of association of our Company may be altered by our Company in general meeting. The Articles of Association may also be amended by our Company in general meeting. As more fully described in paragraph 3 below, the Articles of Association provide that, subject to certain exceptions, a special resolution is required to alter the memorandum of association, to approve any alteration to the Articles of Association and to change the name of our Company.

**(c) Alterations of capital**

Our Company may from time to time by ordinary resolution:

- (i) increase its share capital;
- (ii) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares. On any consolidation of fully paid shares into shares of larger amount, the Board may settle any difficulty which may arise as it thinks expedient and in particular (but without prejudice to the generality of the foregoing) may, as between the holders of the shares to be consolidated, determine which particular shares are to be consolidated into a consolidated share, and if it shall happen that any person shall become entitled to fractions of a consolidated share or shares, such fractions may be sold by some person appointed by the Directors for that purpose and the person so appointed may transfer the shares so sold to the purchaser thereof and the validity of such transfer shall not be questioned, and so that the net proceeds of such sale (after deduction of the expenses of such sale) may either be distributed among the persons who would otherwise be entitled to a fraction or fractions of a consolidated share or shares rateably in accordance with their rights and interests or may be paid to our Company for our Company's benefit;

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## **APPENDIX V      SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND THE CAYMAN ISLANDS COMPANY LAW**

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- (iii) divide its shares into several classes and attach thereto respectively any preferential, deferred, qualified or special rights, privileges or conditions;
- (iv) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so cancelled;
- (v) sub-divide its shares or any of them into shares of smaller amount than is fixed by the memorandum of association, subject nevertheless to the Companies Law, and so that the resolution whereby any shares are sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights over, or may have such deferred rights or be subject to any such restrictions as compared with the others as our Company has power to attach to unissued or new shares;
- (vi) change the currency of denomination of its share capital; and
- (vii) make provision for the issue and allotment of shares which do not carry any voting rights.

Our Company may by special resolution reduce its issued share capital, any capital redemption reserve fund or other undistributable reserve in any manner authorised and subject to any conditions prescribed by law. Our Company may apply its share premium account in any manner permitted by law.

### **(d) Variation of rights of existing shares or classes of shares**

If at any time the capital is divided into different classes of shares, all or any of the special rights (unless otherwise provided for by the terms of issue of that class) attached to any class may, subject to the provisions of the Companies Law, be varied or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles of Association relating to general meetings will mutatis mutandis apply, save as to the provisions regarding the quorum of meetings, as to which see paragraph 2(s) below.

### **(e) Special resolutions - majority required**

For so long as any part of the issued capital of our Company remains listed on the Stock Exchange, a special resolution of our Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their respective duly authorised representatives, or by proxy, at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given in the manner in accordance with paragraph 2(i) below. However, at all times while any part of the issued capital of our Company remains

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## **APPENDIX V      SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND THE CAYMAN ISLANDS COMPANY LAW**

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listed on the Stock Exchange, except in the case of an annual general meeting, if it is so agreed by a majority in number of the members having a right to attend and vote at such meeting, being a majority together holding not less than 95% in nominal value of the shares giving that right, (or, in the case of an annual general meeting, by all members) a resolution may be proposed and passed as a special resolution at a meeting of which a shorter notice than that specified in the Articles of Association has been given.

### **(f) Voting rights and right to demand a poll**

Subject to any special rights, privileges or restrictions as to voting for the time being attached to any class or classes of shares, at any general meeting on a poll every member present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote for every share of which he is the holder which is fully paid or credited as fully paid (but so that no amount paid or credited as paid on a share in advance of calls or instalments is treated for the foregoing purposes as paid on the share). So long as the shares are listed on the Stock Exchange, where any member is, under the Listing Rules (as defined in the Articles of Association), required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member (whether by way of proxy or, as the case may be, corporate representative) in contravention of such requirement or restriction shall not be counted. On a poll, a member entitled to more than one vote need not use all his votes or cast all his votes in the same way.

At any general meeting a resolution put to the vote of the meeting shall be decided by way of a poll.

Where a shareholder is a clearing house (as defined in the Articles of Association) or a nominee of a clearing house, it may authorise such persons as it thinks fit to act as its representatives at any meeting of our Company or at any meeting of any class of shareholders provided that the authorisation shall specify the number and class of shares in respect of which each such representative is so authorised. Each person so authorised under the provisions of the Articles of Association shall be entitled to exercise the same rights and powers as if such person was the registered holder of the shares of our Company held by the clearing house (or its nominees) in respect of the number and class of shares specified in the relevant authorisation.

### **(g) Requirements for annual general meetings**

For so long as any part of the issued capital of our Company remains listed on the Stock Exchange, an annual general meeting must be held once in every year and within not more than 15 months after the last preceding annual general meeting or such longer period as is permissible or not prohibited under the rules of the Stock Exchange on which any securities of our Company are listed with the permission of our Company.

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### **(h) Accounts and audit**

The Directors shall cause true accounts to be kept of the sums of money received and expended by our Company, and the matters in respect of which such receipts and expenditure take place, and of the property, assets, credits and liabilities of our Company and of all other matters required by law or are necessary to give a true and fair view of the state of our Company's affairs and to show and explain its transactions.

The books of accounts are to be kept at the principal office of our Company or at such other place as the Directors think fit and shall always be open to the inspection of the Directors. No member (not being a Director) or other person has any right to inspect any account or book or document of our Company except as conferred by the Companies Law or ordered by a court of competent jurisdiction or authorised by the Directors or by our Company in general meeting.

The Directors shall from time to time cause to be prepared and laid before our Company at its annual general meeting such profit and loss accounts, balance sheets, group accounts (if any) and reports and so long as any shares in our Company are listed on the Stock Exchange, the accounts of our Company shall be prepared and audited based on the generally accepted accounting principles of Hong Kong or the International Financial Reporting Standards or such other standards as the Stock Exchange may permit. Every balance sheet of our Company shall be signed on behalf of the Directors by two Directors and a copy of every balance sheet (including every document required by law to be comprised therein or attached or annexed thereto) and profit and loss account which is to be laid before our Company at its annual general meeting, together with a copy of the Directors' report and a copy of the auditors' report, shall not less than 21 days before the date of the meeting, be sent to every member of, and every holder of debentures of, our Company and every other person entitled to receive notices of general meetings of our Company under the Companies Law or of the Articles of Association. Subject to due compliance with the Companies Law and the rules of the Stock Exchange, and to obtaining all necessary consents, if any, required thereunder and such consents being in full force and effect, such requirements shall be deemed satisfied in relation to any person by sending to the person in any manner not prohibited by the Companies Law and instead of such copies, a summary financial statement derived from our Company's annual financial statements and the directors' report thereon, which shall be in the form and containing the information required by applicable laws and regulation, provided that any person who is otherwise entitled to the annual financial statements of our Company and the directors' report thereon may, if he so requires by notice in writing served on our Company, demand that our Company sends to him, in addition to a summary financial statement, a complete printed copy of our Company's annual financial statement and the directors' report thereon. If all or any of the shares or debentures of our Company are for the time being (with the consent of our Company) listed or dealt in on any stock exchange, there shall be forwarded to such stock exchange such number of copies of such documents as may for the time being be required under its regulations or practice.

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## **APPENDIX V      SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND THE CAYMAN ISLANDS COMPANY LAW**

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Auditors shall be appointed and their duties regulated in accordance with the Articles of Association. Save as otherwise provided by such provisions the remuneration of the auditors shall be fixed by or on the authority of our Company at each annual general meeting, but in respect of any particular year, our Company in general meeting may delegate the fixing of such remuneration to the Directors.

### **(i) Notices of meetings and business to be conducted thereat**

For so long as any part of the issued capital of our Company remains listed on the Stock Exchange, an annual general meeting must be called by giving notice of not less than 21 clear days and not less than 20 clear business days and any extraordinary general meeting at which it is proposed to pass a special resolution must be called by giving notice of not less than 21 clear days and not less than 10 clear business days in writing and any other extraordinary general meeting shall be called by giving notice of not less than 14 clear days and not less than 10 clear business days in writing (in each case exclusive of the day on which the notice is served or deemed to be served and of the day for which it is given). The notice must specify the place, the day and the hour of meeting and particulars of resolutions to be considered at the meeting and, in the case of special business, the general nature of that business.

### **(j) Transfer of shares**

All transfers of shares must be effected by transfer in writing in the usual or common form or so long as any shares in our Company are listed on the Stock Exchange, such standard form prescribed by the Stock Exchange or in any other form acceptable to the Board and may be under hand only or, if the transferor or transferee is a clearing house or its nominee(s), by hand, by machine imprinted signature or by such other means of execution as the Directors may approve from time to time; and an instrument of transfer must be executed by or on behalf of the transferor and by or on behalf of the transferee and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect thereof, provided that the Directors may in their absolute discretion dispense with the requirement for the production of a transfer in writing before registering a transfer of a share, and may accept mechanically executed transfers in any case.

The Directors may, in their absolute discretion, at any time and from time to time transfer or agree to transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the Directors otherwise agree, no shares on the principal register shall be transferred to any branch register nor shall shares on any branch register be transferred to the principal register or any other register. All transfers and other documents of title must be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the transfer office for that register.

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The Directors may in their absolute discretion and without assigning any reason therefor, refuse to register any transfer of any shares (not being fully paid shares) to a person of whom they do not approve and they may refuse to register the transfer of any shares (not being fully paid shares) on which our Company has a lien. The Directors may also refuse to register a transfer of shares (whether fully paid or not) in favour of more than four persons jointly or any share issued under any share option scheme for employees upon which a restriction on transfer imposed thereby shall subsist, or where the transfer is to an infant or a person of unsound mind or under other legal disability. If the Directors refuse to register a transfer, they must within two months after the date on which the transfer was lodged with our Company send to the transferor and transferee notice of the refusal and (if the shares concerned are fully paid shares) the reasons(s) for such refusal.

The Directors may, if applicable, decline to recognise an instrument of transfer unless the instrument of transfer is properly stamped, is in respect of only one class of share and is lodged at the relevant registration or transfer office accompanied by the relevant share certificate(s) and such other evidence as they may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may, on giving notice by advertisement in one English and one Chinese newspaper circulating in Hong Kong, be suspended at such times and for such periods as the Directors may from time to time determine and either generally or in respect of any class of shares. The register of members shall not be closed for periods exceeding in the whole 30 days in any year.

### **(k) Power for our Company to purchase its own shares**

The Articles of Association provide that the power of our Company to purchase or otherwise acquire its shares is exercisable by the Directors upon such terms and conditions as they think fit subject to the conditions prescribed by the Companies Law.

### **(l) Power of any subsidiary to own securities in our Company**

There are no provisions in the Articles of Association relating to ownership of securities in our Company by a subsidiary.

### **(m) Dividends and other methods of distribution**

Our Company in general meeting may declare dividends in any currency but no dividend may exceed the amount recommended by the Directors. Our Company may also make a distribution out of share premium account subject to the provisions of the Companies Law.

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## **APPENDIX V      SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND THE CAYMAN ISLANDS COMPANY LAW**

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Unless and to the extent that the rights attached to any shares or the terms of issue thereof otherwise provide, all dividends will be apportioned and paid pro rata according to the amounts paid or credited as paid on the shares during any portion or portions of the period in respect of which the dividend is paid. No amount paid on a share in advance of calls will for this purpose be treated as paid on the shares. The Directors may retain any dividends or other moneys payable on or in respect of a share upon which our Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists. The Directors may deduct from any dividend or bonus payable to any member all sums of money (if any) presently payable by him to our Company on account of calls, instalments or otherwise.

Whenever the Directors or our Company in general meeting have resolved that a dividend be paid or declared on the share capital of our Company, the Directors may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid, provided that the members entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid in lieu of the whole or such part of the dividend as the Directors may think fit.

Our Company may also upon the recommendation of the Directors by an ordinary resolution resolve in respect of any particular dividend of our Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Whenever the Directors or our Company in general meeting have resolved that a dividend be paid or declared the Directors may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends, bonuses or other distributions or the proceeds of the realisation of any of the foregoing unclaimed for one year after having been declared may be invested or otherwise made use of by the Directors for the benefit of our Company until claimed and our Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions or proceeds as aforesaid unclaimed for six years after having been declared may be forfeited by the Directors and, upon such forfeiture, shall revert to our Company and, in the case where any of the same are securities in our Company, may be re-allotted or re-issued for such consideration as the Directors think fit.

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### **(n) Proxies**

Any member of our Company entitled to attend and vote at a meeting of our Company or a meeting of the holders of any class of shares in our Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him to vote on his behalf at a general meeting of our Company or at a class meeting. At any general meeting on a poll, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy. Proxies need not be members of our Company.

A proxy shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise as if it were an individual member.

### **(o) Corporate representatives**

A corporate member of our Company entitled to attend and vote at a meeting of our Company is entitled to appoint any person or persons as its representative to attend and vote on its behalf. A corporate member represented by its representative is deemed to be present in person at the relevant meeting and its representative may vote on a poll on any resolution put at such meeting.

### **(p) Calls on shares and forfeiture of shares**

The Directors may from time to time make such calls as it may think fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment thereof made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20% per annum as the Directors shall fix from the day appointed for the payment thereof to the time of actual payment, but the Directors may waive payment of such interest wholly or in part. The Directors may, if they think fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced our Company may pay interest at such rate (if any) not exceeding 20% per annum as the Directors may decide.



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If a member fails to pay any call or instalment of a call on the day appointed for payment thereof, the Directors may, at any time thereafter during such time as any part of the call or instalment remains unpaid, serve a notice on him requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice will name a further day (not earlier than the expiration of fourteen days from the date of the notice) on or before which the payment required by the notice is to be made, and it will also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Directors to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to our Company all moneys which, at the date of forfeiture, were payable by him to our Company in respect of the shares together with (if the Directors shall in their discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20% per annum as the Board may prescribe.

### **(q) Inspection of register of members**

For so long as any part of the share capital is listed on the Stock Exchange, any member may inspect the principal or branch register of our Company maintained in Hong Kong without charge and require the provision to him of copies or extracts thereof in all respect as if our Company were incorporated under and is subject to the Companies Ordinance.

### **(r) Inspection of register of Directors**

There are no provisions in the Articles of Association relating to the inspection of the register of directors and officers of our Company, since the register is not open to inspection (as to which see paragraph 4(k) below).

### **(s) Quorum for meetings and separate class meetings**

For all purposes the quorum for a general meeting shall be two members present in person and entitled to vote (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting convened to sanction the modification of class rights, the necessary quorum shall not be less than two

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persons holding or representing by proxy one-third in nominal value of the issued shares of that class and, where such meeting is adjourned for want of quorum, the quorum for the adjourned meeting shall be any two members present in person and entitled to vote or by proxy (whatever the number of shares held by them).

### **(t) Rights of the minorities in relation to fraud or oppression**

There are no provisions in the Articles of Association relating to rights of minority members in relation to fraud or oppression. However, certain remedies are available to members of our Company under Cayman Islands company law as summarised in paragraph 4(e) below.

### **(u) Procedures on liquidation**

A resolution for a court or voluntary winding up of our Company must be passed by way of a special resolution.

If our Company shall be wound up, the surplus assets remaining after payment to all creditors are to be divided among the members in proportion to the capital paid up on the shares held by them respectively, and if such surplus assets shall be insufficient to repay the whole of the paid up capital, they are to be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up on the shares held by them respectively, all subject to the rights of any shares issued on special terms and conditions.

If our Company shall be wound up (whether the liquidation is voluntary or by the court), the liquidator may, with the sanction of a special resolution, divide among the members in specie or kind the whole or any part of the assets of our Company and whether the assets consist of property of one kind or properties of different kinds and the liquidator may, for such purposes, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division is to be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any one or more class or classes of property and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like sanction, shall think fit, but so that no member shall be compelled to accept any shares or other assets upon which there is a liability.

### **(v) Untraceable members**

Our Company may sell the shares of any member if (i) dividends or other distributions have been declared by our Company on at least three occasions during a period of 12 years and these dividends or distributions have been unclaimed on such shares; (ii) our Company has published an advertisement of its intention to sell such shares in English and in Chinese in one leading English and (unless unavailable) one leading Chinese newspaper circulating in the territory of

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the stock exchange on which the ordinary share capital of our Company is listed and a period of three months has elapsed since the date of the first publication of such notice; (iii) our Company has not at any time during the said periods of 12 years and three months received any indication of the existence of the member who is the holder of such shares or of a person entitled to such shares by death, bankruptcy or operations of law; and (iv) our Company has notified the stock exchange on which the ordinary share capital of our Company is listed of its intention to sell such shares. The net proceeds of any such sale will belong to our Company and upon the receipt of such net proceeds by our Company, our Company will become indebted to the former holder of such shares for an amount equal to the amount of such net proceeds.

### **(w) Stock**

Our Company may by ordinary resolution convert any fully paid shares into stock, and may from time to time by like resolution reconvert any stock into fully paid shares of any denominations. The holders of stock may transfer the same or any part thereof in the same manner, and subject to the same regulations as and subject to which the shares from which the stock arose might prior to conversion have been transferred or as near thereto as circumstances admit, but the Directors may from time to time, if they think fit, fix the minimum amount of stock transferable and restrict or prohibit the transfer of fractions of that minimum, but so that such minimum shall not exceed the nominal amount of the shares from which the stock arose. No warrants to bearer shall be issued in respect of any stock. The holders of stock shall, according to the amount of the stock held by them, have the same rights, privileges and advantages as regards dividends, participation in assets on a winding-up, voting at meetings, and other matters, as if they held the shares from which the stock arose, but no such privilege of our Company shall be conferred by an amount of stock which would not, if existing in shares, have conferred such privilege or advantage. All such of the provisions of the Articles of Association as are applicable to paid up shares shall apply to stock, and the words “share” and “shareholder” and “member” therein shall include “stock” and “stockholder”.

### **(x) Other provisions**

The Articles of Association provide that, to the extent that it is not prohibited by and is in compliance with the Companies Law, if any rights attaching to any warrants which our Company may issue after the date of this document shall remain exercisable and our Company does any act which would result in the subscription price under such warrants being reduced below the par value of a Share, a subscription right reserve shall be established and applied in paying up the shortfall between the subscription price and the par value of a Share on any exercise of the warrants.

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### **3.      VARIATION OF MEMORANDUM AND ARTICLES OF ASSOCIATION**

Subject to the rights of our Company set out in paragraph 2(c) above to amend its capital by ordinary resolution, the memorandum of association of our Company may be altered by our Company by special resolution. The Articles of Association state that a special resolution shall be required to alter the provisions of the memorandum of association (subject as provided above) or the Articles of Association or to change the name of our Company. For these purposes, a resolution is a special resolution if it has been passed by a majority of not less than three-fourths of the votes cast by such members of our Company as, being entitled to do so, vote in person or, in the case of such members as are corporations, by their respective duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which in the manner in accordance with paragraph 2(i) above notice specifying the intention to propose the resolution as a special resolution has been duly given. Except in the case of an annual general meeting, the requirement of minimum notice period specified in the Articles of Association may be waived by a majority in number of the members having the right to attend and vote at the relevant meeting, being a majority together holding not less than 95% in nominal value of the shares giving that right.

### **4.      CAYMAN ISLANDS COMPANY LAW**

Our Company is incorporated in the Cayman Islands and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of the Cayman Islands company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman Islands company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

#### **(a)      Share capital**

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the “share premium account”. The share premium account may be applied by a company subject to the provisions of its memorandum and articles of association in such manner as the company may from time to time determine including, but without limitation:

- (i)    in paying distributions or dividends to members;
- (ii)   in paying up unissued shares of the company to be issued to members of the company as fully paid bonus shares;
- (iii) in redeeming or purchasing its shares as provided in the Companies Law;

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(iv) in writing off:

(aa) the preliminary expenses of the company; or

(bb) the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; or

(v) in providing for the premium payable on redemption of any shares or of any debentures of the company.

No dividend or distribution may be paid to members out of the share premium account unless immediately following the date of the proposed payment, the company is able to pay its debts as they fall due in the ordinary course of business.

A company may issue preference shares and redeemable preference shares.

The Companies Law does not contain any express provisions dealing with the variation of rights of holders of different classes of shares.

### **(b) Financial assistance to purchase shares of a company or its holding company**

There is no statutory restriction in the Cayman Islands against the provision of financial assistance for the purchase, subscription or other acquisition of its shares, though on English common law principles, the directors have a duty to act in good faith for a proper purpose in the best interests of the company, and moreover, there are restrictions on any act which amounts to a reduction of capital. Accordingly, it may, depending on the circumstances be legitimate for the directors to authorise the provision by a company of financial assistance for the purchase, subscription or other acquisition of its own shares, or the shares of its holding company.

### **(c) Redemption and Purchase of shares and warrants by a company and its subsidiaries**

A company may, if authorised by its articles of associations, issue redeemable shares and, purchase its own shares, including any redeemable shares. Purchases and redemptions may only be effected out of the profits of the company or out of the proceeds of a fresh issue of shares made for the purpose, or, if so authorised by its articles of association and subject to the provisions of the Companies Law, out of capital. Any premium payable on a redemption or purchase over the par value of the shares to be purchased must be provided for out of profits of the company or out of the company's share premium account, or, if so authorised by its articles of association and subject to the provisions of the Companies Law, out of capital. Any purchase by a company of its own shares may be authorised by its directors or otherwise by or in accordance with the provisions of its articles. A payment out of capital for a redemption or purchase of a company's own shares is not lawful unless immediately following the date of the proposed payment the company is able to pay its debts as they fall due in the ordinary course of business. The shares so purchased or redeemed will be treated as cancelled and the company's issued, but not its authorised, capital will be diminished accordingly.

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A company is not prohibited from purchasing and may purchase its own subscription warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and in certain circumstances, may acquire such shares. A company, whether a subsidiary or a holding company, may only purchase its own shares for cancellation if it is authorised to do so in its articles of association.

### **(d) Dividends and distributions**

A company may not pay a dividend, or make a distribution out of share premium account unless immediately following the date on which the payment is proposed to be made, the company is able to pay its debts as they fall due in the ordinary course of business.

### **(e) Protection of minorities**

The Cayman Islands courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of a company to challenge (a) an act which is ultra vires the company or illegal (b) an act which constitutes a fraud against the minority and the wrong doers are themselves in control of the company, or (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of company (not being a bank) having a share capital divided into shares, the court may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the court shall direct.

Any shareholder of a company may petition the court which may make a winding up order if the court is of the opinion that it is just and equitable that the company shall be wound up.

Generally, claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the memorandum and articles of association of the company.

### **(f) Management**

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary is required, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

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### **(g) Accounting and auditing requirements**

The Companies Law requires a company to cause proper records of accounts to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company and (iii) the assets and liabilities of the company. A company is required to keep such books of account as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

### **(h) Exchange control**

There are no exchange control regulations or currency restrictions in the Cayman Islands.

### **(i) Taxation**

There are no income, corporation, capital gains or other taxes in effect in the Cayman Islands on the basis of the present legislation. As an exempted company, our Company has received from the Governor-in-Counsel of the Cayman Islands pursuant to the Tax Concessions Law (1999 Revision) of the Cayman Islands, an undertaking that in the event of any change to the foregoing, our Company, for a period of 20 years from the date of the grant of the undertaking, will not be chargeable to tax in the Cayman Islands on its income or its capital gains arising in the Caymans Islands or elsewhere and that dividends of our Company will be payable without deductions of Cayman Islands tax. No capital or stamp duties are levied in the Cayman Islands on the issue, transfer or redemption of Shares.

### **(j) Stamp duty**

Certain documents (which do not include contract, notes for the sale and purchase of, or instruments of transfer of, shares in Cayman Islands companies) are subject to stamp duty which is generally calculated on an ad valorem basis.

### **(k) Inspection of corporate records**

Neither the members of a company nor the general public have the right to inspect the register of directors and officers, the minutes, accounts or, in the case of any exempted company, the register of members. The register of mortgages and charges must be kept at the registered office of the company and must be open to inspection by any creditor or member at all reasonable times.

Members of the public have no right to inspect the constitutive documents of a company but the memorandum and articles of association must be forwarded to any member of the company upon request. If no articles of association have been registered with the Registrar of Companies, each member has the right to receive copies of special resolutions of members upon request upon payment of a nominal fee.

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The location of the registered office of a company is available to the general public upon request to the Registrar of Companies.

### **(I) Winding up**

A company may be wound up by the Cayman Islands court on application presented by the company itself, its creditors or its contributors. The Cayman Islands court also has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Cayman Islands court, just and equitable that such company be wound up.

A company may be wound up voluntarily when the members so resolve in general meeting, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum of association expires, or the event occurs on the occurrence of which the memorandum of association provides that the company is to be dissolved. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above. A declaration of solvency must be signed by all directors of a company being voluntarily wound up within twenty-eight (28) days of the commencement of the liquidation, failing which, its liquidator must apply to Court for an order that the liquidation continue under the supervision of the Court. Upon the appointment of a liquidator, the responsibility for the company's affairs rests entirely in his hands and no future executive action may be carried out without his approval.

Where a resolution has been passed for the voluntary winding up of a company, the court may make an order that the winding up should continue subject to the supervision of the court with such liberty to creditors, contributors or others to apply to the court as the court may think fit.

In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators for the purposes of winding up the affairs of the company and distributing its assets. If the liquidator at any time forms the opinion that such company will not be able to pay its debts in full, he is obliged to summon a meeting of creditors.

As soon as the affairs of the company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. At least twenty-one (21) days before the final meeting, the liquidator shall send a notice specifying the time, place and object of the meeting to each contributory in any manner authorised by the Company's articles of association and published in the Gazette in the Cayman Islands.



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## **APPENDIX V      SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND THE CAYMAN ISLANDS COMPANY LAW**

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### **5.    GENERAL**

Conyers Dill & Pearman, our Company's legal advisors on Cayman Islands law, have set to our Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents delivered to the Registrar of Companies in Hong Kong and available for inspection" in appendix VII to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

**FURTHER INFORMATION ABOUT OUR COMPANY****1. Incorporation of our Company**

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 4 December 2007.

We have been registered in Hong Kong under Part XI of the Hong Kong Companies Ordinance as a non-Hong Kong company and our principal place of business in Hong Kong is at Room 406, Empire Centre, 68 Mody Road, Kowloon, Hong Kong. In compliance with the requirements of the Hong Kong Companies Ordinance, Mr. Shao Kwok Keung of Flat D, 6/F, Block 3, The Astoria, 198 Argyle Street, Kowloon, Hong Kong has been appointed as our agent for the acceptance of service of process and any notice required to be served on our Company in Hong Kong.

Our Company was incorporated in the Cayman Islands and is subject to Cayman Islands law. Its constitution comprises a memorandum of association and articles of association. A summary of certain relevant parts of its constitution and certain relevant aspects of Companies Law is set out in Appendix V to this prospectus.

**2. Changes in share capital of our Company****(a) Increase in authorised share capital**

- (i) As of the date of incorporation of our Company on 4 December 2007, our authorised share capital was HK\$380,000 divided into 38,000,000 Shares having a par value of HK\$0.01 each. On the same day, one subscriber share of HK\$0.01 was transferred by its subscriber to Mr. Chan at nil consideration. The nil-paid Share referred to this paragraph was subsequently paid up in the manner described in paragraph 4 below.
- (ii) On 28 August 2009, the authorised share capital of our Company was further conditionally increased to HK\$1,000,000,000 by the creation of further 99,962,000,000 Shares pursuant to a resolution passed by our Shareholders referred to in paragraph 3 below and subject to the conditions contained therein.
- (iii) Immediately following completion of the Share Offer and the Capitalisation Issue but taking no account of any Shares which may be allotted and issued pursuant to the exercise of the options which may be granted under the Share Option Scheme and upon the exercise of the Over-allotment Option, the authorised share capital of our Company will be HK\$1,000,000,000 divided into 100,000,000,000 Shares, of which 1,000,000,000 Shares will be issued fully paid or credited as fully paid, and 99,000,000,000 Shares will remain unissued.

Other than pursuant to the exercise of the Over-allotment Option and the exercise of any options which may be granted under the Share Option Scheme, there is no present intention to issue any of the authorised but unissued share capital of our Company and, without the prior approval of our Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

Save as disclosed herein and in paragraphs headed “Resolutions in writing of our Shareholders passed on 28 August 2009” and “Group reorganisation” of this appendix, there has been no alteration in the share capital of our Company since its incorporation.

(b) *Founder shares*

Our Company has no founder shares, management shares or deferred shares.

**3. Resolutions in writing of our Shareholders passed on 28 August 2009**

Written resolutions were passed by our Shareholders on 28 August 2009 pursuant to which, among other matters:

- (a) our Company approved and adopted the Articles of Association;
- (b) conditional on (aa) the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus; (bb) the Offer Price having been determined; (cc) the execution and delivery of the Underwriting Agreements on or before the date as mentioned in this prospectus; and (dd) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise, in each case on or before the day falling 30 days after the date of this prospectus:
  - (i) the authorised share capital of our Company was increased from HK\$380,000 to HK\$1,000,000,000 by the creation of further 99,962,000,000 Shares;
  - (ii) the Share Offer and the Over-allotment Option were approved and the Directors were authorised to allot and issue of the Offer Shares pursuant to the Share Offer and such number of Shares as may be required to be allotted and issued upon the exercise of the Over-allotment Option;
  - (iii) the rules of the Share Option Scheme, the principal terms of which are set out in paragraph 14 of this appendix, were approved and adopted and the Directors were authorised to approve any amendments to the rules of the Share Option Scheme as may be acceptable or not objected to by the Stock Exchange, and at the Directors’ absolute discretion to grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant to the exercise of options which may be granted under the Share Option Scheme and to take all such steps as may be necessary, desirable or expedient to implement the Share Option Scheme;

- (iv) conditional on the share premium account of our Company being credited as a result of the Share Offer, the Directors were authorised to capitalise HK\$7,480,000 standing to the credit of the share premium account of our Company by applying such sum in paying up in full at par 748,000,000 Shares for allotment and issue to holders of Shares whose names appear on the register of members of our Company at the close of business on 28 August 2009 (or as they may direct) in proportion (as nearly as possible without involving fractions so that no fraction of a share shall be allotted and issued) to their then existing holdings in our Company and so that the Shares to be allotted and issued pursuant to this resolution should rank *pari passu* in all respects with the then existing issued Shares and the Directors were authorised to give effect to such capitalisation;
- (v) a general unconditional mandate was given to the Directors to exercise all powers of our Company to allot, issue and deal with, otherwise than by way of rights issue, scrip dividend schemes or similar arrangements providing for allotment of Shares in lieu of the whole or in part of any dividend in accordance with the Articles of Association, or pursuant to the exercise of any options which may be granted under the Share Option Scheme, or under the Share Offer or the Capitalisation Issue or upon the exercise of the Over-allotment Option, Shares with an aggregate nominal amount of not exceeding the sum of (aa) 20% of the aggregate nominal amount of the share capital of our Company in issue immediately following completion of the Share Offer and the Capitalisation Issue but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option, and (bb) the aggregate nominal amount of the share capital of our Company which may be purchased by our Company pursuant to the authority granted to the Directors as referred to in sub-paragraph (vi) below, until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles of Association, the Companies Law or any other applicable Cayman Islands law to be held, or the passing of an ordinary resolution by our Shareholders revoking or varying the authority given to the Directors, whichever occurs first;
- (vi) a general unconditional mandate (the “**Repurchase Mandate**”) was given to the Directors to exercise all powers of our Company to purchase Shares on the Stock Exchange or other stock exchange on which the securities of our Company may be listed and recognised by the SFC and the Stock Exchange for this purpose, with an aggregate nominal amount of not exceeding 10% of the aggregate nominal amount of the share capital of our Company in issue immediately following the completion of the Share Offer and the Capitalisation Issue but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles of Association or any applicable Cayman Islands law to be held, or the passing of an ordinary resolution by our Shareholders revoking or varying the authority given to the Directors, whichever occurs first; and

- (vii) the extension of the general mandate to allot, issue and deal with Shares pursuant to paragraph (v) above to include the nominal amount of Shares which may be purchased or repurchased pursuant to paragraph (vi) above.
- (c) we approved the form and substance of each of the service agreements made between our executive Directors and us, and the form and substance of each of the appointment letters made between each of our independent non-executive Directors with us.

#### 4. Group reorganisation

The companies comprising our Group underwent a reorganisation to rationalise our Group's structure in preparation for the listing of the Shares on the Stock Exchange which involved the following:

- (a) on 4 December 2007, our Company was incorporated in the Cayman Islands as an exempted company with an authorised share capital of HK\$380,000 divided into 38,000,000 Shares having a par value of HK\$0.01 each. On the same day, one subscriber share of HK\$0.01 was transferred by its subscriber to Mr. Chan at nil consideration;
- (b) on 12 May 2006, CAA BVI was incorporated in the BVI as a BVI business company with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1.00 each. On 15 June 2006, one share of US\$1.00 was allotted and issued as fully paid by CAA BVI to Mr. Chan;
- (c) on 21 August 2006, Noter was established in the PRC as a wholly foreign owned enterprise with an initial total investment amount of US\$200,000 and a registered capital of US\$150,000. The entire equity interest in Noter was wholly-owned by CAA BVI on its establishment;
- (d) pursuant to the Business Transfer Agreement dated 31 August 2006 and as supplemented by a supplemental agreement dated 28 April 2009 entered into by and among Noter, Hebei SkyComm and Shanghai Skycomm, on 31 August 2006, Noter acquired from Hebei SkyComm and Shanghai SkyComm certain assets and liabilities (including, among other things, certain services contracts, accounts payable and receivables, but excluding certain equipment and facilities in respect of our Group's ALL ACCESS platform) relating to all the Related Businesses as of 30 June 2006 for a cash consideration of RMB102,600,000 as determined by reference to the value of the businesses to be transferred to Noter from Hebei SkyComm and Shanghai SkyComm as of 30 June 2006 as appraised by an independent valuer;
- (e) on 14 January 2008, CAA BVI allotted and issued, credited as fully paid at par, an aggregate of 9,999 shares to Mr. Chan, in full satisfaction of the shareholder's loan in the aggregate amount of HK\$36,600,000 payable to Mr. Chan by way of capitalisation issue;

- (f) on 15 January 2008, Mr. Chan sold an aggregate of 1,380 shares of US\$1.00 each in CAA BVI, as to 1,299 shares to Atlantis and 81 shares to FMG for a cash consideration of US\$8,000,000 and US\$500,000 respectively, which had been agreed among the parties on an arm's length basis by reference to the historical earnings per share of CAA BVI based on its unaudited combined net profit for the year ended 31 December 2007;
- (g) various investors have subscribed for, and CAA BVI has issued, certain convertible loans to these investors. Details of those convertible loans which remained outstanding as at the Latest Practicable Date and to be exchanged for Shares then held prior to the Listing Date in accordance with their respective terms are set out below:
  - (i) pursuant to a convertible loan agreement dated 21 September 2007 and entered into by and among Profit Concept as lender, CAA BVI (under its previous name of All Access Investments Limited) as debtor, and Mr. Chan as guarantor, as supplemented by a supplemental agreement dated 21 July 2008 entered into by and among these parties, and another supplemental agreement dated 24 November 2008 and entered into by and among these parties and Creative Sector, Profit Concept has granted a 4%, HK\$10 million convertible loan to CAA BVI with a maturity date of 21 September 2009, with the right to settle the principal amount of such convertible loan by Mr. Chan transferring such number of shares representing 7% of the then issued share capital of CAA BVI or, where the conversion takes place after our Company becoming the holding company of CAA BVI pursuant to the Reorganisation, by Creative Sector transferring such number of Shares representing 7% of the then issued share capital of our Company immediately upon completion of the Share Offer (but excluding such Shares to be issued pursuant to the Share Offer);
  - (ii) pursuant to a convertible loan agreement dated 15 May 2008 and entered into by and among Even Grow as lender, CAA BVI as debtor, and Mr. Chan as guarantor, as supplemented by a supplemental agreement dated 24 November 2008 and entered into by and among these parties and Creative Sector, Even Grow has granted a 4%, HK\$38.56 million convertible loan to CAA BVI with a maturity date of 14 November 2009, with the right to settle the principal amount of such convertible loan by Mr. Chan transferring such number of shares representing 7% of the then issued share capital of CAA BVI or, where the conversion takes place after our Company becoming the holding company of CAA BVI pursuant to the Reorganisation, by Creative Sector transferring such number of Shares representing 7% of the then issued share capital of our Company immediately upon completion of the Share Offer (but excluding such Shares to be issued pursuant to the Share Offer);
  - (iii) on 17 November 2008, CAA BVI issued to Chengwei the Note with a maturity date of 1 October 2009. Pursuant to the Assignment Agreement, Chengwei has the right to assign the Note to Mr. Chan, and Mr. Chan has the right to request Chengwei to assign the Note to him, in consideration of and in exchange for Mr. Chan transferring such number of shares representing 14.16% of the issued share capital of CAA BVI or, where the Assignment takes place after our Company becoming the holding company

of CAA BVI pursuant to the Reorganisation, by Creative Sector transferring such number of Shares representing 14.16% of the issued share capital of our Company then in issue (excluding such new Shares issued or to be issued by our Company pursuant to the Share Offer);

please refer to the paragraph “Convertible Loans” under the section headed “History and Development” in this prospectus for the principal terms and conditions of these convertible loans;

- (h) on 18 June 2008, CAA HK was incorporated in Hong Kong as a limited company with an authorised share capital of HK\$10,000 divided into 10,000 shares having a par value of HK\$1.00 each. On the same day, one subscriber share of HK\$1.00 was issued and allotted as fully paid by CAA HK to the subscriber. On 6 January 2009, such subscriber share was transferred by the subscriber to CAA BVI at its nominal value of HK\$1.00 in cash, and an aggregate of 9,999 shares of HK\$1.00 each were allotted and issued as fully paid by CAA HK to CAA BVI; and
- (i) on 28 August 2009, our Company acquired from Mr. Chan, Atlantis and FMG an aggregate of 10,000 shares of US\$1.00 each in the share capital of CAA BVI, being its entire issued share capital, in consideration of and in exchange for which our Company (i) allotted and issued, credited as fully paid, an aggregate of 1,999,999 Shares, as to 1,723,999 Shares to Creative Sector at the direction of Mr. Chan, 259,800 Shares to Atlantis and 16,200 Shares to FMG; and (ii) credited as fully paid at par a nil-paid Share then held by Mr. Chan. Such Share was subsequently transferred by Mr. Chan to Creative Sector at nil consideration on the same day.

Upon completion of the Reorganisation, our Company became the holding company of our Group.

## **5. Changes in share capital of subsidiaries**

The changes in share capital of the subsidiaries of our Company are listed in the accountants’ report set out in Appendix I to this prospectus.

In addition to the alterations described in paragraph 4 above, the following alterations in the share capital of each of our Company’s subsidiaries took place within two years immediately preceding the date of this prospectus:

- (a) in November 2007, the total investment amount of Noter was increased from US\$3,950,000 to US\$15,000,000 and its registered capital was increased from US\$3,900,000 to US\$8,900,000;

- (b) in February 2008, the total investment amount of Noter was increased from US\$15,000,000 to US\$30,000,000 and its registered capital was increased from US\$8,900,000 to US\$15,000,000; and
- (c) in May 2008, the registered capital of Noter was increased from US\$15,000,000 to US\$19,500,000.
- (d) in January 2009, the issued share capital of CAA HK was increased from HK\$1.00 divided into 1 share of HK\$1.00 to HK\$10,000 divided into 10,000 shares of HK\$1.00 each.

Save as disclosed herein and in paragraph 4 of this Appendix, there has been no alteration in the share capital of any of the subsidiaries of our Company within the two years immediately preceding the date of this prospectus.

#### **6. Further information about our Group's PRC establishment**

Our Group has interest in the registered capital of Noter, a wholly foreign owned enterprise in the PRC. A summary of the corporate information of Noter as at the Latest Practicable Date is set out as follows:

- |   |   |   |
|---|---|---|
| (i) Name of the enterprise                | : | 河北諾特通信技術有限公司 (Hebei Noter Communication Technology Co., Ltd.)                   |
| (ii) Registered address                   | : | No. 60, West Street, Shijiazhuang City, Hebei Province, the PRC (河北省石家庄市西大街60號) |
| (iii) Date of its establishment           | : | 21 August 2006  |
| (iv) Economic nature                      | : | Wholly foreign owned enterprise   |
| (v) Registered owner                      | : | CAA BVI   |
| (vi) Total investment amount              | : | US\$30,000,000  |
| (vii) Registered capital                  | : | US\$19,500,000  |
| (viii) Attributable interest to our Group | : | 100%  |
| (ix) Term of operation                    | : | 21 August 2006 to 20 August 2036  |



- (x) Scope of business : Research, development and consultation services on communication technology; development of communication software; sales of in-house products; maintenance of communication equipment and related technical support services; hire and rental services for communication equipment; import, export and wholesale of communication equipment (application for the relevant licences according to the relevant regulations for dealing in commodities which require a quota permit and/or specific licences); design, installation and provision of related labour services for integration of communication system.

## 7. Securities repurchase mandate

This paragraph includes information required by the Stock Exchange to be included in this prospectus concerning the repurchase by our Company of its own securities.

### (a) *Shareholders' approval*

All proposed repurchases of securities (which must be fully paid up in the case of shares) by a company listed on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholder, either by way of general mandate or by specific approval of a particular transaction.

*Note: Pursuant to a resolution in writing passed by our Shareholders on 28 August 2009, the Repurchase Mandate was given to the Directors authorising any repurchase by our Company of Shares on the Stock Exchange or any other stock exchange on which the securities of our Company may be listed and which is recognised by the Securities and Futures Commission of Hong Kong and the Stock Exchange for this purpose, of up to 10% of the aggregate nominal amount of the share capital of our Company in issue immediately following completion of the Share Offer and the Capitalisation Issue but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option and the Share Option Scheme, such mandate to expire at the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles of Association or applicable Cayman Islands law to be held, or the passing of an ordinary resolution by Shareholders in general meeting revoking or varying the authority given to the Directors, whichever occurs first.*

### (b) *Source of funds*

Repurchases must be paid out of funds legally available for the purpose in accordance with the Articles of Association and the Companies Law. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange. Under the Cayman Islands laws, any repurchases by our Company may be made out of profits of our Company or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, if so authorised by the Articles of Association and subject to the provisions of the Companies Law, out of capital.

Any premium payable on a redemption or purchase over the par value of the Shares to be purchased must be provided for out of the profits of our Company or from sums standing to the credit of the share premium account of our Company or, if authorised by the Articles of Association and subject to the provisions of the Companies Law, out of capital.

(c) *Reasons for repurchases*

The Directors believe that it is in the best interest of our Company and the Shareholders for the Directors to have general authority from the Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made if the Directors believe that such repurchases will benefit our Company and the Shareholders.

(d) *Funding of repurchases*

In repurchasing securities, our Company may only apply funds legally available for such purpose in accordance with the Articles of Association, the Listing Rules and the applicable laws of the Cayman Islands.

On the basis of the current financial position of our Group as disclosed in this prospectus and taking into account the current working capital position of our Group, the Directors consider that, if the Repurchase Mandate were to be exercised in full, it might have a material adverse effect on the working capital and/or the gearing position of our Group as compared with the position disclosed in this prospectus. However, the Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Group or the gearing levels which in the opinion of the Directors are from time to time appropriate for our Group.

The exercise in full of the Repurchase Mandate, on the basis of 1,000,000,000 Shares in issue immediately after the Listing, would result in up to 100,000,000 Shares being repurchased by our Company during the period in which the Repurchase Mandate remains in force.

(e) *General*

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates currently intends to sell any Shares to our Company or our subsidiaries.

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules, the Articles of Association and the applicable laws of the Cayman Islands.

If, as a result of a securities repurchase, a Shareholder's proportionate interest in the voting rights of our Company is increased, such increase will be treated as an acquisition for the purpose of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, the Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

The Directors will not exercise the Repurchase Mandate if the repurchase would result in the number of Shares which are in the hands of the public falling below 25% of the total number of Shares in issue (or such other percentage as may be prescribed as the minimum public shareholding under the Listing Rules).

No connected person (as defined in the Listing Rules) of our Company has notified our Company that he/she/it has a present intention to sell Shares to our Company, or has undertaken not to do so if the Repurchase Mandate is exercised.

## **FURTHER INFORMATION ABOUT THE BUSINESS OF OUR COMPANY**

### **8. Summary of material contracts**

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of our Group within the two years preceding the date of this prospectus and are or may be material:

- (a) the Shareholders' Agreement dated 21 January 2008 and entered into by and among Mr. Chan, CAA BVI, Atlantis and FMG for governing the business and management of CAA BVI;
- (b) the Deed of Assignment and Novation dated 28 August 2009 and entered into by and among Mr. Chan, CAA BVI, Atlantis, FMG, Creative Sector and our Company to supplement certain provisions in the shareholders' agreement as referred to in paragraph (a) above, and to assign and novate all the respective rights and obligations of Mr. Chan and CAA BVI under the Shareholders' Agreement (as supplemented) to Creative Sector and our Company, respectively;
- (c) a convertible loan agreement dated 13 September 2007 and entered into by and among (i) Smart King Group Limited as lender; (ii) CAA BVI (under its previous name of All Access Investments Limited) as debtor; and (iii) Mr. Chan as guarantor, pursuant to which Smart King Group Limited granted a loan in the principal amount of HK\$10 million to CAA BVI bearing interest at the rate of 4% per annum, with the right to convert such principal amount of the loan into such number of shares representing 7% of the then issued share capital of CAA BVI or, as the case may be, such number of Shares representing 7% of the then issued share capital of our Company immediately prior to Listing (but excluding such Shares to be issued pursuant to the Share Offer);

- (d) a supplemental agreement dated 1 February 2008 and entered into by and among Smart King Group Limited, CAA BVI and Mr. Chan pursuant to which CAA BVI has agreed to prepay HK\$4,285,714 of the principal amount of the loan under the convertible loan agreement as referred to in paragraph (c) above, together with the interest accrued thereon in advance of its maturity date;
- (e) a supplemental agreement entered into by and among Smart King Group Limited, CAA BVI and Mr. Chan in June 2008 pursuant to which CAA BVI has agreed to prepay HK\$5,714,286 of the principal amount of the loan under the convertible loan agreement and supplemental agreement as referred to in paragraphs (c) and (d) above respectively, being the balance of the principal amount of the loan then outstanding, together with the interest accrued thereon in advance of its maturity date;
- (f) a convertible loan agreement dated 21 September 2007 and entered into by and among (i) Profit Concept as lender; (ii) CAA BVI (under its previous name of All Access Investments Limited) as debtor; and (iii) Mr. Chan as guarantor, pursuant to which Profit Concept granted a loan in the principal amount of HK\$10 million to CAA BVI bearing interest at the rate of 4% per annum, with the right to convert such principal amount of the loan into such number of shares representing 7% of the then issued share capital of CAA BVI or, as the case may be, such number of Shares representing 7% of the then issued share capital of our Company immediately prior to Listing (but excluding such Shares to be issued pursuant to the Share Offer);
- (g) a supplemental agreement dated 21 July 2008 and entered into by and among Profit Concept, CAA BVI and Mr. Chan in relation to, *inter alia*, the extension of the maturity date of the loan under the convertible loan agreement as referred to in paragraph (f) above;
- (h) a supplemental agreement dated 24 November 2008 and entered into by and among Profit Concept, CAA BVI, Mr. Chan and Creative Sector to, *inter alia*, supplement certain provisions in relation to the conversion mechanism of the loan under the convertible loan agreement and supplemental agreement as referred to in paragraphs (f) and (g) above respectively;
- (i) a convertible loan agreement dated 13 November 2007 and entered into by and among (i) Guofu (Hong Kong) Holdings Limited as lender; (ii) CAA BVI as debtor; and (iii) Mr. Chan as guarantor, pursuant to which Guofu (Hong Kong) Holdings Limited granted a loan in the principal amount of HK\$10 million to CAA BVI bearing interest at the rate of 4% per annum, with the right to convert such principal amount of the loan into such number of shares representing 3.8% of the then issued share capital of CAA BVI or, as the case may be, such number of Shares representing 3.8% of the then issued share capital of our Company immediately prior to Listing (but excluding such Shares to be issued pursuant to the Share Offer);


- (j) a supplemental agreement dated 21 July 2008 and entered into by and among Guofu (Hong Kong) Holdings Limited, CAA BVI and Mr. Chan in relation to, *inter alia*, the extension of the maturity date of the loan under the convertible loan agreement as referred to in paragraph (i) above;
- (k) a termination agreement dated 2 April 2009 and entered into by and among Guofu (Hong Kong) Holdings Limited, CAA BVI, and Mr. Chan pursuant to which the convertible loan agreement and supplemental agreement as referred to in paragraphs (i) and (j) above respectively were terminated and CAA BVI has agreed to repay the principal amount of HK\$10 million together with the interest accrued thereon under such convertible loan agreement and supplemental agreement;
- (l) a convertible loan agreement dated 15 May 2008 and entered into by and among (i) Even Grow as lender; (ii) CAA BVI as debtor; and (iii) Mr. Chan as guarantor, pursuant to which Even Grow granted a loan for the principal amount of HK\$38,560,000 to CAA BVI bearing interest at the rate of 4% per annum, with the right to convert such principal amount of the loan into such number of shares representing 7% of the then issued share capital of CAA BVI or, as the case may be, such number of Shares representing 7% of the then issued share capital of our Company immediately prior to Listing (but excluding such Shares to be issued pursuant to the Share Offer);
- (m) a supplemental agreement dated 24 November 2008 and entered into between Even Grow, CAA BVI, Mr. Chan and Creative Sector to, *inter alia*, supplement certain provisions in relation to the conversion mechanism of the loan under the convertible loan agreement as referred to in paragraph (l) above;
- (n) the Note Purchase Agreement dated 7 November 2008 and entered into by and among CAA BVI, Noter, Mr. Chan and Chengwei, pursuant to which Chengwei purchased the senior secured promissory note in the principal amount of US\$10 million issued by CAA BVI, bearing interest at the rate of 4% per annum, at the cash consideration of US\$10 million;
- (o) the Investors' Right Agreement dated 17 November 2008 and entered into by and among CAA BVI, Mr. Chan, our Company, Creative Sector and Chengwei, for governing the relationship among these parties prior to completion of the Share Offer;
- (p) a side letter agreement dated 17 November 2008 and entered into by and among CAA BVI, Mr. Chan and Creative Sector in relation to the waiver of all Mr. Chan's rights under the note issued by CAA BVI to Chengwei pursuant to the Note Purchase Agreement as referred to in paragraph (n) above and to be assigned to Mr. Chan pursuant to the Assignment Agreement dated 17 November 2008, and the cancellation of the note;

- (q) the Business Transfer Agreement dated 31 August 2006 and entered into by and among Hebei SkyComm and Shanghai SkyComm as transferors and Noter as transferee, pursuant to which Hebei SkyComm and Shanghai Skycomm agreed to transfer and has transferred their entire non-licensed telecommunications business to Noter as at 30 June 2006 for a consideration of RMB102,600,000;
- (r) a supplemental agreement dated 28 April 2009 and entered into by and among Hebei SkyComm, Shanghai SkyComm and Noter for further delineating the scope of the Business Transfer under the Business Transfer Agreement as referred to in paragraph (q) above;
- (s) the Long Term Co-operation Agreement dated 28 February 2008 and entered into between SkyComm and Noter, pursuant to which for a period of five years from 1 January 2008 to 31 December 2012, SkyComm and all its subsidiaries will refer all business opportunities for provision of telecommunication-related application solutions (whether in their own names or on behalf of Noter, and excluding telecommunication network services) with end customers to Noter and Noter will substantially perform these contracts and pay SkyComm a handling fee of 5% of the value of each such contract entered into by SkyComm on behalf of Noter;
- (t) a supplemental agreement dated 14 April 2009 and entered into between SkyComm and Noter for clarification of the business cooperation between the parties under the Long Term Co-operation Agreement as referred to in paragraph (s) above;
- (u) a share purchase agreement dated 28 August 2009 and entered into by and among (i) Mr. Chan, Atlantis and FMG as vendors; and (ii) our Company as purchaser, pursuant to which our Company acquired the entire issued share capital of CAA BVI in consideration of and in exchange for which our Company (i) allotted and issued, credited as fully paid, an aggregate of 1,999,999 Shares, as to 1,723,999 Shares to Creative Sector at the direction of Mr. Chan, 259,800 Shares to Atlantis and 16,200 Shares to FMG; and (ii) credited as fully paid at par a nil-paid Share then held by Mr. Chan;
- (v) a deed of indemnity dated 3 September 2009 and executed by Mr. Chan and Creative Sector in favour of our Company (for ourselves and as trustee for our subsidiaries stated therein) containing the indemnities more particularly referred to in paragraph 15 of this Appendix; and
- (w) the Hong Kong Underwriting Agreement.

## 9. Intellectual property rights of our Group

### (a) Trade marks

As at the Latest Practicable Date, our Group is the registered proprietor and beneficial owner of the following trademarks:

No.	Trademark	Place of registration	Class	Registration number	Duration of validity
1.	诺特网	PRC	38 (note 1)	3095686	21 May 2003 - 20 May 2013
2.	Noternet	PRC	38	3095687	21 May 2003 - 20 May 2013
3.		Hong Kong	9 (note 2)	301285001	11 February 2009 - 10 February 2019

Notes:

1. The specific services under class 38 in respect of which the trademark was registered are telecommunications.
2. The specific goods under class 9 in respect of which the trademark was registered are scientific, nautical, surveying, photographic, cinematographic, optical, weighing, measuring, signalling, checking (supervision), life-saving and teaching apparatus and instruments; apparatus and instruments for conducting, switching, transforming, accumulating, regulating or controlling electricity; apparatus for recording, transmission or reproduction of sound or images; magnetic data carriers, recording discs; automatic vending machines and mechanisms for coin-operated apparatus; cash registers; calculating machines, data processing equipment and computers; fire-extinguishing apparatus.

(b) *Software product registrations*

We have registered the following software products under the Software Administration Measures:

No.	Name of software product	Registration number	Date of registration	Duration of validity
1.	諾特非現場執法處理系統	冀DGY-2008-315	26 December 2008	26 December 2008 - 25 December 2013
2.	諾特交通違法自助處理系統	冀DGY-2008-316	26 December 2008	26 December 2008 - 25 December 2013
3.	諾特移動保險助理系統 (Web查詢系統)	冀DGY-2008-317	26 December 2008	26 December 2008 - 25 December 2013
4.	諾特稽征信息處理系統	冀DGY-2008-318	26 December 2008	26 December 2008 - 25 December 2013
5.	諾特運管信息處理系統	冀DGY-2008-319	26 December 2008	26 December 2008 - 25 December 2013
6.	諾特河北省高速公路報警 服務中心客服系統	冀DGY-2008-320	26 December 2008	26 December 2008 - 25 December 2013
7.	諾特警務通(Java版)	冀DGY-2008-321	26 December 2008	26 December 2008 - 25 December 2013
8.	諾特GPRS熱網監測系統	冀DGY-2008-322	26 December 2008	26 December 2008 - 25 December 2013
9.	諾特中國銀行河北省分行 95566電話銀行人工客服系統	冀DGY-2008-323	26 December 2008	26 December 2008 - 25 December 2013
10.	諾特道路交通違法信息 綜合處理系統	冀DGY-2008-324	26 December 2008	26 December 2008 - 25 December 2013
11.	諾特道路交通違法處罰電子化 繳款和異地代收系統	冀DGY-2008-325	26 December 2008	26 December 2008 - 25 December 2013
12.	諾特靜態停車違法信息處理系統	冀DGY-2008-326	26 December 2008	26 December 2008 - 25 December 2013
13.	諾特警務通(Windows版)	冀DGY-2008-327	26 December 2008	26 December 2008 - 25 December 2013



No.	Name of software product	Registration number	Date of registration	Duration of validity
14.	諾特華電供熱集團熱網 遠程監控系統	冀DGY-2008-328	26 December 2008	26 December 2008 - 25 December 2013
15.	諾特取水監控管理系統	冀DGY-2008-329	26 December 2008	26 December 2008 - 25 December 2013
16.	諾特SP短信平臺系統	冀DGY-2008-330	26 December 2008	26 December 2008 - 25 December 2013
17.	諾特河北省廣電96888客服系統	冀DGY-2008-331	26 December 2008	26 December 2008 - 25 December 2013
18.	諾特動中通衛星通信系統	冀DGY-2009-0103	30 April 2009	30 April 2009 - 29 April 2014

## 10. Connected transactions and related party transactions

Save as disclosed in the sections headed “Business” and “Our relationship with SkyComm Group and our Controlling Shareholders” and in note 23 to the accountants’ report, the text of which is set out in Appendix I to this prospectus, during the two years immediately preceding the date of this prospectus, our Company has not engaged in any other material connected transactions or related party transactions.

## FURTHER INFORMATION ABOUT DIRECTORS AND SHAREHOLDERS

### 11. Directors

#### (a) *Disclosure of interests of the Directors*

- (i) Mr. Chan is interested in the Reorganisation and the transactions as contemplated under the material contracts as set out in the paragraph 8 of this appendix (other than the material contracts (q) to (t) referred to in paragraph 8 above).
- (ii) Save as disclosed in this prospectus, none of the Directors or their associates were engaged in any dealings with our Group during the two years preceding the date of this prospectus.

(b) *Particulars of Directors' service contracts**Executive Directors*

Each of Mr. Chan, Mr. Shao Kwok Keung and Mr. Gao Hou Ming, being all the executive Directors, has entered into a service contract with our Company for their services as executive Directors for an initial fixed term of two years with effect from 1 September 2009, which shall be renewed and extended automatically for successive terms of one year upon expiry of the then current term until terminated by either party by giving three months' written notice to the other expiring at the end of the initial term of their appointment or any time thereafter.

Each of these executive Directors is entitled to the respective basic salary set out below (subject to an annual increment after 1 January 2010 at the discretion of the Directors of not more than 15% of the annual salary immediately prior to such increase).

Upon completion of every 12-month period of the term of the service contract, each of these executive Directors shall be entitled to a guaranteed year-end bonus for a fixed sum equivalent to his salary for one month provided that, if any such executive Director does not complete a full 12-month period of the term of the service contract at the time of payment of such bonus, he shall be entitled to a ratable proportion (apportioned on a time basis) of such bonus which he would have received if he had completed a whole 12-month period of the term of his service contract. In addition, each of the executive Directors is also entitled to a director's fee of HK\$120,000 per annum.

In addition, each of the executive Directors is also entitled to a discretionary management bonus provided that the aggregate amount of bonuses payable to all the executive Directors for any financial year of our Company shall not exceed 5% of the consolidated or combined net profits of our Group (after taxation and minority interests and payment of such bonuses but before extraordinary or exceptional items) in respect of that financial year of our Company. An executive Director may not vote on any resolution of the Directors regarding the amount of management bonus payable to him.

The current basic annual salaries of the executive Directors payable under their service contracts are as follows:

<b>Name</b>	<b>Annual salary (HK\$)</b>
Mr. Chan Yuen Ming	600,000
Mr. Shao Kwok Keung	1,440,000
Mr. Gao Hou Ming	360,000

*Independent non-executive Directors*

Each of the independent non-executive Directors has been appointed for an initial term of two years commencing from 1 September 2009, which shall be renewed and extended automatically for successive terms of one year upon expiry of the then current term until terminated by either party giving not less than three months' written notice to the other expiring at the end of the initial term of their appointment or any time thereafter. The appointments are subject to the provisions of the Articles of Association with regard to vacation of office of Directors, removal and retirement by rotation of Directors. Each of the independent non-executive Directors is entitled to a director's fee of HK\$120,000 per annum. Save for directors' fees, none of the independent non-executive Directors is expected to receive any other remuneration for holding their office as an independent non-executive Director.

Save as aforesaid, none of the Directors has or is proposed to have a service contract with our Company or any of our subsidiaries other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).

(c) *Directors remuneration*

- (i) The aggregate emoluments paid and benefits in kind granted by our Group to the Directors in respect of the financial year ended 31 December 2008 were approximately HK\$2.40 million.
- (ii) Under the arrangements currently in force, the aggregate emoluments (excluding discretionary bonus) payable by our Group to and benefits in kind receivable by the Directors (including the independent non-executive Directors in their respective capacity as Directors) for the year ending 31 December 2009 are expected to be approximately HK\$2.84 million.
- (iii) None of the Directors or any past directors of any member of our Group has been paid any sum of money for each of the three years ended 31 December 2008 (i) as an inducement to join or upon joining our Group or (ii) for loss of office as a director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group.
- (iv) There has been no arrangement under which a Director has waived or agreed to waive any emoluments for each of the three years ended 31 December 2008.

(d) *Interests and short positions of Directors in the shares, underlying shares or debentures of our Company and our associated corporations*

Immediately following completion of the Share Offer and the Capitalisation Issue and taking no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and the options which may be granted under the Share Option Scheme and assuming that the final Offer Price will be fixed at or above the Chengwei Conversion Trigger Price, the interests and short positions of the Directors in the shares, underlying shares or debentures of our Company and our associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, once the Shares are listed, will be as follows:

<b>Name of Director</b>	<b>Name of Group member/ associated corporation</b>	<b>Capacity/ nature of interest</b>	<b>Number and class of securities</b> (Note 1)	<b>Approximate percentage of shareholding</b>
Mr. Chan	Our Company	Interest of a controlled corporation (Note 2)	435,300,000 Shares (L)	43.53%

*Notes:*

1. The letter “L” denotes the Directors’ long position in the shares of our Company or the relevant associated corporation.
2. These Shares will be registered in the name of Creative Sector, the entire issued share capital of which is owned by Mr. Chan. Mr. Chan is deemed to be interested in all the Shares in which Creative Sector is interested by virtue of the SFO.

Immediately following completion of the Share Offer and the Capitalisation Issue and taking no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and the options which may be granted under the Share Option Scheme and assuming that the final Offer Price will be less than the Chengwei Conversion Trigger Price so that the completion of the assignment of the Note from Chengwei to Mr. Chan in consideration of and in exchange for Creative Sector transferring 106,200,000 Shares to Chengwei as particularly described in the paragraph headed “Convertible Loans” in the section headed “History and Development” in this prospectus shall not take place, the interests and short positions of the Directors in the shares, underlying shares or debentures of our Company and our associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to notify to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, once the Shares are listed, will be as follows:

<b>Name of Director</b>	<b>Name of Group member/ associated corporation</b>	<b>Capacity/ nature of interest</b>	<b>Number and class of securities</b> <i>(Note 1)</i>	<b>Approximate percentage of shareholding</b>
Mr. Chan	Our Company	Interest of a controlled corporation <i>(Note 2)</i>	541,500,000 Shares (L)	54.15%
	Creative Sector <i>(Note 2)</i>	Beneficial owner	1 share of US\$1.00 each (L)	100%

*Notes:*

1. The letter “L” denotes the Directors’ long position in the shares of our Company or the relevant associated corporation.
2. These Shares will be registered in the name of Creative Sector, the entire issued share capital of which is owned by Mr. Chan. Mr. Chan is deemed to be interested in all the Shares in which Creative Sector is interested by virtue of the SFO.

**12. Interest discloseable under the SFO and substantial shareholders**

So far as is known to the Directors, immediately following completion of the Share Offer and the Capitalisation Issue (but without taking account of any Shares which may be taken up or acquired under the Share Offer and any Shares which may be allotted and issued upon the exercise of the Over-allotment Option and the options which may be granted under the Share Option Scheme), assuming that the final Offer Price will be fixed at or above the Chengwei Conversion Trigger Price, other than a Director or chief executive of our Company whose interests are disclosed under the sub-paragraph headed “Interests and short positions of Directors in the shares, underlying shares or debentures of our Company and our associated corporations” above, the following persons will have an interest or a short position in the Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of our Group:

<b>Name of shareholder</b>	<b>Company/ Name of Group member</b>	<b>Capacity/ nature of interest</b>	<b>Number and class of securities (Note 1)</b>	<b>Approximate percentage of shareholding</b>
Creative Sector	Our Company	Beneficial owner	435,300,000 Shares (L)	43.53% (Note 2)
Chengwei	Our Company	Beneficial owner	106,200,000 Shares (L)	10.62% (Note 3)
Chengwei Ventures Evergreen Fund, L.P.	Our Company	Interest of a controlled corporation	106,200,000 Shares (L)	10.62% (Notes 3 and 4)
Chengwei Ventures Evergreen Management, LLC.	Our Company	Interest of a controlled corporation	106,200,000 Shares (L)	10.62% (Notes 3 and 5)
EXL Holdings, LLC.	Our Company	Interest of a controlled corporation	106,200,000 Shares (L)	10.62% (Notes 3 and 6)
Mr. Li Eric Xun	Our Company	Interest of a controlled corporation	106,200,000 Shares (L)	10.62% (Notes 3 and 6)
Ms. Li Yijing Zhu	Our Company	Interest of the spouse	106,200,000 Shares (L)	10.62% (Notes 3 and 7)
Atlantis	Our Company	Beneficial owner	97,425,000 Shares (L)	9.74%

## APPENDIX VI

## STATUTORY AND GENERAL INFORMATION

Name of shareholder	Company/ Name of Group member	Capacity/ nature of interest	Number and class of securities (Note 1)	Approximate percentage of shareholding
Atlantis Fund Management (Guernsey) Ltd.	Our Company	Interest of a controlled corporation	97,425,000 Shares (L)	9.74% (Note 8)
Profit Concept	Our Company	Beneficial owner	52,500,000 Shares (L)	5.25%
Ms. Wang Yan Yun	Our Company	Interest of a controlled corporation	52,500,000 Shares (L)	5.25% (Note 9)
Even Grow	Our Company	Beneficial owner	52,500,000 Shares (L)	5.25%
Ms. Tam Siu Fun, Yeko	Our Company	Interest of a controlled corporation	52,500,000 Shares (L)	5.25% (Note 10)

*Notes:*

1. The letter “L” denotes the person’s long position in the shares of our Company or the relevant Group member.
2. In the event that the final Offer Price is fixed below the Chengwei Conversion Trigger Price, the completion of the Assignment in consideration of and in exchange for Creative Sector transferring 106,200,000 Shares to Chengwei as particularly described in the paragraph headed “Convertible Loans” in the section headed “History and Development” in this prospectus shall not take place and in such event, Creative Sector will hold 541,500,000 Shares, representing approximately 54.15% of the issued share capital of our Company immediately after completion of the Share Offer and the Capitalisation Issue (and taking no account of any Shares that may be taken upon under the Share Offer and Shares to be issued pursuant to the exercise of the Over-allotment Option or options that may be granted under the Share Option Scheme).
3. In the event that the final Offer Price is fixed below the Chengwei Conversion Trigger Price, the completion of the Assignment of the Note and the exchange thereof for Shares as particularly described in the paragraph headed “Convertible Loans” in the section headed “History and Development” in this prospectus shall not take place and in such event, and taking no account of any Shares that may be taken upon thereby under the Share Offer, Chengwei will not have an interest or a short position in the Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of our Group.
4. Chengwei Ventures Evergreen Fund, L.P. holds approximately 89.28% of the issued share capital in Chengwei and therefore, subject to note 3 above, Chengwei Ventures Evergreen Fund, L.P. is deemed to be interested in the shares in which Chengwei is interested by virtue of the SFO.
5. Chengwei Ventures Evergreen Fund, L.P. is an investment fund managed by Chengwei Ventures Evergreen Management, LLC. Therefore, subject to note 3 above, Chengwei Ventures Evergreen Management, LLC. is deemed to be interested in the Shares in which Chengwei Ventures Evergreen Fund, L.P. is interested by virtue of the SFO.

6. *Chengwei Ventures Evergreen Management, LLC. is owned as to 37% by EXL Holdings, LLC., which is in turn owned as to 50% by Mr. Li Eric Xun. Therefore, subject to note 3 above, EXL Holdings, LLC. is deemed to be interested in the Shares in which Chengwei Ventures Evergreen Management, LLC. is interested by virtue of the SFO, and Mr. Li Eric Xun is deemed to be interested in the Shares in which EXL Holdings, LLC. is interested by virtue of the SFO.*
7. *Ms. Li Yijing Zhu is the wife of Mr. Li Eric Xun, and therefore, subject to note 3 above, Ms. Li Yijing Zhu is deemed to be interested in the Shares in which Mr. Li Eric Xun is interested by virtue of the SFO.*
8. *Atlantis is wholly owned by Atlantis Fund Management (Guernsey) Ltd., a limited company registered in Guernsey. Atlantis Fund Management (Guernsey) Ltd. is deemed to be interested in all the Shares in which Atlantis is interested by virtue of SFO.*
9. *Profit Concept is wholly owned by Ms. Wang Yan Yun. Ms. Wang Yan Yun is deemed to be interested in all the Shares in which Profit Concept is interested by virtue of SFO.*
10. *Even Grow is wholly owned by Ms. Tam Siu Fun, Yeko. Ms. Tam Siu Fun, Yeko is deemed to be interested in all the Shares in which Even Grow is interested by virtue of SFO.*

### 13. Disclaimers

Save as disclosed in this prospectus:

- (a) and taking no account of any Shares which may be taken up or acquired under the Share Offer or upon the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme, the Directors are not aware of any person (not being a Director or chief executive of our Company) who immediately following the completion of the Share Offer and the Capitalisation Issue will have an interest or a short position in the Shares and underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who will, either directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group;
- (b) none of the Directors has any interest or short position in any of the shares, underlying shares or debentures of our Company or any associated corporations within the meaning of Part XV of the SFO, which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any of them is deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, in each case once the Shares are listed;
- (c) none of the Directors nor any of the parties listed in the paragraph 21 below has been interested in the promotion of, or has any direct or indirect interest in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to our Company or any of the subsidiaries of our Company, or are proposed to be acquired or disposed of by or leased to our Company or any other member of our Group nor will any Director apply for the Offer Shares either in his own name or in the name of a nominee;



- (d) none of the Directors nor any of the parties listed in the paragraph 21 below is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to business of our Group; and
- (e) save in connection with the Underwriting Agreements, none of the parties listed in the paragraph 21 below:
  - (i) is interested legally or beneficially in any securities of any member of our Group; or
  - (ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

## OTHER INFORMATION

### 14. Share Option Scheme

#### (a) *Summary of terms*

The following is a summary of the principal terms of the Share Option Scheme conditionally adopted by a resolution in writing passed by our then Shareholders on 28 August 2009:

##### (i) *Purposes of the scheme*

The purpose of the Share Option Scheme is to enable our Group to grant options to selected participants as incentives or rewards for their contribution to our Group. The Directors consider the Share Option Scheme, with its broadened basis of participation, will enable our Group to reward the employees, the Directors and other selected participants for their contributions to our Group. Given that the Directors are entitled to determine any performance targets to be achieved as well as the minimum period that an option must be held before an option can be exercised on a case by case basis, and that the exercise price of an option cannot in any event fall below the price stipulated in the Listing Rules or such higher price as may be fixed by the Directors, it is expected that grantees of an option will make an effort to contribute to the development of our Group so as to bring about an increased market price of the Shares in order to capitalise on the benefits of the options granted.

##### (ii) *Who may join*

The Directors may, at its absolute discretion, invite any person belonging to any of the following classes of participants, to take up options to subscribe for Shares:

- (aa) any employee (whether full-time or part-time including any executive director but excluding any non-executive director) of our Company, any of our subsidiaries or any entity (“**Invested Entity**”) in which any member of our Group holds an equity interest;

- (bb) any non-executive directors (including independent non-executive directors) of our Company, any of our subsidiaries or any Invested Entity;
- (cc) any supplier of goods or services to any member of our Group or any Invested Entity;
- (dd) any customer of any member of our Group or any Invested Entity;
- (ee) any person or entity that provides research, development or other technological support to any member of our Group or any Invested Entity;
- (ff) any shareholder of any member of our Group or any Invested Entity or any holder of any securities issued by any member of our Group or any Invested Entity;
- (gg) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of our Group or any Invested Entity;
- (hh) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of our Group;

and, for the purposes of the Share Option Scheme, the offer for the grant of option may be made to any company wholly owned by one or more persons belonging to any of the above classes of participants.

For avoidance of doubt, the grant of any options by our Company for the subscription of Shares or other securities of our Group to any person who falls within any of the above classes of participants shall not, by itself, unless the Directors otherwise determine, be construed as a grant of option under the Share Option Scheme.

The eligibility of any of the above class of participants to an offer for the grant of any option shall be determined by the Directors from time to time on the basis of the Directors' opinion as to his contribution to the development and growth of our Group.

(iii) *Maximum number of the Shares*

- (aa) The maximum number of Shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme adopted by our Group must not in aggregate exceed 30% of the share capital of our Company in issue from time to time.
- (bb) The total number of the Shares which may be allotted and issued upon the exercise of all options (excluding, for this purpose, options which have lapsed in

accordance with the terms of the Share Option Scheme and any other share option scheme of our Group) to be granted under the Share Option Scheme and any other share option scheme of our Group must not in aggregate exceed 10% of the Shares in issue on the Listing Date (“**General Scheme Limit**”).

- (cc) Subject to (aa) above but without prejudice to (dd) below, our Company may seek approval of the Shareholders in general meeting to refresh the General Scheme Limit provided that the total number of Shares which may be allotted and issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme of our Group must not exceed 10% of the Shares in issue as at the date of approval of the limit and, for the purpose of calculating the limit, options (including those outstanding, cancelled, lapsed or exercised in accordance with the Share Option Scheme and any other share option scheme of our Group) previously granted under the Share Option Scheme and any other share option scheme of our Group will not be counted. The circular sent by our Company to the Shareholders shall contain, among other information, the information required under Rule 17.02(2)(d) of the Listing Rules and the disclaimer required under Rule 17.02(4) of the Listing Rules.
- (dd) Subject to (aa) above and without prejudice to (cc) above, our Company may seek separate Shareholders’ approval in general meeting to grant options beyond the General Scheme Limit or, if applicable, the extended limit referred to in (cc) above to participants specifically identified by our Company before such approval is sought. In such event, our Company must send a circular to the Shareholders containing a generic description of the specified participants, the number and terms of options to be granted, the purpose of granting options to the specified participants with an explanation as to how the terms of the options serve such purpose and such other information required under Rule 17.02(2)(d) of the Listing Rules and the disclaimer required under Rule 17.02(4) of the Listing Rules.

(iv) *Maximum entitlement of each participant*

The total number of Shares issued and which may fall to be issued upon the exercise of the options granted under the Share Option Scheme and any other share option scheme of our Group (including both exercised or outstanding options) to each grantee in any 12-month period shall not exceed 1% of the issued share capital of our Company for the time being (“**Individual Limit**”). Any further grant of options in excess of the Individual Limit in any 12-month period up to and including the date of such further grant must be separately approved by the Shareholders in general meeting of our Company with such grantee and his associates abstaining from voting. The number and terms (including the exercise price) of options to be granted must be fixed before the approval of the Shareholders and the date of the Board meeting for proposing such further grant should be taken as the date of grant for the purpose of calculating the exercise price under note (1) to Rule 17.03(9) of the Listing Rules.

(v) *Grant of options to the Directors, chief executive or substantial shareholders of our Company or their respective associates*

(aa) Any grant of options under the Share Option Scheme to a Director, chief executive or substantial shareholder of our Company or any of their respective associates must be approved by independent non-executive Directors (excluding independent non-executive Director who or whose associates is the proposed grantee of the options).

(bb) Where any grant of options to a substantial shareholder or an independent non-executive Director or any of their respective associates would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

- (i) representing in aggregate over 0.1% of the Shares in issue; and
- (ii) having an aggregate value, based on the closing price of the Shares at the date of each offer for the grant, in excess of HK\$5 million;

such further grant of options must be approved by Shareholders in general meeting. Our Company must send a circular to the Shareholders. All connected persons of our Company must abstain from voting in favour at such general meeting, except that any connected person may vote against the relevant resolution at the general meeting provided that his intention to do so has been stated in the circular. Any vote taken at the meeting to approve the grant of such options must be taken on a poll. Any change in the terms of options granted to a substantial shareholder or an independent non-executive Director or any of their respective associates must be approved by the Shareholders in general meeting.

(vi) *Time of acceptance and exercise of option*

An option may be accepted by a participant within 21 days from the date of the offer of grant of the option.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by the Directors to each grantee, which period may commence from the date of the offer for the grant of options is made, but shall end in any event not later than 10 years from the date of grant of the option subject to the provisions for early termination thereof. Unless otherwise determined by the Directors and stated in the offer for the grant of options to a grantee, there is no minimum period required under the Share Option Scheme for the holding of an option before it can be exercised.

(vii) *Performance targets*

Unless the Directors otherwise determined and stated in the offer for the grant of options to a grantee, a grantee is not required to achieve any performance targets before any options granted under the Share Option Scheme can be exercised.

(viii) *Subscription price for the Shares and consideration for the option*

The subscription price for the Shares under the Share Option Scheme shall be a price determined by the Directors, but shall not be less than the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet for trade in one or more board lots of the Shares on the date of the offer for the grant, which must be a business day; (ii) the average closing price of Shares as stated in the Stock Exchange's daily quotations for the five business days immediately preceding the date of the offer for the grant; and (iii) the nominal value of a Share.

A nominal consideration of HK\$1 is payable on acceptance of the grant of an option.

(ix) *Ranking of the Shares*

(aa) The Shares allotted and issued upon the exercise of an option will be subject to all the provisions of the articles of association of our Company for the time being in force and will rank *pari passu* in all respects with the fully paid Shares in issue on the date on which the option is duly exercised or, if that date falls on a day when the register of members of our Company is closed, the first day of the re-opening of the register of members (the “**Exercise Date**”) and accordingly will entitle the holders thereof to participate in all dividends or other distributions paid or made on or after the Exercise Date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be before the Exercise Date. A Share allotted and issued upon the exercise of an option shall not carry voting rights until the name of the grantee has been entered on the register of members of our Company as the holder thereof.

(bb) Unless the context otherwise requires, references to “**Shares**” in this paragraph include references to shares in the ordinary equity share capital of our Company of such nominal amount as shall result from a subdivision, consolidation, re-classification or re-construction of the share capital of our Company from time to time.

(x) *Restrictions on the time of the offer for the grant of options*

No offer for grant of options shall be made after a price sensitive event has occurred or a price sensitive matter has been the subject of a decision until such price sensitive information has been published. In particular, during the period commencing one month immediately preceding the earlier of (aa) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules), and (bb) the deadline for our Company to publish an announcement of its results for any year, half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules) and ending on the date of the results announcement, no option for the grant of options may be made.

The Directors may not make any offer for the grant of option to a participant who is a Director during the periods or times in which Directors are prohibited from dealing in shares pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers prescribed by the Listing Rules or any corresponding code or securities dealing restrictions adopted by our Company.

(xi) *Period of the Share Option Scheme*

The Share Option Scheme will remain in force for a period of 10 years commencing on the date on which the Share Option Scheme is adopted.

(xii) *Rights on ceasing employment*

If the grantee of an option is an Eligible Employee (as defined below) and ceases to be an Eligible Employee for any reason other than death, ill-health or retirement in accordance with his contract of employment or the termination of his employment on one or more of the grounds referred to in sub-paragraph (xiv) below before exercising his option in full, the option (to the extent not already exercised) will lapse on the date of cessation and shall not be exercisable unless the Directors otherwise determine in which event the grantee may exercise the option (to the extent not already exercised) in whole or in part within such period as the Directors may determine following the date of such cessation, which will be taken to be the last day on which the grantee was at work with our Group or the Invested Entity whether salary is paid in lieu of notice or not.

Eligible Employee means any employee (whether full time or part time employee, including any executive director but not any non-executive director) of our Company, any of our subsidiaries or any Invested Entity.

(xiii) *Rights on death, ill-health or retirement*

If the grantee of an option is an Eligible Employee and ceases to be an Eligible Employee by reason of his death, ill-health or retirement in accordance with his contract of employment before exercising the option in full, his personal representative(s), or, as appropriate, the grantee may exercise the option (to the extent not already exercised) in whole or in part within a period of 12 months following the date of cessation of employment which date shall be the last day on which the grantee was at work with our Group or the Invested Entity whether salary is paid in lieu of notice or not or such longer period as the Directors may determine.

(xiv) *Rights on dismissal*

If the grantee of an option is an Eligible Employee and ceases to be an Eligible Employee by reason of a termination of his employment on the grounds that he has been guilty of persistent or serious misconduct, or has committed any act of bankruptcy or has become insolvent or has made any arrangements or composition with his creditors

generally, or has been convicted of any criminal offence (other than an offence which in the opinion of the Directors does not bring the grantee or our Group or the Invested Entity into disrepute), his option (to the extent not already exercised) will lapse automatically on the date of cessation to be an Eligible Employee.

*(xv) Rights on breach of contract*

If the Directors shall at their absolute discretion determine that (aa) (1) the grantee of any option (other than an Eligible Employee) or his associate has committed any breach of any contract entered into between the grantee or his associate on the one part and our Group or any Invested Entity on the other part; or (2) that the grantee has committed any act of bankruptcy or has become insolvent or is subject to any winding-up, liquidation or analogous proceedings or has made any arrangement or composition with his creditors generally; or (3) the grantee could no longer make any contribution to the growth and development of our Group by reason of the cessation of its relations with our Group or by other reason whatsoever; and (bb) the option granted to the grantee under the Share Option Scheme shall lapse as a result of any event specified in sub-paragraph (1), (2) or (3) above, his option will lapse automatically on the date on which the Directors have so determined.

*(xvi) Rights on a general offer, a compromise or arrangement*

If a general or partial offer, whether by way of take-over offer, share re-purchase offer, or scheme of arrangement or otherwise in like manner is made to all the holders of Shares, or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror, our Company shall use all reasonable endeavours to procure that such offer is extended to all the grantees on the same terms, mutatis mutandis, and assuming that they will become, by the exercise in full of the options granted to them, Shareholders. If such offer becomes or is declared unconditional, a grantee shall be entitled to exercise his option (to the extent not already exercised) to its full extent or to the extent specified in the grantee's notice to our Company in exercise of his option at any time thereafter and up to the close of such offer (or any revised offer) or the record date for entitlements under such scheme of arrangement, as the case may be. Subject to the above, an option will lapse automatically (to the extent not exercised) on the date which such offer (or, as the case may be, revised offer) closed or the relevant date for entitlements under such scheme of arrangement, as the case may be.

*(xvii) Rights on winding up*

In the event of a resolution being proposed for the voluntary winding-up of our Company during the option period, the grantee may, subject to the provisions of all applicable laws, by notice in writing to our Company at any time not less than two business days before the date on which such resolution is to be considered and/or passed, exercise his option (to the extent not already exercised) either to its full extent or to the extent specified in such notice in accordance with the provisions of the Share Option Scheme and our Company shall allot and issue to the grantee the Shares in respect of which such grantee has exercised his option not less than one business day before the date on which such



resolutions to be considered and/or passed whereupon he shall accordingly be entitled, in respect of the Shares allotted and issued to him in the aforesaid manner, to participate in the distribution of the assets of our Company available in liquidation *pari passu* with the holders of the Shares in issue on the day prior to the date of such resolution. Subject thereto, all options then outstanding shall lapse and determine on the commencement of the winding-up of our Company.

(xviii) *Grantee being a company wholly owned by eligible participants*

If the grantee is a company wholly owned by one or more eligible participants:

- (aa) sub-paragraphs (xii), (xiii), (xiv) and (xv) shall apply to the grantee and to the options to such grantee, *mutatis mutandis*, as if such options had been granted to the relevant eligible participant, and such options shall accordingly lapse or fall to be exercisable after the event(s) referred to in sub-paragraphs (xii), (xiii), (xiv) and (xv) shall occur with respect to the relevant eligible participant; and
- (bb) the options granted to the grantee shall lapse and determine on the date the grantee ceases to be wholly owned by the relevant eligible participant provided that the Directors may in their absolute discretion decide that such options or any part thereof shall not so lapse or determine subject to such conditions or limitations as they may impose.

(xix) *Adjustments to the subscription price*

In the event of a capitalisation issue, rights issue, subdivision or consolidation of Shares or reduction of capital of our Company whilst an option remains exercisable, such corresponding alterations (if any) certified by the auditors for the time being of or an independent financial adviser to our Company as fair and reasonable will be made to the number or nominal amount of Shares, the subject matter of the Share Option Scheme and the options so far as unexercised and/or the subscription price of the option concerned and/or (unless the grantee of the option elects to waive such adjustment) the number of Shares comprised in an option or which remains comprised in an option, provided that (i) any adjustments shall give a grantee the same proportion of the issued share capital to which he was entitled prior to such alteration; (ii) the issue of Shares or other securities of our Group as consideration in a transaction may not be regarded as a circumstance requiring adjustment; (iii) no alteration shall be made the effect of which would be to enable a Share to be issued at less than its nominal value; and (iv) any adjustment must be made in compliance with the Listing Rules and such rules, codes and guidance notes of the Stock Exchange from time to time. In addition, in respect of any such adjustments, other than any adjustment made on a capitalisation issue, such auditors or independent financial adviser must confirm to the Directors in writing that the adjustments satisfy the requirements of the relevant provision of the Listing Rules.



*(xx) Cancellation of options*

Any cancellation of options granted but not exercised must be subject to the prior written consent of the relevant grantee and the approval of the Directors.

When our Company cancels any option granted to a grantee but not exercised and issues new option(s) to the same grantee, the issue of such new option(s) may only be made with available unissued options (excluding the options so cancelled) within the General Scheme Limit or the new limits approved by the Shareholders pursuant sub-paragraphs (iii) (cc) and (dd) above.

*(xxi) Termination of the Share Option Scheme*

Our Company may by resolution in general meeting at any time terminate the Share Option Scheme and in such event no further options shall be offered but in all other respects the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any options (to the extent not already exercised) granted prior to the termination or otherwise as may be required in accordance with the provisions of the Share Option Scheme. Options (to the extent not already exercised) granted prior to such termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

*(xxii) Rights are personal to the grantee*

An option is personal to the grantee and shall not be transferable or assignable.

*(xxiii) Lapse of option*

An option shall lapse automatically (to the extent not already exercised) on the earliest of:

- (aa) the expiry of the option period in respect of such option;
- (bb) the expiry of the periods or dates referred to in paragraph (xii), (xiii), (xiv), (xv), (xvi), (xvii) and (xviii); and
- (cc) the date on which the Directors exercise our Company's right to cancel the option by reason of a breach of paragraph (xxii) above by the grantee.

*(xxiv) Miscellaneous*

- (aa) The Share Option Scheme is conditional on the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, such number of Shares to be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, such number being not less than that of the General Scheme Limit.

- (bb) The terms and conditions of the Share Option Scheme relating to the matters set out in Rule 17.03 of the Listing Rules shall not be altered to the advantage of grantees of the options except with the approval of the Shareholders in general meeting.
- (cc) Any alterations to the terms and conditions of the Share Option Scheme which are of a material nature or any change to the terms of options granted must be approved by the Shareholders in general meeting, except where the alterations take effect automatically under the existing terms of the Share Option Scheme.
- (dd) The amended terms of the Share Option Scheme or the options shall comply with the relevant requirements of Chapter 17 of the Listing Rules.
- (ee) Any change to the authority of the Directors or the scheme administrators in relation to any alteration to the terms of the Share Option Scheme shall be approved by the shareholders of our Company in general meeting.

(b) *Present status of the Share Option Scheme*

(i) *Approval of the Listing Committee required*

The Share Option Scheme is conditional on the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, such number of Shares to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, such number being not less than that of the General Scheme Limit.

(ii) *Application for approval*

Application has been made to the Listing Committee of the Stock Exchange for the listing of and permission to deal in the Shares to be issued within the General Scheme Limit pursuant to the exercise of any options which may be granted under the Share Option Scheme.

(iii) *Grant of option*

As at the date of this prospectus, no options have been granted or agreed to be granted under the Share Option Scheme.

(iv) *Value of options*

The Directors consider it inappropriate to disclose the value of options which may be granted under the Share Option scheme as if they had been granted as at the Latest Practicable Date. Any such valuation will have to be made on the basis of certain option pricing model or other methodology, which depends on various assumptions including, the exercise price, the exercise period, interest rate, expected volatility and other variables. As

no options have been granted, certain variables are not available for calculating the value of options. The Directors believe that any calculation of the value of options as at the Latest Practicable Date based on a number of speculative assumptions would not be meaningful and would be misleading to investors.

#### 15. Estate duty, tax and other indemnity

Mr. Chan and Creative Sector ( the “**Indemnifiers**”) have entered into a deed of indemnity with and in favour of our Company (for itself and as trustee for each of its present subsidiaries) (being the material contract (v) referred to in paragraph 8 above) to provide indemnities on a joint and several basis, in respect of, among other matters:

- (a) any liability for Hong Kong estate duty which might be incurred by any member of our Group by reason of any transfer of property (within the meaning of sections 35 and 43 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong) or the equivalent thereof under the laws of any jurisdiction outside Hong Kong) to any member of our Group at any time on or before the Listing; and
- (b) tax liabilities (including all fines, penalties, costs, charges, expenses and interests incidental or relating to taxation) which might be payable by any member of our Group in respect of any income, profits, gains, transactions, events, matters or things earned, accrued, received, entered into or occurring on or before the Listing Date, whether alone or in conjunction with any other circumstances whenever occurring and whether or not such tax liabilities are chargeable against or attributable to any other person, firm, company or corporation.

The Indemnifiers are under no liability under the deed of indemnity in respect of any taxation:

- (a) to the extent that provision or reserve has been made for such taxation in the audited accounts of any member of our Group for any accounting period up to 31 May 2009;
- (b) to the extent that such taxation or liability falling on any of the members of our Group in respect of any accounting period commencing on or after 1 June 2009 and ending on the Listing Date, where such taxation or liability would not have arisen but for some act or omission of, or transaction voluntarily entered into by, any member of our Group (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) without the prior written consent or agreement of the Indemnifiers, other than any such act, omission or transaction:
  - (i) carried out or effected in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets after 1 June 2009; and
  - (ii) carried out, made or entered into pursuant to a legally binding commitment created on or before 31 May 2009 or pursuant to any statement of intention made in the prospectus; or

- (c) to the extent that such taxation liabilities or claim arise or are incurred as a result of the imposition of taxation as a consequence of any retrospective change in the law, rules and regulations or the interpretation or practice thereof by the Hong Kong Inland Revenue Department or the taxation authority of the PRC, or any other relevant authority (whether in Hong Kong or the PRC or any other part of the world) coming into force after the date of the deed of indemnity or to the extent such claim arises or is increased by an increase in rates of taxation or claim after the date of the deed of indemnity with retrospective effect; or
- (d) to the extent that any provision or reserve made for taxation in the audited accounts of any member of our Group up to 31 May 2009 which is finally established to be an over-provision or an excessive reserve, in which case the Indemnifiers' liability (if any) in respect of taxation shall be reduced by an amount not exceeding such provision or reserve, provided that the amount of any such provision or reserve applied referred to in this paragraph to reduce the Indemnifiers' liability in respect of taxation shall not be available in respect of any such liability arising thereafter.

Under the deed of indemnity, each of the Indemnifiers has also undertaken to us that he/it will indemnify and at all times keeps us fully indemnified, on a joint and several basis, from any depletion in or reduction in value of its assets or any loss (including all legal costs and suspension of operation), cost, expenses, damages or other liabilities which any member of our Group may incur or suffer arising from or in connection with the implementation of the Reorganisation.

## **16. Litigation**

Neither our Company nor any of our subsidiaries is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against our Company or any of our subsidiaries, that would have a material adverse effect on the results of operations or financial condition of our Company.

## **17. Preliminary expenses**

The preliminary expenses of our Company are estimated to be approximately US\$7,400 (equivalent to approximately HK\$57,000) and are payable by our Company.

## **18. Promoters**

- (a) The promoter of our Company is Mr. Chan.
- (b) Save as disclosed in this prospectus, within the two years preceding the date of this prospectus, no amount or benefit has been paid or given to the promoter named in sub-paragraph (a) above in connection with the Share Offer or the related transactions described in this prospectus.

## **19. Agency fees or commissions received**

The Underwriters will receive a commission of 3.5% of the aggregate Offer Price in respect of all the Offer Shares, out of which they will pay any sub-underwriting commissions and selling

concessions. The Sponsor will also receive fees relating to the Share Offer. Such commissions, selling concessions, fees and expenses, together with the Stock Exchange listing fees, legal and other professional fees, and printing and other expenses relating to the Share Offer, which are estimated to amount in aggregate to approximately HK\$47.5 million based on the minimum Offer Price of HK1.38, and approximately HK\$51.5 million based on the maximum Offer Price of HK\$1.78 (both assuming no exercise of the Over-allotment Option), will be payable by our Company.

## **20. Application for listing of Shares**

The Sponsor has made an application on behalf of our Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus and any Shares which may be issued upon the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme, being up to 10% of the Shares in issue on the Listing Date, on the Stock Exchange. All necessary arrangements have been made to enable the securities to be admitted into CCASS.

## **21. Qualifications of experts**

The qualifications of the experts who have given opinions and/or whose names are included in this prospectus are as follows:

<b>Name</b>	<b>Qualification</b>
Guotai Junan Capital	Licensed corporation to carry on type 6 (advising on corporate finance) regulated activity as defined under the SFO
KPMG	Certified public accountants
Conyers Dill & Pearman	Cayman Islands barristers and attorneys
Commerce & Finance Law Offices	Qualified PRC lawyers
BMI Appraisals Limited	Professional property valuer

## **22. Consents of experts**

Each of Guotai Junan Capital, KPMG, Conyers Dill & Pearman, Commerce & Finance Law Offices and BMI Appraisals Limited has given and has not withdrawn its written consent to the issue of this prospectus with copies of its reports, valuation, letters or opinions (as the case may be) and the references to its names or summaries of opinions included herein in the form and context in which they respectively appear.

**23. Binding Effect**

This prospectus shall have the effect, if an application is made in pursuance of it, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies Ordinance so far as applicable.

**24. Taxation of holders of Shares****(a) *Hong Kong***

Dealings in Shares registered on our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty. The sale, purchase and transfer of Shares are subject to Hong Kong stamp duty, the current rate of which is 0.2% of the consideration or, if higher, the value of the Shares being sold or transferred.

Profits from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

**(b) *The Cayman Islands***

Under the present Cayman Islands law, transfers and other dispositions of Shares are exempt from Cayman Islands stamp duty.

**(c) *Consultation with professional advisers***

Intending holders of Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in Shares or exercising any rights attaching to them. It is emphasised that none of our Company, the Directors or the other parties involved in the Share Offer can accept responsibility for any tax effect on, or liabilities of, holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares or exercising any rights attaching to them.

**25. Miscellaneous****(a) Save as disclosed herein:****(i) within two years preceding the date of this prospectus:**

- (aa) no share or loan capital of our Company or of any of our subsidiaries has been issued, agreed to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration other than cash; and

- (bb) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries; and
- (cc) no commission has been paid or payable for subscribing or agreeing to subscribe, or procuring or agreeing to procure the subscriptions, for any shares in our Company or any of our subsidiaries;
- (ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option; and
- (b) The Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Group since 31 May 2009 (being the date to which the latest combined financial statements of our Group were made up).

**26. Bilingual prospectus**

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided under section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

**1. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES**

The documents attached to a copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were, amongst other documents, copies of the **WHITE** and **YELLOW** application forms, the statements of adjustments made by KPMG in arriving at the figures set out in their accountants' report and giving their reasons thereof, the written consents referred to under the sub-paragraph headed "Consents of experts" under the paragraph headed "Other information" of appendix VI to this prospectus, and certified copies of the material contracts referred to in the sub-paragraph headed "Summary of material contracts" under the paragraph headed "Further information about the business of our Company" of appendix VI to this prospectus.

**2. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at the offices of Chiu & Partners at 41st Floor, Jardine House, 1 Connaught Place, Central, Hong Kong, during normal business hours up to and including Friday, 18 September 2009:

- (a) our Memorandum of Association and the Articles of Association;
- (b) the accountants' report prepared by KPMG, the text of which is set out in Appendix I to this prospectus and the related statement of adjustments;
- (c) the audited financial statements of the companies now comprising the Group under the statutory requirements for each of the three years ended 31 December 2008 (or for the period since their respective dates of incorporation where it is shorter), if any;
- (d) the letter from KPMG in relation to the unaudited pro forma financial information of our Group, the text of which is set out in Appendix II to this prospectus;
- (e) the letter from KPMG in relation to the profit estimate of our Group, the text of which is set out in Appendix III to this prospectus;
- (f) the letter from Guotai Junan Capital in relation to the profit estimate of our Group, the text of which is set out in Appendix III to this prospectus;
- (g) the letter, summary of values and valuation certificates relating to the property interests of our Group prepared by BMI Appraisals Limited, the text of which is set out in Appendix IV to this prospectus;
- (h) the Companies Law;
- (i) the letter of advice prepared by Conyers Dill & Pearman summarising certain aspects of the Cayman Islands company law referred to in Appendix V to this prospectus;



- (j) the legal opinions prepared by Commerce & Finance Law Offices in respect of certain aspects of our Group and the property interests of our Group in the PRC;
- (k) the material contracts referred to in the sub-paragraph headed “Summary of material contracts” in the paragraph headed “Further information about the business of our Company” in Appendix VI to this prospectus;
- (l) the written consents referred to in the sub-paragraph headed “Consents of experts” under the paragraph headed “Other information” in Appendix VI to this prospectus;
- (m) the rules of the Share Option Scheme; and
- (n) the service contracts referred to in the sub-paragraph headed “Directors” in the paragraph headed “Further information about Directors and Shareholders” in Appendix VI to this prospectus.



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