CHINA ALL ACCESS
中國全通

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

Annual Report
2009 年報

Contents

Corporate Information

DIRECTORS

Executive Directors

Mr. Chan Yuen Ming
Mr. Shao Kwok Keung
Mr. Gao Hou Ming

Independent Non-Executive Directors

Mr. Pun Yan Chak
Mr. Wong Che Man Eddy *(FCPA)*
Mr. Lam Kin Hung Patrick

AUTHORISED REPRESENTATIVES

Mr. Chan Yuen Ming
Mr. Shao Kwok Keung

AUDIT COMMITTEE

Mr. Wong Che Man Eddy *(Chairman) (FCPA)*
Mr. Pun Yan Chak
Mr. Lam Kin Hung Patrick

REMUNERATION COMMITTEE

Mr. Pun Yan Chak *(Chairman)*
Mr. Wong Che Man Eddy *(FCPA)*
Mr. Shao Kwok Keung

NOMINATION COMMITTEE

Mr. Lam Kin Hung Patrick *(Chairman)*
Mr. Wong Che Man Eddy *(FCPA)*
Mr. Shao Kwok Keung

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 406, 4/F
Empire Centre
68 Mody Road
Kowloon
Hong Kong

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

AUDITORS

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

COMPLIANCE ADVISER

Guotai Junan Capital Limited
27/F, Low Block
Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

LEGAL ADVISERS

Chiu & Partners
40th Floor, Jardine House
1 Connaught Place
Central
Hong Kong

INTERNAL CONTROL REVIEW ADVISER

Shinewing Risk Services Limited
16/F, United Centre,
95 Queensway
Hong Kong

PRINCIPAL BANKERS

Bank of Communications Co Ltd., Hong Kong Branch
2/F, 563 Nathan Road
Kowloon
Hong Kong

SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Union Registrars Limited
18th Floor
Fook Lee Commercial Centre
Town Place, 33 Lockhart Road
Wanchai
Hong Kong

SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

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

COMPANY WEBSITE

www.chinaallaccess.com

Financial Summary

For the Year Ended 31 December 2009

A four year financial summary of the results and of the assets and liabilities of China All Access (Holdings) Limited ("CAAH" or the "Company") and its subsidiaries (collectively, the "Group") is set out below. This summary does not form part of the audited financial statements.

	Years ended 31 December			
	2009	2008	2007	2006
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Results				
Revenue	**324,314**	187,074	127,052	53,870
Cost of sales	**(180,381)**	(104,085)	(76,381)	(32,079)
Gross profit	**143,933**	82,989	50,671	21,791
Other revenue	**2,035**	278	75	—
Other net income	**154**	527	16	—
Distribution expenses	**(1,729)**	—	—	—
Administration expenses	**(29,016)**	(7,144)	(3,668)	(2,164)
Profit from operations	**115,377**	76,650	47,094	19,627
Finance costs	**(4,674)**	(7,116)	(615)	—
Profit before taxation	**110,703**	69,534	46,479	19,627
Income tax	**(12,779)**	(1,738)	—	(4,372)
Profit for the year	**97,924**	67,796	46,479	15,255
Earnings per share				
Basic (RMB)	**0.117**	0.090	0.062	0.019
Diluted (RMB)	**0.116**	0.079	0.060	0.019

	As at 31 December			
	2009	2008	2007	2006
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Assets and liabilities				
Total assets	**774,701**	353,894	86,446	16,488
Total liabilities	**(56,234)**	(212,215)	(109,786)	(89,674)
Total equity	**718,467**	141,679	(23,340)	(73,186)

Note: The results of the Group for the year ended 31 December 2008 and 2009 were prepared in accordance with note 2 to the financial statements. The results for the year ended 31 December 2006 and 2007 were extracted from the prospectus of the Company dated 4 September 2009.

Dear Shareholders,

2009 will be remembered as a milestone year for the Company as we were successfully listed on The Stock Exchange of Hong Kong Limited. Our status as a Hong Kong listed company has given us a solid platform to realise our vision which is to become a leading provider for application solutions for public safety, city integrated management and city emergency communication in the PRC.

Being a pioneer in the provision of advanced communication technology to facilitate the emergency operations, disaster recovery and public administration, our customised application solutions have been rolled out to five autonomous cities and eleven provinces in the PRC. Alongside with this geographical expansion, we have penetrated vertically into the industries which we gained very remarkable initiatives sporadically in our key markets in the startup stage. This is also a powerful sales and marketing strategy adopted by us in developing our business, namely to launch a few classical applications in each target industry to demonstrate the benefit of using our application solutions, with the aim that such customers will refer our application solutions to prospective customers of the same industry in other provinces. As a result, the number of projects delivered by us has been proliferating rapidly. In 2009, we also entered into several new industries, including telecommunication operator, public health and hygiene, etc. In summary, our growth could be divided into three dimensions, namely geographical expansion to cover more provinces, penetration into industries in which we have a foothold with projects launched by us and entering into new industries.

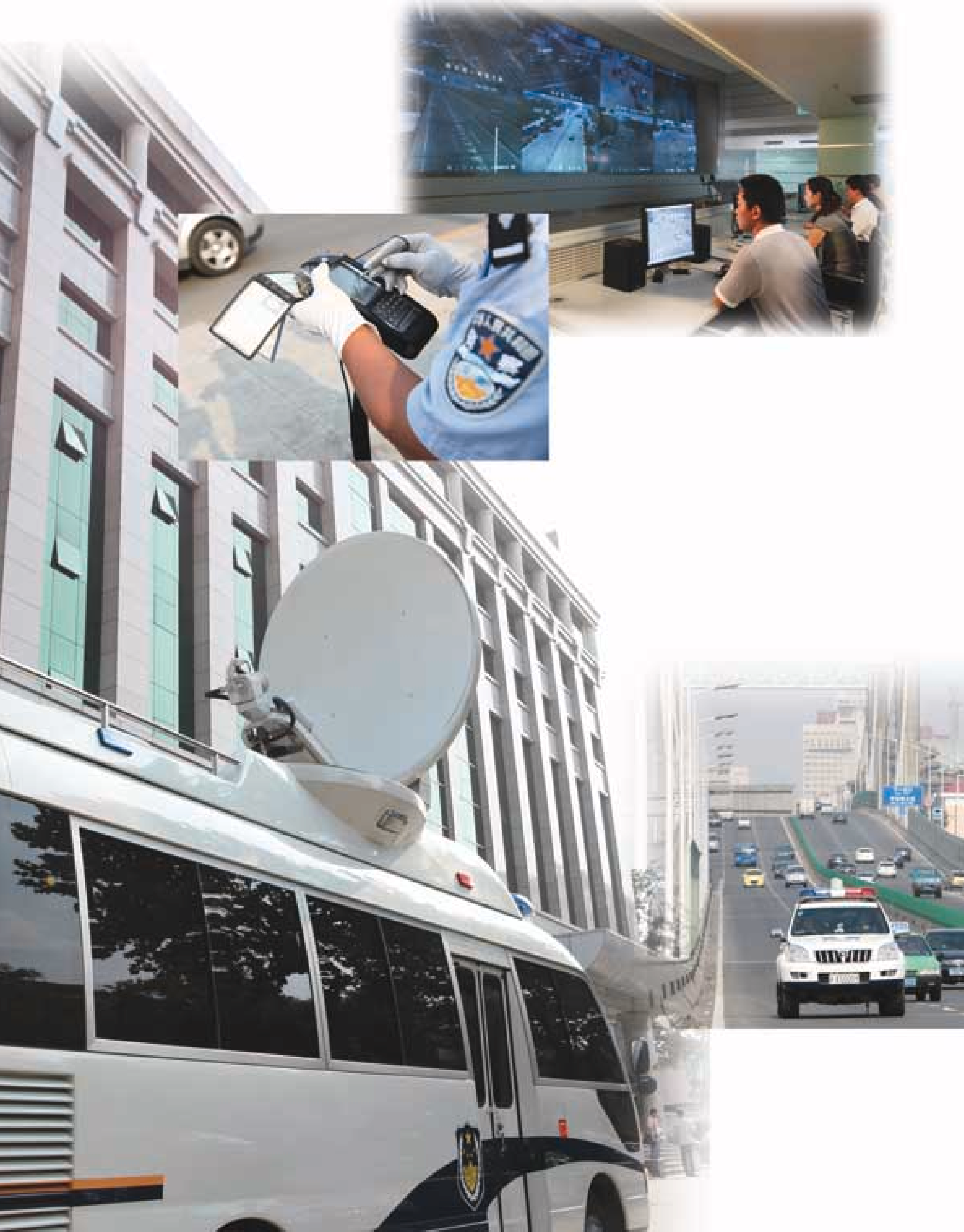
Looking ahead, we will dedicate our efforts in continuing our three-fold growth strategy by building up our nationwide sales and marketing network. Our target is to set up subsidiaries and offices in the top tier cities and the capital cities of all coastal provinces as well as a few inland provinces. At the same time, we will pursue the application of more advanced technologies to differentiate our solutions from those available in the market. These new technologies should meet the criteria of enhancing the operations of emergency communication, post-disaster action and public administration and we expect that they can even broaden our market horizon to serve both institutional and retail sectors.

APPRECIATION

On behalf of the board of directors of the Company, I would like to extend my sincere gratitude to our business partners and shareholders for their support and confidence in us. The management team and all staff members are equally deserving of praise for their diligence and dedication to the Company. We will cautiously allocate resources and implement policies that will strengthen our development, ultimately enhancing our value for shareholders over the long term.

On behalf of the board of directors of
China All Access (Holdings) Limited
Chan Yuen Ming
Chairman

Hong Kong, 30 March 2010



BUSINESS REVIEW

Wireless data communication application solutions and services

The demand for wireless data communication application solutions and services was propelled by the launch of 3G mobile communication services in the PRC. In 2009, our business in the provision of wireless data communication application solutions and services recorded very remarkable result. It represented about 52% of our total business volume. Its convenience in usage and its user-friendliness in integrating with different operating systems enable us to provide more projects to customers in different industries including traffic law enforcement bureau, fire service bureau, bank, telecommunication operating company, mining industry and utility company. Alongside with the increase in the number of projects installed for our customers, we could also increase our service revenue which would contribute to higher profit margin and a more stable stream of revenue for our business.

Satellite communication application solutions and services

As an alternative means to supplement terrestrial communication means especially in the event of emergency situation when mainstream communication technologies cannot be effectively applied, our solutions become a must-have contingency communication tools for mission critical actions. More and more customers of different industries are realising the benefit of maintaining such an effective means of communication and are willing to invest into our solutions and services which afford them with the peace of mind that they are not solely relying on the public network. With the provision of advanced technologies to the market, we have solicited the interest of more prospective customers in different industries. In 2009, our business in the provision of satellite communication application solutions and services accounted for about 47% of our total business volume. Besides the geographical expansion of our market to cover more customers of the same industries in different provinces and the repeated orders from our existing customers, we also developed customer base in several new industries, including the public health and hygiene industry and the telecommunication operators.

Call centre application solutions and services

Our call centre application solutions and services are customized packages for the telecommunication, banking and broadcasting enterprises which have outsourced their call centres to call centre service providers. In 2009, it represented about 1% of our total business volume. Due to the fact that most of our management resources were dedicated towards the development of the wireless data communication application solutions and services and the satellite communication application solutions and services, the call centre application solutions and services remained as a very stable business segment. We will approach more call centre service providers in the market to develop partnership relationships with them in order to grow this business.

Application of IPO proceeds

The net proceeds from the Company's initial public offering ("IPO") in September 2009 was approximately HK$403.47 million, after deduction of related expenses. Up to 31 January 2010, the Company has already applied HK$69.37 million of the net proceeds in accordance with the description of the use of proceeds in the prospectus of the Company dated 4 September 2009 (the "Prospectus"). The balance of approximately HK$334.1 million of the net proceeds will be also applied in line with the description in the Prospectus.

FINANCIAL REVIEW

Revenue

Revenue increased from approximately RMB187.07 million for the year ended 31 December 2008 to approximately RMB324.31 million for the year ended 31 December 2009 which represented an increase of approximately 73%. The increase in revenue during the current year as compared with last year was mainly attributable to the following factors:

- Provision of wireless data communication application solutions and services exhibited an increase in revenue from approximately RMB62.72 million for the year ended 31 December 2008 to approximately RMB166.86 million for the year ended 31 December 2009 which represented a growth of approximately 166%. The growth was mainly driven by the sales of more wireless data terminals and installation of more wireless data communication application projects for deployment in the areas of network monitoring and surveillance in different industries as well as the increase in our provision of application services to our customers.

- Provision of satellite communication application solutions and services exhibited an increase in revenue from approximately RMB120.07 million for the year ended 31 December 2008 to approximately RMB153.16 million for the year ended 31 December 2009 which represented a growth of approximately 28%. The growth was mainly driven by the sales of more dynamic satellite communication application solutions in connection with our increase in market penetration both in the industries which engaged us to provide these solutions before and in new industries.

Gross profit

Gross profit increased from approximately RMB82.99 million for the year ended 31 December 2008 to approximately RMB143.93 million for the year ended 31 December 2009 which represented a growth of approximately 73%. Meanwhile, the gross profit margin remained at approximately 44% for the years ended 31 December 2008 and 31 December 2009. The gross profit for the years ended 31 December 2008 and 2009 is analysed as follows:

- Provision of wireless data communication application solutions and services generated gross profit of approximately RMB33.25 million and RMB83.51 million for the years ended 31 December 2008 and 31 December 2009 respectively, representing a growth of approximately 151%. The growth of our gross profit was driven by our sales of wireless data terminals in 2009. On the other hand, the gross profit margins for the years ended 31 December 2008 and 31 December 2009 were approximately 53% and 51% respectively. The impact on the gross profit margin was mainly driven by our pursuit for growing the volume of this business.

- Provision of satellite communication application solutions and services generated gross profit of approximately RMB53.29 million and RMB67.74 million for the years ended 31 December 2008 and 31 December 2009 respectively, representing a growth of approximately 27%. The gross profit margins remained at 44% in these two years.

Administration and distribution expenses

Administration and distribution expenses increased from approximately RMB7.14 million for the year ended 31 December 2008 to approximately RMB30.75 million for the year ended 31 December 2009 which represented a growth of approximately 3.30 times. Excluding the listing expenses of approximately RMB12.27 million, the increase was approximately 1.59 times which were incurred as a result of our expansion in human resources and all kinds of facilities in the course of growing our business.

Finance costs

All interest-bearing borrowings were settled upon the Company's IPO in September 2009. Therefore, the finance costs decreased from approximately RMB7.12 million for the year ended 31 December 2008 to approximately RMB4.67 million for the year ended 31 December 2009 which represented a decline of approximately 34%.

Income tax

Our major operating subsidiary in the PRC, namely Hebei Noter Communication Technology Co., Ltd. ("Hebei Noter"), has become subject to income tax rate of 12.5% in 2009 after enjoying two years of zero income tax rate previously. Hence, the income tax for the Group increased from approximately RMB1.74 million for the year ended 31 December 2008 to approximately RMB12.78 million for the year ended 31 December 2009 which represented an increase of approximately 6.34 times.

Profit for the year

Profit for the year increased from approximately RMB67.80 million for the year ended 31 December 2008 to approximately RMB97.92 million for the year ended 31 December 2009 which represented a growth of approximately 44%.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity, financial resources and capital structure

As at 31 December 2009, the Group had cash and cash equivalents of approximately RMB465.20 million (as at 31 December 2008: approximately RMB174.71 million) and no interest-bearing borrowings (as at 31 December 2008 : approximately RMB149.65 million) respectively. Due to the repayment of all bank loans by the Group and the conversion of all convertible notes and fixed coupon notes into equity during the year, the gearing ratio (calculated by dividing total interest-bearing borrowings by total assets) as at 31 December 2009 was nil (as at 31 December 2008 : approximately 45%). As at 31 December 2009, the Group had current assets of approximately RMB672.54 million (as at 31 December 2008: approximately RMB275.16 million) and current liabilities of approximately RMB47.34 million (as at 31 December 2008: approximately RMB202.13 million). The current ratio (which is calculated by dividing current assets by current liabilities) was approximately 14.21 as at 31 December 2009, which was a surge as compared with the current ratio of approximately 1.36 as at 31 December 2008. Such surge was due to the repayment of all current portion of bank loans and the conversion of convertible notes and fixed coupon notes during the year.

The Board's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, without incurring unacceptable losses or risking damage to the Group's reputation.

Foreign exchange exposure

The Group's sales were denominated in RMB, the functional currency of the Group. Therefore the Group is not exposed to significant foreign currency exchange risks and the Board does not expect future currency fluctuations to materially impact the Group's operations. The Group does not employ any financial instruments for hedging purposes.

Capital expenditure and investment in subsidiaries

During the year, the Group's total capital expenditure amounted to approximately RMB1.52 million, which was used for the acquisition of machineries and equipment. The Group incorporated two new wholly-owned subsidiaries in the PRC, namely Beijing All Access Noter Communication Technology Co., Ltd. ("Beijing Noter") and Shanghai All Access Noter Communication Technology Co., Ltd. ("Shanghai Noter") with a paid up registered capital amount of US$30 million and US$3 million respectively. The Group also increased the paid up registered capital amount of Hebei Noter from US$19.50 million to US$22.50 million. The Group plans to incorporate one new wholly-owned subsidiary in the PRC in 2010 to accomplish the task of setting up a nationwide sales and marketing network. It also plans to acquire the majority shareholding of a domestic company in the PRC to develop new application solutions and services for new market. All these capital resources were and will be funded by our own internal resources.

Charge on assets

As at 31 December 2009, the Group had no charge on any assets.

Contingent liabilities

As at 31 December 2009, the Group had no material contingent liabilities.

Commitment

As at 31 December 2009, the Group had committed to provide financial support to Sky Communication Group Co., Ltd. ("SkyComm") up to the maximum amount of RMB100 million. Please refer to note 16(i) to the financial statements for details.

HUMAN RESOURCES

As at 31 December 2009, the Group employed approximately 140 employees (as at 31 December 2008 : approximately 81 employees). The Group's employees are remunerated in line with the prevailing market terms and individual performance, with their remuneration packages and policies reviewed on a regular basis. The Group offered to its employees competitive salary package, as well as contribution to defined contribution retirement plan. A share option scheme has also been adopted for employees of the Group and other eligible participants, the details of which are set out in the paragraph headed "Share Option Scheme" in the Report of the Directors.

PROSPECTS

Achieving an operating profit of more than RMB100 million is a key milestone of our corporate development. Together with the success in our IPO in September 2009, we have positioned ourselves to pursue the leading role of application solution provider for public safety, city integrated management and city emergency communication in the PRC. We foresee that the increasing popularity of 3G mobile communication services in the PRC market will further increase the demand of wireless data communication application solutions and services. At the same time, the continuous rapid economic development in the PRC will boost up the level of awareness of having alternative means of communication technologies which have demonstrated their effectiveness in the event of emergency situation and safeguarding the accomplishment of mission critical activities. We believe that more institutions of different sectors will invest into the satellite communication application solutions and services being provided by us. Our call centre application solutions and services have a very niche position in the market that we expect it can be further developed by partnering with more call centre service providers and promoting our offerings to more prospective end customers.

Biography of Directors and Senior Management

DIRECTORS

Executive Directors

CHAN Yuen Ming, aged 54, 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 Sky Commumintion Group Co., Ltd ("SkyComm") and its subsidiaries (collectively "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. Mr. Chan is currently a director of China All Access Group Limited ("CAA BVI"), All Access Global Limited ("CAA HK"), Hebei Noter Communication Technology Co., Ltd., Beijing All Access Noter Commnication Technology Co., Ltd. and Shanghai All Access Noter Communication Technology Co., Ltd., all being wholly-owned subsidiaries of the Company. He is also the director and the shareholder of Creative Sector Limited, the controlling shareholder (as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Stock Exchange") of the Company.

SHAO Kwok Keung, aged 48, 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. Mr Shao is a member of the Remuneration Committee and Nomination Committee of the Board. 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 organisations 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 is currently a director of CAA BVI and CAA HK, both being wholly-owned subsidiaries of the Company.

GAO Hou Ming, aged 43, 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 Sky Communication Co., Ltd. ("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 Beijing Sky Communication Satellite Communication Co. 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.

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 is the chairman of the Remuneration Committee and a member of the Audit Committee of the Board. 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.

WONG Che Man, Eddy, aged 50, 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 is the Chairman of the Audit Committee and a member of the Remuneration Committee and Nomination Committee of the Board. 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.

LAM Kin Hung, Patrick, aged 52, 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 is the Chairman of the Nomination Committee and a member of the Audit Committee of the Board. 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 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.

SENIOR MANAGEMENT

ZHU Ying Qun, aged 41, 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 ˝Group 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 37, 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. 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.

The board ("Board") of directors ("Directors") of China All Access (Holdings) Limited ("Company") is pleased to present the first annual report together with the audited financial statements of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2009.

PRINCIPAL PLACE OF BUSINESS

The Company is a company 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. It is domiciled in Hong Kong 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 at Room 406, 4/F, Empire Centre, 68 Mody Road, Kowloon, Hong Kong.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and 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. Other particulars of the subsidiaries are set out in note 14 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

The information in respect of the Group's sales and purchases attributable to the major customers and suppliers respectively during the financial year is as follows:

	Percentage of the Group's total	
	Sales	**Purchases**
The largest customer	16%	
Five largest customers in aggregate	48%	
The largest supplier		19%
Five largest suppliers in aggregate		72%

None of the Directors, their associates or any shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had any interest in these major customers and suppliers.

FINANCIAL STATEMENTS

The profit of the Group for the year ended 31 December 2009 and the state of the Company's and the Group's affairs as at that date are set out in the financial statements on pages 39 to 106.

DISTRIBUTABLE RESERVES

Profits attributable to shareholders before dividend of RMB97,924,000 (2008: RMB67,796,000) have been transferred to reserves. Details of movements in reserves of the Company during the year are set out in consolidated statement of changes in equity.

The Company's reserves available for distribution to Shareholders as at 31 December 2009 were RMB436,335,000 (2008: RMB Nil).

No interim dividend was paid during the year ended 31 December 2009 (2008: HK$Nil). The Directors recommend the payment of a final dividend of HK$1.0 cent per share (2008: HK$Nil) in respect of the year ended 31 December 2009, subject to the approval by shareholders at the forthcoming annual general meeting of the Company.

FIXED ASSETS

During the year, the Group's total capital expenditure amounted to approximately RMB1.52 million (2008: RMB55.60 million), which was used for the acquisition of machineries and equipment. Details of these acquisitions and other movements in fixed assets are set out in note 13 to the financial statements.

CONVERTIBLE NOTES AND FIXED COUPON NOTES

Details of the convertible notes and fixed coupon notes are set out in note 20 to the financial statements.

BANK LOANS

Particulars of bank loans of the Group during the Year are set out in notes 20 and 21 to the financial statements.

CORPORATE REORGANISATION AND LISTING OF SHARES

Pursuant to a reorganisation (the "Reorganisation") of the Group to rationalise the group structure for the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of the Group on 28 August 2009. Details of the Reorganisation are set out in the Company's prospectus dated 4 September 2009 (the "Prospectus"). The Company's shares were listed on the Stock Exchange on 16 September 2009.

SHARE CAPITAL

Details of the movements in share capital of the Company during the year are set out in note 23(c) to the financial statements.

DIRECTORS

The Directors of the Company during the financial year and up to the date of this report were:

Executive Directors
Mr Chan Yuen Ming, *Chairman*
Mr Shao Kwok Keung, *Chief Executive Officer*
Mr Gao Hou Ming, *Chief Technology Officer (appointed on 19 August 2009)*

Independent non-executive Directors
Mr Pun Yan Chak (appointed on 19 August 2009)
Mr Wong Che Man Eddy (appointed on 19 August 2009)
Mr Lam Kin Hung Patrick (appointed on 19 August 2009)

In accordance with article 105(A) of the Company's articles of association, Mr. Chan Yuen Ming and Mr. Shao Kwok Keung will retire by rotation at the forthcoming annual general meeting of the Company and, being eligible, offer themselves for re-election.

DIRECTORS' SERVICE CONTRACTS

No Director proposed for re-election at the forthcoming annual general meeting of the Company has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

INTERESTS AND SHORT POSITIONS OF THE DIRECTORS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 December 2009, the interests and short positions of the Directors and chief executive of the Company in any of the Company's shares ("Shares"), underlying Shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO") which had been notified to the 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 were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of Part XV of the SFO, to be entered in the register kept by the Company, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

Name of Director	Entity in which interests are held	Capacity/ Nature of interest	Number and class of securities held *(Note 1)*	Approximate percentage of shareholding
Mr. Chan Yuen Ming ("Mr. Chan")	Our Company	Interest of a controlled corporation *(Note 2)*	435,300,000 ordinary Shares (L)	41.96%

Notes:

1. The letter "L" denotes a long position in the Shares or shares of the relevant Group member.

2. These Shares were held by Creative Sector Limited, the entire issued share capital of which was owned by Mr. Chan. Mr. Chan was deemed to be interested in all the Shares in which Creative Sector Limited was interested by virtue of the SFO.

Save as disclosed above, as at 31 December 2009, none of the Directors or chief executive of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which would be required, pursuant to Section 352 of the SFO, to be entered in the register kept by the Company, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2009, so far as is known to the Directors, the following persons (other than the Directors or chief executive of the Company), who had interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company and the Stock Exchange in accordance with the provision of Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register kept by the Company, were as follows:

Name of Shareholder	Entity in which interests are held	Capacity/ Nature of interest	Number and class of securities held *(Note 1)*	Approximate percentage of shareholding
Creative Sector Limited	Our Company	Beneficial owner	435,300,000 ordinary Shares (L)	41.96%
Atlantis Investment Management Limited ("Atlantis")	Our Company	Investment manager	135,425,000 ordinary Shares (L)	13.05%
Chengwei CAA Holdings Limited ("Chengwei")	Our Company	Beneficial owner	106,200,000 ordinary Shares (L)	10.24%
Chengwei Ventures Evergreen Fund, L.P.	Our Company	Interest of a controlled corporation *(Note 2)*	106,200,000 ordinary Shares (L)	10.24%
Chengwei Ventures Evergreen Management, LLC	Our Company	Interest of a controlled corporation *(Note 3)*	106,200,000 ordinary Shares (L)	10.24%
EXL Holdings LLC	Our Company	Interest of a controlled corporation *(Note 4)*	106,200,000 ordinary Shares (L)	10.24%

Name of Shareholder	Company/ Name of Group member	Capacity/ Nature of interest	Number and class of securities held *(Note 1)*	Approximate percentage of shareholding
Mr. Li Eric Xun	Our Company	Interest of a controlled corporation *(Note 4)*	106,200,000 ordinary Shares (L)	10.24%
Ms. Li Yijing Zhu	Our Company	Interest of spouse *(Note 5)*	106,200,000 ordinary Shares (L)	10.24%
Profit Concept International Limited ("Profit Concept")	Our Company	Beneficial owner	52,500,000 ordinary Shares (L)	5.06%
Ms. Wang Yan Yun	Our Company	Interest of a controlled corporation *(Note 6)*	52,500,000 ordinary Shares (L)	5.06%
Even Grow Investments Limited ("Even Grow")	Our Company	Beneficial owner	52,500,000 ordinary Shares (L)	5.06%
Ms. Tam Siu Fun, Yeko	Our Company	Interest of a controlled corporation *(Note 7)*	52,500,000 ordinary Shares (L)	5.06%

Notes:

(1) The letter "L" denotes a person's long position in our Shares or shares of the relevant Group member.

(2) Chengwei Ventures Evergreen Fund, L.P. holds approximately 89.28% of the issued share capital in Chengwei and therefore Chengwei Ventures Evergreen Fund, L.P. was deemed to be interested in all the Shares in which Chengwei was interested by virtue of the SFO.

(3) Chengwei Ventures Evergreen Fund, L.P. is an investment fund managed by Chengwei Ventures Evergreen Management, LLC and therefore Chengwei Ventures Evergreen Management, LLC was deemed to be interested in all the Shares in which Chengwei Ventures Evergreen Fund, L.P. was interested by virtue of the SFO.

(4) 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 EXL Holdings LLC was deemed to be interested in all the Shares in which Chengwei Ventures Evergreen Management, LLC was interested by virtue of the SFO, and Mr. Li Eric Xun was deemed to be interested in all the Shares in which EXL Holdings LLC is interested by virtue of the SFO.

(5) Ms. Li Yijing Zhu is the wife of Mr. Li Eric Xun, and therefore Ms. Li Yijing Zhu was deemed to be interested in all the Shares in which Mr. Li Eric Xun was interested by virtue of the SFO.

(6) Profit Concept is wholly owned by Ms. Wang Yan Yun. Ms. Wang Yan Yun was deemed to be interested in all the Shares in which Profit Concept was interested by virtue of the SFO.

(7) Even Grow is wholly owned by Ms. Tam Siu Fun, Yeko. Ms. Tam Siu Fun, Yeko was deemed to be interested in all the Shares in which Even Grow was interested by virtue of the SFO.

Save as disclosed herein, as at 31 December 2009, our Directors were not aware of any person (who is not a Director or chief executive of the Company) who had an interest or short position in the Shares or the underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under provisions of Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register kept by the Company.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Since the listing of the Company's shares on the Main Board of the Stock Exchange on 16 September 2009 ("Listing Date"), neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities from the Listing Date to 31 December 2009 ("Relevant Period").

MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

Save as disclosed in the section headed "Corporate Reorganisation and Listing of Shares", during the year, there was no other material acquisition or disposal of subsidiaries or associated companies by the Company.

SHARE OPTION SCHEME

A share option scheme (the "Share Option Scheme") was conditionally approved by resolutions of the shareholders of the Company on 28 August 2009. Since the Share Option Scheme has only become effective upon the Listing, no share options were granted, exercised or cancelled by the Company under the Share Option Scheme during the year and there were no outstanding share options under the Share Option Scheme as at 31 December 2009.

Eligible participants of the Share Option Scheme include, (i) any employee (whether full time or part time, including any executive director) of the Company, its subsidiaries or invested entity; (ii) any non-executive directors (including independent non-executive directors) of the Company, its subsidiaries or invested entity; (iii) any supplier or customer of the Group or any invested entity; (iv) any person or entity that provides research, development or other technological support to the Group or any invested entity; (v) any shareholder of any member of the Group or any invested entity or any holder of any securities issued by any member of the Group or any invested entity; (vi) any advisor (professional or otherwise) or consultant to any area of business or business development of the Group or any invested entity; (vii) 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 the Group; and (viii) any company wholly owned by one or more eligible participants as referred to in (i) to (vii) above. Subject to the earlier termination of the Share Option Scheme in accordance with the rules thereof, the Share Option Scheme shall remain in force for a period of ten years commencing on 28 August 2009.

The maximum number of Shares to 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 of the Group must not in aggregate exceed 30% of the shares of the Company in issue from time to time. The maximum number of Shares issuable upon the exercise of options granted under the Share Option Scheme and any other share option scheme adopted by the Group (including both exercised or outstanding options) to each grantee within any 12-month period is limited to 1% of the Shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting. Share options granted to a Director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive Directors of the Company.

In addition, any share options granted to a substantial shareholder or an independent non-executive Director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time and with an aggregate value (based on the closing price of the Company's Shares at the date of the grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The total number of Shares which may be issued upon the exercise of all options (excluding for this purpose options which have lapsed) which may be granted under the Share Option Scheme and any share option scheme of the Group must not in aggregate exceed 100,000,000 Shares, representing 10% and approximately 9.64% of the Shares of the Company in issue as at 16 September 2009 (i.e. the Listing Date) and as at the date of this report respectively.

The offer of a grant of share options may be accepted within 21 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the Directors, which period may commence from the date of the offer of the share options, and ends on a date which is not later than ten years from the date of grant of the share options subject to the provisions for early termination thereof.

The exercise price of the share options is determinable by the Directors, but shall not be less than the highest of (i) the closing price of the Company's shares as quoted on 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 the Company's shares as quoted on the Stock Exchange's daily quotations sheet for the five business days immediately preceding the date of offer; and (iii) the nominal value of a share. Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

No share option was granted by the Company during the year.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

Since the Company was only listed on the Stock Exchange on 16 September 2009, the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules (the "Corporate Governance Code") was applicable to the Company for the Relevant Period.

During the Relevant Period, the Company has applied the principles and complied with the code provisions of the Corporate Governance Code. None of the Directors is aware of any information that would reasonably indicate that the Company is not or was not, at any time during the Relevant Period, in due compliance with the code provisions of the Corporate Governance Code.

CONTRACTS OF SIGNIFICANCE

Save for the continuing connected transactions disclosed in the section headed "Continuing Connected Transactions" below and the related party transactions disclosed in note 26 to the financial statements, no Directors of the Company had a material interest, whether directly or indirectly, in any contract of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party, subsisted at the end of the year or at any time during the year.

Save for the continuing connected transactions disclosed in the section headed "Continuing Connected Transactions" below and the related party transactions disclosed in note 26 to the financial statements, no contracts of significance had been entered into between the Company or any of its subsidiaries and a controlling Shareholder (as defined in the Listing Rules) of the Company or any of its subsidiaries.

REVIEW BY THE AUDIT COMMITTEE

The audit committee of the Board has reviewed with the management of the Company the accounting principles and practices adopted by the Group and discussed the auditing, internal control and financial reporting matters in relation to the annual report of the Group for the year ended 31 December 2009.

The audit committee of the Board has reviewed the annual report of the Group for the year ended 31 December 2009.

TAX RELIEF AND EXEMPTION

The Directors are not aware of any tax relief and exemption available to the Shareholders by reason of their holding the Company's securities.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of Cayman Islands, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders of the Company.

FOUR YEAR SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last four financial years is set out on page 4 of the annual report.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained a sufficient public float as required under the Listing Rules as at the latest practicable date prior to the issue of this annual report.

FINAL DIVIDEND

The Board recommends the payment of a final dividend of HK$1.0 cent per share for the year ended 31 December 2009. The proposed final dividend will be paid to shareholders whose names appear on the register of members of the Company on 14 May 2010, if the proposal is approved by the Shareholders at the forthcoming annual general meeting. It is expected that the final dividend will be paid on or about 2 June 2010.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 12 May 2010 to 14 May 2010 (both days inclusive), during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend for the year ended 31 December 2009 and attending and voting at the forthcoming annual general meeting, all share transfers accompanied by the relevant share certificates must be lodged with the Company's share registrar and transfer office in Hong Kong, Union Registrars Limited at 18th Floor, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong, for registration not later than 4:00 p.m. on 11 May 2010.

CONTINUING CONNECTED TRANSACTIONS

Certain related party transactions as disclosed in note 26 to the financial statements also constituted continuing connected transactions within the meaning of the Listing Rules. Details of such transactions are summarised below:

Lease of office 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)

Connected person: Since Mr. Chan is the Chairman of the Board and an executive Director, Mr. Chan is a connected person of the Company.

Connected transaction: 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 are used for office purposes.

Rent in 2009: The Group paid RMB185,000 as rental for the Lease (exclusive of water, electricity, gas, communication, facilities and management fees), which did not exceed the aggregate annual cap of RMB185,040 for the financial year ended 31 December 2009.

Under the Listing Rules, the above continuing connected transactions under the Shanghai Tenancy Agreement are exempt from the reporting, announcement and independent shareholders' approval requirements.

The independent non-executive Directors have, for the purpose of Rule 14A.37 of the Listing Rules, reviewed all continuing connected transactions and have confirmed that all continuing connected transactions have been entered into by the Group in the ordinary and usual course of its business, on normal commercial terms and in accordance with the terms of the agreements governing such transactions that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company confirmed that it has complied with the disclosure requirements as applicable to the above continuing connected transactions under chapter 14A of the Listing Rules.

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 the Prospectus, our Group and Sky Communication Group Co., Ltd. ("SkyComm") entered into the Long Term Co-operation Agreement (as defined in the Prospectus) 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 and its subsidiaries (collectively, the "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.

In September 2009, our Group and SkyComm signed a memorandum ("Memorandum"), under which our Group has committed to provide SkyComm with the financial support of up to RMB100 million to assist SkyComm in carrying out its role as our Group's agent contemplated under the Long Term Co-operation Agreement. The financial support had been made available to SkyComm on an interest-free, unsecured basis and any amount drawn was repayable within one month, provided that a default interest at market interest rate plus a daily penalty of 0.05% of the amount would be charged in the event of any default in repayment within the said one month period, up to a maximum penalty amounting to 5% of the funding amount. Such financial support, together with the aforesaid performance guarantee of RMB30 million, which are 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 during the year based on the combined balance sheet of our Group as at 30 June 2009.

As at 31 December 2009, a total of RMB15 million of the performance guarantee had been refunded and all advances drawn under the aforesaid financial support had been repaid in full by SkyComm. Based on the consolidated balance sheet of our Group as at 31 December 2009, the subsisting performance guarantee of RMB15 million represented less than 8% of the assets ratio as defined under Rule 14.07 (1) of the Listing Rules as at 31 December 2009. Should the performance guarantee be adjusted and/or our Group provide further financial assistance to SkyComm under the Memorandum in such a way which results in a disclosure requirement under Rule 13.13 and/or 13.14 of the Listing Rules, the Company will make further announcement as and when required.

Our Group continues to provide such financial support to SkyComm after 31 December 2009.

AUDITORS

The Company has appointed KPMG as auditors of the Company for the year ended 31 December 2009 KPMG retire and, being eligible, after themselves for re-appointment. A resolution will be proposed for approval by Shareholders at the forthcoming annual general meeting to re-appoint KPMG as auditors of the Company for the year ending 31 December 2010.

By Order of the Board
China All Access (Holdings) Limited
Mr. Chan Yuen Ming
Chairman

Hong Kong
30 March 2010

The board (the "Board") of directors ("Directors") of China All Access (Holdings) Limited ("Company") is pleased to present their first Corporate Governance Report.

The Company is committed to enhancing corporate governance and transparency of the Company and its subsidiaries (collectively, the "Group") by applying the principles and complying with the code provisions of the Code on Corporate Governance Practices (the "Corporate Governance Code") set out in Appendix 14 to the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Stock Exchange"). The Company has complied with the code provisions of the Corporate Governance Code during the period from the date of the listing of the Company on the Main Board of the Stock Exchange on 16 September 2009 to 31 December 2009 (the "Relevant Period").

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set at in Appendix 10 to the Listing Rules. Having made specific enquiry of all Directors, all Directors have confirmed that they have complied with the required standard set out in the Model Code and the code of conduct regarding securities transactions by the Directors adopted by the Company for the Relevant Period.

BOARD OF DIRECTORS

The Board currently comprises six Directors, three of whom are Executive Directors and three are Independent Non-executive Directors.

(A) Composition of the Board

Name of Directors	**Other positions in the Company**
Executive Directors:	
Mr Chan Yuen Ming	Chairman
Mr Shao Kwok Keung	Chief Executive Officer Member of the Remuneration Committee Member of the Nomination Committee
Mr Gao Hou Ming	Chief Technology Officer
Independent Non-executive Directors:	
Mr Pun Yan Chak	Chairman of the Remuneration Committee Member of the Audit Committee
Mr Wong Che Man Eddy	Chairman of the Audit Committee Member of the Remuneration Committee Member of the Nomination Committee
Mr Lam Kin Hung Patrick	Chairman of the Nomination Committee Member of the Audit Committee

(B) Responsibility of the Board

The Board is responsible for leading the Company by setting the overall strategies and objectives, designing the business development plans, monitoring and controlling its operating and financial performance and making key decisions. The tasks of day-to-day management and operations of the Group are entrusted to the Executive Directors and the senior management who are closely supervised by the Board to ensure compliance with the Company's policy and objectives.

(C) Board meetings and attendance

During the Relevant Period, the Company had held two Board meetings and the Directors' attendance records are set out below:

Name	Meeting attendance/ Number of meetings held
Mr Chan Yuen Ming *(Chairman)*	2/2
Mr Shao Kwok Keung	2/2
Mr Gao Hou Ming	2/2
Mr Pun Yan Chak	2/2
Mr Wong Che Man Eddy	2/2
Mr Lam Kin Hung Patrick	2/2

There are no financial, business, family or other material relationships among members of the Board and between the Chairman and the Chief Executive Officer.

(D) Independence of the Independent Non-executive Directors

The Company has received written confirmation from each of the Independent Non-executive Directors regarding his independence with reference to the requirements of Rule 3.13 of the Listing Rules. Based on these confirmations, the Company considers that each of the Independent Non-executive Directors to be independent.

(E) Terms of appointment of the Independent Non-executive Directors

Each of the Independent Non-executive Directors is appointed for an initial term of two years commencing from 1 September 2009 renewable automatically for successive term of one year each commencing from the next day after the expiry of the then current term of his appointment, unless terminated by not less than three months' notice in writing served by either the Company or the relevant Independent Non-executive Director expiring at the end of the initial term or at any time thereafter.

In accordance with the articles of association of the Company (the "Articles of Association"), at each annual general meeting of the Company, at least one third of all the Directors (including the Independent Non-executive Directors) shall retire from office by rotation at least once every three years and the retiring Director shall be eligible for re-election at the annual general meeting of the Company at which he retires.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The roles and duties of the Chairman and Chief Executive Officer (the "CEO") of the Company are segregated and are carried out by different individuals.

The Chairman of the Board, Mr Chan Yuen Ming, is responsible for our Group's overall business development and strategic planning. Mr Shao Kwok Keung, CEO of the Company, is responsible for the corporate management of the Company.

BOARD COMMITTEES

In compliance with the Listing Rules and with principles of good corporate governance, the Company has established the Remuneration Committee, the Nomination Committee and the Audit Committee to assist the Board in the overall supervision of the management of the Company.

(A) Remuneration Committee

The Company established the Remuneration Committee pursuant to a resolution of all Directors passed on 28 August 2009.

The Remuneration Committee comprises three members, namely, Mr Pun Yan Chak (chairman of the Remuneration Committee and an Independent Non-executive Director), Mr Wong Che Man Eddy (Independent Non-executive Director) and Mr Shao Kwok Keung (Executive Director).

The role and function of the Remuneration Committee are set out in its terms of reference. The principal duties of the Remuneration Committee include (1) making recommendations to the Board on the Company's policy and structure for the remuneration of the Directors and the senior management, (2) determination of the remuneration packages of each Executive Director and member of the senior management, (3) ensuring that no Directors or any of their associates are involved in deciding their own remuneration packages and (4) reviewing and approval of performance-based remuneration by reference to corporate goals and objectives and compensation arrangements relating to dismissal or removal of Directors.

During the Relevant Period, the Remuneration Committee held one Remuneration Committee meeting and the attendance records are set out below:

Name of Directors	Attendance/ Number of meetings held
Executive Director:	
Mr Shao Kwok Keung	1/1
Independent Non-executive Directors:	
Mr Pun Yan Chak (Chairman of the Remuneration Committee)	1/1
Mr Wong Che Man Eddy	1/1

During the Relevant Period, the Remuneration Committee had reviewed the remuneration of the Directors and the senior management, and taking into consideration the Directors' skill, knowledge, involvements in the Company's affairs, the profitability of the Group, remuneration benchmarks in the industry and the prevailing market conditions, recommended to the Board that no adjustment to the Company's remuneration policy and structure was required. In recognition of the efforts and contribution of the Executive Directors to the listing of the Company, the Remuneration Committee had recommended to the Board for payment of a discretionary management bonus to the Executive Directors in accordance with the terms of their respective service contracts.

(B) Nomination Committee

The Company established the Nomination Committee pursuant to a resolution of all Directors passed on 28 August 2009.

The Nomination Committee comprises three members, namely, Mr Lam Kin Hung Patrick (chairman of the Nomination Committee and an Independent Non-executive Director), Mr Wong Che Man Eddy (Independent Non-executive Director) and Mr Shao Kwok Keung (Executive Director).

The role and function of the Nomination Committee are set out in its terms of reference. The principal duties of the Nomination Committee include (1) reviewing the structure, size and composition of the Board on a regular basis, (2) identifying suitably qualified candidates for directorship, (3) making recommendations to the Board on the selection of nominated individuals for directorship and matters related to appointment or re-appointment of Directors, (4) assessing the independence of the Independent Non-executive Directors and (5) succession planning for Directors.

The Nomination Committee follows a set of procedures when recommending candidates for the directorship. The following criteria are considered in selecting a candidate:

- Integrity, objectivity, and intelligence of the person, with reputations for sound judgment and open mind, and a demonstrated capacity for thoughtful group decision-making;
- Qualification and career experience; and
- Understanding of the Company and its corporate mission.

When a candidate is proposed for a directorship, he or she shall be evaluated on the basis of the criteria set out in the procedures mentioned above. Selection of the suitable candidate is based on a majority vote. Each committee member will be asked to express his or her view before voting. After the voting, the chairman of the Nomination Committee will report its recommendations to the Board.

During the Relevant Period, the Nomination Committee held one Nomination Committee meeting. The attendance records are set out below:

Name of Directors	Attendance/ Number of meetings held
Executive Directors:	
Mr Shao Kwok Keung	1/1
Independent Non-executive Directors:	
Mr Lam Kin Hung Patrick *(Chairman of the Nomination Committee)*	1/1
Mr Wong Che Man Eddy	1/1

During the Relevant Period, the Nomination Committee had reviewed the structure, size and composition of the Board and the board committees. Taking into account the business development of the Group and the respective duties, responsibilities and qualifications of each of the Directors, the Nomination Committee recommended to the Board that no changes to the current structure, size and composition of the Board and the board committees were needed.

(C) Audit Committee

The Company established the Audit Committee pursuant to a resolution of all Directors passed on 28 August 2009.

The Audit Committee comprises three members, all being Independent Non-executive Directors, namely, Mr Wong Che Man Eddy (chairman of the Audit Committee), Mr Pun Yan Chak and Mr Lam Kin Hung Patrick.

The role and function of the Audit Committee are set out in its terms of reference. The principal duties of the Audit Committee include:

On external audit:

- Make recommendations to the Board on appointment, reappointment and removal of the external auditor and approve the remuneration and terms of engagement of the external auditor;
- Review and monitor the external auditor's independence as well as the objectives and effectiveness of the audit process in accordance with applicable standards;
- Discuss with the external auditor before the audit commences the nature and scope of the audit and reporting obligations and ensure co-ordination where more than one audit firm is involved; and
- Develop and implement policy on the engagement of the external auditor to provide non-audit services.

On financial information of the Company:

- Monitor integrity of the interim and annual financial statements and interim and annual reports and accounts, and review significant financial reporting judgments contained therein before submission to the Board, with a focus on the fairness and reasonableness of any connected transaction:

- Review the Group's financial and accounting policies and practices;

- Review external auditor's management letter, any material queries raised by the auditor to the management in respect of accounting records, financial accounts or system of control and management response; and

- Consider any significant or unusual items that are, or may need to be, reflected in the interim and annual reports and accounts and give due consideration to any matters that have been raised by the Board; and

- Meet with the external auditor of the Company at least once a year, and to discuss any problems or reservations arising from the interim and final audits, and any matters the auditors may wish to discuss (in the absence of the management where necessary).

On internal control and risk management:

- Review the Group's financial controls and its internal control and risk management system;

- Discuss with management the system of internal control and ensure that management has discharged its duty to have an effective internal control system including the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function, and its training programmes and budget;

- Consider any findings of major investigation of internal control matters as delegated by the Board or on its own initiative and management's responses thereto;

- Ensure co-ordination between the internal and external auditors and that the internal audit function is adequately resourced and has appropriate standing within the Group; and

- Report to the Board on the matters raised in the Corporate Governance Code.

During the Relevant Period, the Audit Committee held one Audit Committee meeting and the attendance records are set out below:

Name of Directors	Attendance/ Number of meetings held
Independent Non-executive Directors:	
Mr Wong Che Man Eddy *(Chairman of the Audit Committee)*	1/1
Mr Pun Yan Chak	1/1
Mr Lam Kin Hung Patrick	1/1

During the Relevant Period, the Audit Committee had considered, reviewed, discussed and approved:

1. the auditing and financial reporting matters of the Company; and

2. the interim financial results of the Group.

AUDITORS' REMUNERATION

For the year ended 31 December 2009, the fees for audit services and non-audit services rendered by KPMG were as follows:

Audit Services

Auditors	Fees (HK$'000)
KPMG	710

The service performed by KPMG Hong Kong related to the non-statutory audit of the Group's combined financial statements for the six months ended 30 June 2009.

Non-audit Services

Reporting accountants	Fees (HK$'000)
KPMG	5,748

The services performed by KPMG were related to the Listing.

INTERNAL CONTROL

The Board acknowledges its responsibility for maintaining a sound and effective internal control system for the Company to safeguard the investments of the Shareholders and assets of the Company at all times.

The Board has conducted a review on the internal control system of the Group (covering financial, operational, compliance controls and risk management functions) for the financial year ended 31 December 2009, details of which are set forth below:

(A) Internal Control System

The internal control system control aims to help achieve the Group's business objectives, safeguard assets and maintain proper accounting records for the provision of reliable financial information. The system is designed to provide reasonable, but not absolute, assurance against material misstatement in the financial statements or loss of assets and to manage rather than eliminate risks of failure when business objectives are being sought.

The following key processes have been adopted by the Board in reviewing the adequacy and integrity of the internal control system for the Group:

(1) monitoring mechanisms and corporate culture

There are periodic meetings of the Board attended by the Directors. The Board Committees and the management of the Company represent the main platform by which the Company's performance and behaviour are monitored. The day-to-day business operations are entrusted to the Chief Executive Officer and the management team. Under the supervision of the Chief Executive Officer, the heads of all departments are empowered with the responsibilities to manage their respective operations.

The Board is responsible for setting the business direction and for overseeing the Group's operations with the aid of the various Board Committees.

(2) enterprise risk management framework

The Board recognises that an effective risk management framework will allow the Group to identify, evaluate and manage the risks that affect the achievement of the Group's objectives within defined risk parameters in a timely and effective manner.

The management of the Group is responsible for identifying the risks affecting the Group and evaluating the effectiveness of the existing controls to determine whether mitigation actions have to be formulated accordingly. It conducts regular internal meetings to exchange views between the management team members on any issues which may give rise to external risks and internal risks. Upon identification of any risk, it formulates action plan and assigns responsible person to execute the plan. In addition, it is obliged to report to the Board on the progress and the result of all matters relating to the risks identified by the management.

(B) Internal audit

The Group's internal audit function is outsourced to a professional internal audit service provider and this ensures that the outsourced internal auditor is independent and has no involvement in the operations of the Group. The outsourced internal auditor, responsible for the review and appraisal on the effectiveness of risk management, internal control and corporate governance processes of the Group, reports directly to the Audit Committee.

The Audit Committee has full and direct access to the outsourced internal auditor, reviews the reports on all audits performed and monitors the audit performance. The Audit Committee also reviews the adequacy of the scope, functions, competency and resources of the outsourced internal audit functions.

The outsourced internal auditor will carry out internal audits on various operating units within the Group based on the audit plan approved by the Audit Committee. Based on these audits, the outsourced internal auditors will provide the Audit Committee with reports highlighting observations, recommendations and management action plans to improve the internal control system.

The Board will, during annual review of the internal control system, consider the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function and their training programmes and budget.

(C) Review of internal control system

There were no major issues but areas for improvement identified during the financial year under review. The management will continue to take adequate measures to strengthen the control environment in which the Company operates.

The improvement of internal control system is an on-going process and the Board maintains an on-going commitment to strengthen the Group's control environment and processes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Each of the Directors understands and acknowledges his responsibility for the preparation and the true and fair presentation of the financial statements in accordance with the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are 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.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. The statement of auditors about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report.

COMPLIANCE AND ENFORCEMENT OF THE NON-COMPETE UNDERTAKINGS FROM CONTROLLING SHAREHOLDERS

None of the Directors or substantial shareholders of the Company or any of their respective associates has engaged in any business that competes or may compete with the business of the Group.

To protect our Group from potential competition, Mr. Chan Yuen Ming and Creative Sector Limited, being controlling shareholders of the Company (the "Controlling Shareholders") have given an irrevocable non-compete undertaking ("Non-compete Undertakings") in our favour on 28 August 2009, pursuant to which each of Controlling Shareholders has, among other matters, irrevocably and unconditionally undertaken with us on a joint and several basis that each of the Controlling Shareholders shall, and shall procure that their respective associates (other than our Group) shall, among other matters, not to, directly or indirectly, carry on, invest in, be engaged in or participate in any business or activity which would or might compete with the business of the Group. Details of the Non-compete Undertaking have been set out in the sub-paragraph headed "Non-Compete Undertaking" of the paragraph headed "Continuing Connected Transactions" under the section headed "Our relationship with SkyComm Group and our Controlling Shareholders" of the prospectus of the Company dated 4 September 2009 in respect of its initial public offering.

The Company has received the annual confirmations from each of the Controlling Shareholders in respect of their respective compliance with the terms of the Non-compete Undertaking.

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 Undertakings, 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

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.

KPMG

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF CHINA ALL ACCESS (HOLDINGS) LIMITED

(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of China All Access (Holdings) Limited (the "Company") set out on pages 39 to 106 which comprise the consolidated and Company balance sheets as at 31 December 2009, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are 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.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements 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 entity'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 statements.

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2009 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong
30 March 2010

Consolidated Income Statement

for the year ended 31 December 2009
(Expressed in Renminbi)

	Note	2009 RMB'000	2008 RMB'000
Revenue	4	**324,314**	187,074
Cost of sales	15(b)	**(180,381)**	(104,085)
Gross profit		**143,933**	82,989
Other revenue	6	**2,035**	278
Other net income	6	**154**	527
Distribution expenses		**(1,729)**	—
Administrative expenses		**(29,016)**	(7,144)
Profit from operations		**115,377**	76,650
Finance costs	7(a)	**(4,674)**	(7,116)
Profit before taxation	7	**110,703**	69,534
Income tax	8(a)	**(12,779)**	(1,738)
Profit for the year		**97,924**	67,796
Earnings per share	12		
Basic (RMB)		**0.117**	0.090
Diluted (RMB)		**0.116**	0.079

The notes on pages 46 to 106 form part of these financial statements.

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2009
(Expressed in Renminbi)

	2009	2008
	RMB'000	*RMB'000*
Profit for the year	**97,924**	67,796
Other comprehensive income for the year		
Exchange differences on translation of financial statements of subsidiaries outside the PRC, net of nil tax	**(1,094)**	769
Total comprehensive income for the year	**96,830**	68,565

The notes on pages 46 to 106 form part of these financial statements.

Consolidated Balance Sheet

at 31 December 2009
(Expressed in Renminbi)

	Note	**2009** **RMB'000**	2008 RMB'000
Non-current assets			
Property, plant and equipment	13	**48,247**	57,476
Trade and other receivables	16	**53,911**	21,263
		102,158	78,739
Current assets			
Inventories	15	**8,395**	3,156
Trade and other receivables	16	**130,948**	88,667
Amount due from related party	26(d)	**—**	8,621
Deposits with banks with original maturities over three months		**68,000**	—
Cash and cash equivalents	17	**465,200**	174,711
		672,543	275,155
Current liabilities			
Interest-bearing borrowings	20	**—**	149,653
Trade and other payables	18	**38,293**	44,245
Amount due to a shareholder	26(e)	**—**	3,861
Income tax payable	8(b)	**9,045**	4,372
		47,338	202,131
Net current assets		**625,205**	73,024
Total assets less current liabilities		**727,363**	151,763

Consolidated Balance Sheet

at 31 December 2009
(Expressed in Renminbi)

	Note	2009 RMB'000	2008 RMB'000
Non-current liabilities			
Interest-bearing borrowings	20	—	8,346
Deferred tax liabilities	8(c)	**8,896**	1,738
		8,896	10,084
Net assets		**718,467**	141,679
Capital and reserves			
Share capital	23(c)	**9,141**	73
Reserves	23(d)	**709,326**	141,606
Total equity		**718,467**	141,679

Approved and authorised for issue by the board of directors on 30 March 2010.

Mr. Chan Yuen Ming
Chairman

Mr. Shao Kwok Keung
Chief Executive Officer

The notes on pages 46 to 106 form part of these financial statements.

Balance sheet

at 31 December 2009
(Expressed in Renminbi)

	Note	2009 RMB'000	2008 RMB'000
Non-current assets			
Interests in subsidiaries	14	**444,943**	—
Current assets			
Trade and other receivables	16	**257**	7,693
Cash and cash equivalents	17	**276**	—
		533	7,693
Current liabilities			
Amount due to a subsidiary	19	**—**	7,780
Net current assets/(liabilities)		**533**	(87)
Net assets/ (liabilities)		**445,476**	(87)
Capital and reserves	23		
Share capital		**9,141**	—
Reserves		**436,335**	(87)
Total equity		**445,476**	(87)

Approved and authorised for issue by the board of directors on 30 March 2010.

Mr. Chan Yuen Ming
Chairman

Mr. Shao Kwok Keung
Chief Executive Officer

The notes on pages 46 to 106 form part of these financial statements.

Consolidated Statement of Changes in Equity

(Expressed in Renminbi)

		Attributable to equity shareholders of the Company								
		Share capital	Share premium	Contributed surplus	Capital reserve	Statutory general reserve	Translation reserve	Merger reserve	Retained profits	Total
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note	*23(c)*	*23(d)(i)*	*23(d)(ii)*	*23(d)(iii)*	*23(d)(iv)*	*23(d)(v)*	*23(d)(vi)*		
Balance at 1 January 2008		—	—	—	(13,778)	5,965	2,170	(84,141)	66,444	(23,340)
Changes in equity for 2008:										
Issuance of share capital	23(d)	73	—	—	33,955	—	—	—	—	34,028
Capital investments	23(d)	—	—	—	61,673	—	—	—	—	61,673
Issuance of convertible notes	20	—	—	—	1,353	—	—	—	—	1,353
Repayment of convertible notes	20	—	—	—	(600)	—	—	—	—	(600)
Total comprehensive income for the year		—	—	—	—	—	769	—	67,796	68,565
Appropriation of reserve		—	—	—	—	7,174	—	—	(7,174)	—
Balance at 31 December 2008 and 1 January 2009		73	—	—	82,603	13,139	2,939	(84,141)	127,066	141,679
Changes in equity for 2009:										
Repayment of convertible notes	20	—	—	—	(297)	—	—	—	—	(297)
Arising from the Reorganisation	23(d)	(73)	—	164,155	(80,643)	(13,139)	(3,214)	84,141	(151,227)	—
Issuance of shares arising from the Reorganisation	23(c)	18	51	—	—	—	—	—	—	69
Capitalisation issue	23(c)	6,590	(6,590)	—	—	—	—	—	—	—
Issuance of shares for placing and initial public offering	23(c)	2,533	402,721	—	—	—	—	—	—	405,254
Share issue costs		—	(38,990)	—	—	—	—	—	—	(38,990)
Conversion of convertible notes and fixed coupon notes	20	—	—	—	113,922	—	—	—	—	113,922
Total comprehensive income for the year		—	—	—	—	—	(1,094)	—	97,924	96,830
Appropriation of reserve		—	—	—	—	10,690	—	—	(10,690)	—
Balance at 31 December 2009		9,141	357,192	164,155	115,585	10,690	(1,369)	—	63,073	718,467

The notes on pages 46 to 106 form part of these financial statements.

Consolidated Cash Flow Statement

for the year ended 31 December 2009
(Expressed in Renminbi)

	Note	2009 RMB'000	2008 RMB'000
Operating activities			
Cash generated from operations	17(b)	**39,014**	27,453
Tax paid:			
- PRC tax paid		**(948)**	—
Net cash generated from operating activities		**38,066**	27,453
Investing activities			
Bank interest income received		**780**	89
Payments for purchase of property, plant and equipment		**(1,522)**	(55,604)
Proceeds from sales of property, plant and equipment		**17**	—
Increase in deposits with banks		**(68,000)**	—
Net cash used in investing activities		**(68,725)**	(55,515)
Financing activities			
Decrease in amount due to a shareholder		**(4,994)**	(2,768)
Proceeds from issuance of convertible notes		**—**	34,006
Proceeds from issuance of fixed-coupon notes		**—**	68,788
Capital injection from shareholders		**—**	61,673
Proceeds from bank loans		**—**	28,478
Repayment of bank loans		**(28,478)**	-
Repayment of convertible notes		**(8,848)**	(8,819)
Interest paid		**(2,796)**	(2,144)
Proceeds from issuance of shares for placing and initial public offering		**405,254**	—
Share issue costs		**(38,990)**	—
Net cash generated from financing activities		**321,148**	179,214
Net increase in cash and cash equivalents		**290,489**	151,152
Cash and cash equivalents at beginning of the year	17(a)	**174,711**	23,559
Cash and cash equivalents at end of the year	17(a)	**465,200**	174,711

The notes on pages 46 to 106 form part of these financial statements.

1 REPORTING ENTITY AND CORPORATE REORGANISATION

China All Access (Holdings) Limited ("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 33 of 1961, as consolidated and revised) of the Cayman Islands.

Pursuant to a reorganisation (the "Reorganisation") of the Company and its subsidiaries (collectively referred to as the "Group") to rationalise the group structure for the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of the Group on 28 August 2009. Details of the Reorganisation are set out in the Company's prospectus dated 4 September 2009 (the "Prospectus"). The Company's shares were listed on the Stock Exchange on 16 September 2009.

2 BASIS OF PRESENTATION

Since all entities which took part in the Reorganisation were under common control of a group of ultimate equity shareholders (the "Controlling Shareholders") during the periods presented in these financial statements before and immediately after the Reorganisation, consequently there was a continuation of the risks and benefits to the Controlling Shareholders, these financial statements have been prepared as a reorganisation of business under common control and Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") has been applied. Accordingly, the relevant assets and liabilities of the companies comprising the Group during the periods presented are included in the consolidated financial statements of the Group from the date when the companies first came under the control of the Group's Controlling Shareholders using the existing book values from the Controlling Shareholders' perspective.

The consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement set out in these financial statements include the results of operations of the Group as if the Group had been in existence and remained unchanged throughout the entire periods presented. The consolidated balance sheet of the Group as at 31 December 2008 had been prepared to present the consolidated state of affairs of the Group as if the Group had been in existence as at that date. In addition, since the Reorganisation was not completed until 28 August 2009, the effect of the Reorganisation is not reflected in the Company's balance sheet as at 31 December 2008.

The financial information relating to the year ended 31 December 2008 that is included in these financial statements as being previously reported information does not constitute the Company's statutory financial statements for that financial year but is derived from the Accountant's Report included in the Prospectus, which is available from the Company's registered office.

All material intra-group transactions and balances have been eliminated on consolidation.

3 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). A summary of the significant accounting policies adopted and consistently applied by the Group is set out below.

(b) Basis of preparation of the financial statements

The financial statements are presented in Renminbi ("RMB"), which is the functional currency of the Group's major subsidiaries. The financial statements are prepared on the historical cost basis. The financial statements presented in RMB have been rounded to the nearest thousands.

The preparation of financial statements 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 significant effect on the financial statements and major sources of estimation uncertainty are disclosed in note 28.

(c) Subsidiaries

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.

An investment in a subsidiary is consolidated into the consolidated financial statements 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 consolidated financial statements. 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.

In the Company's balance sheet date, an investment in a subsidiary is stated at cost less impairment losses (see note 3(f)).

3 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(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 3(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 complete. 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 profit or loss as incurred.

(iii) Depreciation

Depreciation is recognised in profit or loss 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
Motor vehicles	5 years

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

3 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(e) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss 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 profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss 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 determined and recognised as follows:

— For trade and other receivables and other financial assets carried at cost, the impairment loss is measured as the difference between the carrying amount of the asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material.

— For trade and other receivables and other financial assets carried at amortised cost, the 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 the asset), 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.

3 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(f) Impairment of assets *(continued)*

(i) Impairment of trade and other receivables *(continued)*

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 profit or loss. 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 years.

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 profit or loss.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

— Property, plant and equipment

— Investments in subsidiaries

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

— Calculations of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs to sell 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 the 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).

3 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(f) Impairment of assets *(continued)*

(ii) Impairment of other assets *(continued)*

— Recognition of impairment losses

An impairment loss is recognised in profit or loss if 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 profit or loss in the period in which the reversals are recognised.

(iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange, the Group is required to prepare an interim financial report in compliance with HKAS 34, *Interim financial reporting*, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 3(f)(i) and (ii))

(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.

3 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(g) Inventories *(continued)*

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 3(f)(i)), 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 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 profit or loss 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.

3 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(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 profit or loss 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 3(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 period 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 profit or loss 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.

3 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(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 profit or loss except to the extent that they relate to items recognised other comprehensive income or directly in equity, in which case the relevant amounts of tax 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 differences 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 profit 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 profit will be available.

3 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(n) Income tax *(continued)*

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 3(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.

3 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

(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

Revenue is measured at the fair value of the consideration received and receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenues is recognised in profit or loss 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 and trade discounts. 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.

3 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(p) Revenue recognition *(continued)*

(iii) Applications 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.

(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 profit or loss.

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 transactions. Balance sheet items are translated into Renminbi at the closing foreign exchange rates 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 profit or loss in the period in which they are incurred.

3 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(s) Related parties

For the purposes of these financial statements, 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 statements, 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.

4 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 year presented is as follows:

	2009	2008
	RMB'000	*RMB'000*
Provision of satellite communication application solutions and services	**153,159**	120,074
Provision of wireless data communication application solutions and services	**166,856**	62,718
Provision of call centre application solutions and services	**4,299**	4,282
	324,314	187,074

5 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.

5 SEGMENT REPORTING *(continued)*

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

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.

	Provision of satellite communication application solutions and services		Provision of wireless data communication application solutions and services		Provision of call centre application solutions and services		Total	
	2009 RMB'000	2008 RMB'000	**2009 RMB'000**	2008 RMB'000	**2009 RMB'000**	2008 RMB'000	**2009 RMB'000**	2008 RMB'000
Revenue from external customers (Note)	**153,159**	120,074	**166,856**	62,718	**4,299**	4,282	**324,314**	187,074
Segment operating profit	**66,861**	52,952	**83,102**	27,802	**2,559**	2,356	**152,522**	83,110
Depreciation for the year	**245**	—	**74**	65	**639**	599	**958**	664
Reportable segment assets	**67,487**	29,541	**108,215**	46,471	**3,188**	3,391	**178,890**	79,403
Additions to non-current segment assets during the year	**72,094**	8,036	**49,137**	46,653	**147,282**	375	**268,513**	55,064
Reportable segment liabilities	**13,266**	31,388	**1,043**	5,225	**—**	—	**14,309**	36,613

Note: Major customers

Revenue of customers amounting to 10 percent or more of the Group's revenue for the year ended 31 December 2009 and 2008 are set out below:

	Provision of satellite communication application solutions and services		Provision of wireless data communication application solutions and services		Total	
	2009 RMB'000	2008 RMB'000	**2009 RMB'000**	2008 RMB'000	**2009 RMB'000**	2008 RMB'000
Customer A	**32,276**	19,855	**19,203**	—	**51,479**	19,855
Customer B	**—**	18,971	**—**	—	**—**	18,971
	32,276	38,826	**19,203**	—	**51,479**	38,826

Further details of concentration of credit risk arising from these customers are set out in note 27(a).

5 SEGMENT REPORTING *(continued)*

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

	2009	2008
	RMB'000	*RMB'000*
Profit		
Reportable segment profit derived from the Group's external customers	**152,522**	83,110
Other revenue and net income	**2,189**	805
Unallocated depreciation	**(9,761)**	(82)
Finance costs	**(4,674)**	(7,116)
Other unallocated income and expense	**(29,573)**	(7,183)
Consolidated profit before taxation	**110,703**	69,534

	2009	2008
	RMB'000	*RMB'000*
Assets		
Reportable segment assets	**178,890**	79,403
Unallocated corporate assets	**595,811**	274,491
Consolidated total assets	**774,701**	353,894
Liabilities		
Reportable segment liabilities	**14,309**	36,613
Unallocated corporate liabilities	**41,925**	175,602
Consolidated total liabilities	**56,234**	212,215

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

Unallocated corporate assets mainly includes cash and cash equivalents, 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 taxation are derived from the PRC during the current and prior years.

6 OTHER REVENUE AND NET INCOME

	2009 RMB'000	2008 RMB'000
Other revenue		
Interest income from non-current trade and other receivables	1,059	—
Gain on early repayment of convertible notes (note 20)	196	189
Bank interest income	780	89
	2,035	278
Other net income		
Net exchange (loss)/gain	(9)	848
Loss on disposal of property, plant and equipment	(14)	—
Others	177	(321)
	154	527

7 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

	2009 RMB'000	2008 RMB'000
(a) Finance costs:		
Discount charges on non-current receivables	—	2,878
Interest expense on borrowings wholly repayable within five years	4,599	4,134
Bank charges	75	104
	4,674	7,116
(b) Staff costs:		
Contributions to defined contribution retirement plans	695	374
Salaries, wages and other benefits	12,219	5,296
	12,914	5,670

7 PROFIT BEFORE TAXATION *(continued)*

Profit before tax is arrived at after charging/(crediting): *(continued)*

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% (2008: 20%) of the standard wages determined by the relevant authorities in the PRC during the year.

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. 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.

	2009	2008
	RMB'000	*RMB'000*
(c) Other items:		
Cost of inventories (note 15(b))	**163,997**	96,665
Depreciation of property, plant and machinery	**10,719**	746
Impairment loss on trade and other receivables	**586**	645
Reversal of impairment loss on trade and other receivables	**(398)**	—
Auditors' remuneration	**626**	—
Operating lease charges	**1,679**	720
Listing expenses	**10,816**	—

8 INCOME TAX

The Company and CAA BVI (as defined in note 14) 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 current and prior years.

8 INCOME TAX *(continued)*

Noter (as defined in note 14), being a foreign invested production oriented enterprise established in Hebei Province on 21 August 2006, 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"). 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 and the local tax bureau approved 2007 as the first profit-making year of Noter. Therefore, Noter is within a 5-year period starting from 1 January 2007, entitled to full exemption from PRC corporate income tax ("CIT") during the first two years and a reduced tax rate of 12.5% for each of the following years. Therefore, the CIT rate of Noter was 0% and 12.5% in 2008 and 2009 respectively and it will be 12.5% in 2010 and 2011 and 25% thereafter.

Beijing Noter (as defined in note 14) and Shanghai Noter (as defined in note 14) which were established in October 2009 and December 2009 respectively, are subject to standard CIT rate of 25%.

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. As at 31 December 2009, temporary differences relating to the post-2007 undistributed profits of the Group's foreign-invested enterprise amounted to RMB150,400,000. Deferred tax liabilities of RMB15,040,000 have not been recognised in respect of the tax that would be payable on the distribution of these retained profits since these earnings are not intended to be distributed in the foreseeable future.

(a) *Income tax in the consolidated income statement represents:*

	2009	2008
	RMB'000	*RMB'000*
PRC corporate income tax		
Current income tax expense		
– Provision for the year	**9,993**	—
– Over-provision in respect of prior years (note)	**(4,372)**	—
	5,621	—
Deferred tax expense		
– Origination and reversal of temporary differences	**7,158**	1,738
	12,779	1,738

Note: 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 and accordingly an income tax of RMB4,372,000 was provided for in 2006. Based on local practice, the local tax bureau allowed Noter to settle its 2006 income tax liability after the Group was listed. On 1 December 2009, local tax bureau waived Noter's 2006 income tax liability. Hence, the amount of RMB4,372,000 was reversed and credited to profit or loss in 2009.

8 INCOME TAX *(continued)*

(a) *Income tax in the consolidated income statement represents:* *(continued)*

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

	2009	2008
	RMB'000	*RMB'000*
Profit before taxation	**110,703**	69,534
PRC statutory income tax rate	**25%**	25%
Computed "expected" income tax expense	**27,676**	17,384
Tax effect of tax holiday	**(12,954)**	(16,609)
Tax effect of non-taxable income	**(4)**	—
Tax effect of non-deductible expenses	**790**	—
Tax effect of non-PRC entities not subject to income tax	**1,477**	963
Tax effect of rate differential of entity Operating in different jurisdiction	**166**	—
Over-provision in respect of prior years	**(4,372)**	—
Actual income tax expense	**12,779**	1,738

(b) *Current taxation in the consolidated balance sheet represents:*

	2009	2008
	RMB'000	*RMB'000*
Provision for CIT for the year	**9,993**	—
Provisional tax paid	**(948)**	—
	9,045	—
Balance of CIT provision relating to prior years	**—**	4,372
	9,045	4,372

8 INCOME TAX *(continued)*

(c) *Deferred taxation in the consolidated balance sheet represents:*

The components of deferred tax (assets)/liabilities in the consolidated balance sheet and the movements during the year are as follows:

Deferred tax arising from:	Revenue recognition RMB'000	Provisions RMB'000	Net deferred tax liabilities RMB'000
At 1 January 2008	—	—	—
Charged/(credited) to profit or loss	1,823	(85)	1,738
At 31 December 2008	1,823	(85)	1,738
At 1 January 2009	**1,823**	**(85)**	**1,738**
Charged/(credited) to profit or loss	**7,165**	**(7)**	**7,158**
At 31 December 2009	**8,988**	**(92)**	**8,896**

9 DIRECTORS' REMUNERATION

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

2009	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Total RMB'000
Executive directors					
CHAN Yuen Ming	35	573	3,084	11	3,703
SHAO Kwok Keung	35	1,375	881	11	2,302
GAO Hou Ming	35	317	—	—	352
Independent non-executive directors					
PUN Yan Chak	35	—	—	—	35
WONG Che Man, Eddy	35	—	—	—	35
LAM Kin Hung, Patrick	35	—	—	—	35
	210	2,265	3,965	22	6,462

9 DIRECTORS' REMUNERATION *(continued)*

	2008				
	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Total RMB'000
Executive directors					
CHAN Yuen Ming	—	645	—	10	655
SHAO Kwok Keung	—	1,388	—	10	1,398
GAO Hou Ming	—	58	—	—	58
Independent non-executive directors					
PUN Yan Chak	—	—	—	—	—
WONG Che Man, Eddy	—	—	—	—	—
LAM Kin Hung, Patrick	—	—	—	—	—
	—	2,091	—	20	2,111

During the year ended 31 December 2009, 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 (2008: Nil).

10 INDIVIDUALS WITH HIGHEST EMOLUMENTS

The five individuals whose emoluments were the highest in the Group include three (2008: two) directors of the Company during the year and are reflected in the analysis presented above. Details of remuneration paid to the remaining highest paid individuals of the Group are as follows:

	2009 **RMB'000**	2008 *RMB'000*
Salaries and other benefits	**873**	2,931
Retirement scheme contributions	**21**	39
	894	2,970

10 INDIVIDUALS WITH HIGHEST EMOLUMENTS *(continued)*

The above individuals' emoluments are within the following bands:

	2009 Number of Individuals	2008 Number of individuals
Nil to HK$1,000,000	**2**	3

No emoluments have been paid to these individuals as an inducement to join or upon joining the Group or as compensation for loss of office during the current and prior years.

11 PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated profit attributable to equity shareholders of the Company includes a loss of RMB10,806,000 (2008: loss of RMB36,000) which has been dealt with in the financial statements of the Company.

12 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share for the year ended 31 December 2009 is based on the profit attributable to the ordinary equity shareholders of the Company of RMB97,924,000 (2008: RMB67,796,000) and the weighted average number of 834,281,000 (2008: 750,000,000) ordinary shares of the Company (after adjusting for the effect of shares issued upon the Reorganisation and capitalisation issue as if all of those shares were outstanding throughout the year ended 31 December 2008 and 2009), calculated as follows:

Weighted average number of ordinary shares

	2009 '000	2008 '000
Issued ordinary shares at 1 January (note 23(c)(i))	**—**	—
Effect of issuance of shares on the Reorganisation (note 23(c)(ii))	**2,000**	2,000
Effect of capitalisation issue (note 23(c)(iii))	**748,000**	748,000
Effect of issuance of shares for placing and the initial public offering (note 23(c)(iv))	**84,281**	—
Weighted average number of ordinary shares at 31 December	**834,281**	750,000

12 EARNINGS PER SHARE *(continued)*

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity holders of the Company of RMB98,042,000 (2008: RMB70,215,000) and the diluted weighted average number of ordinary shares in respective year, calculated as follows:

Profit attributable to ordinary equity holders of the Company (diluted)

	2009	2008
	RMB'000	*RMB'000*
Profit attributable to ordinary equity holders of the Company	**97,924**	67,796
After tax effect of effective interest on the liability component of convertible notes	**118**	2,419
Profit attributable to ordinary equity holders of the Company (diluted)	**98,042**	70,215

Weighted average number of ordinary shares (diluted)

	2009	2008
	'000	'000
Weighted average number of ordinary shares at 31 December	**834,281**	750,000
Effect of conversion of convertible notes (note 20)	**7,467**	142,836
Weighted average number of ordinary shares (diluted) at 31 December	**841,748**	892,836

13 PROPERTY, PLANT AND EQUIPMENT

The Group

	Electronic equipment RMB'000	Office equipment RMB'000	Computer software RMB'000	Motor vehicle RMB'000	Total RMB'000
Cost:					
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	200	947	60	315	1,522
Disposals	(24)	(113)	—	—	(137)
Exchange adjustments	—	(1)	—	—	(1)
At 31 December 2009	57,544	2,238	5,407	315	65,504
Accumulated depreciation:					
At 1 January 2008	2,706	259	2,933	—	5,898
Charge for the year	39	188	519	—	746
At 31 December 2008	2,745	447	3,452	—	6,644
At 1 January 2009	2,745	447	3,452	—	6,644
Charge for the year	9,841	321	557	—	10,719
Written back on disposals	(18)	(88)	—	—	(106)
Exchange adjustments	—	—	—	—	—
At 31 December 2009	12,568	680	4,009	—	17,257
Net book value:					
At 31 December 2009	44,976	1,558	1,398	315	48,247
At 31 December 2008	54,623	958	1,895	—	57,476

In December 2008, the Group entered into a lease agreement to grant the lessee access to the ALL ACCESS platform for a fixed annual lease charge of RMB574,800 until 2018.

13 PROPERTY, PLANT AND EQUIPMENT *(continued)*

The Group's total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	The Group	
	2009	2008
	RMB'000	RMB'000
Within 1 year	**575**	575
After 1 year but within 5 years	**2,299**	2,299
After 5 years	**2,299**	2,874
	5,173	5,748

14 INTERESTS IN SUBSIDIARIES

	The Company	
	2009	2008
	RMB'000	RMB'000
Unlisted shares, at cost	**90,303**	—
Amounts due from subsidiaries	**354,640**	—
	444,943	—

Amounts due from subsidiaries are unsecured, interest free and not expected to be repayable within one year from the balance sheet date.

(Expressed in Renminbi)

14 INTERESTS IN SUBSIDIARIES *(continued)*

Details of the Company's subsidiaries as at 31 December 2009 are as follows:

Name of company	Place and date of incorporation/ establishment	Issued and fully paid up/ registered capital	Attributable equity interest Direct %	Attributable equity interest Indirect %	Principal activity
China All Access Group Limited ("CAA BVI")	The British Virgin Islands/ 15 June 2006	US$10,000	100	—	Investment holding
All Access Global Limited ("CAA HK")	Hong Kong/ 18 June 2008	HK$10,000	—	100	Investment holding
Hebei Noter Communication Technology Co., Ltd. ("Noter")	The PRC/ 21 August 2006	US$22,500,000	—	100	Development and provision of communication equipment and application services system operating management, application upgrade and system maintenance
Beijing All Access Noter Communication Technology Co., Ltd. ("Beijing Noter")	The PRC/ 21 October 2009	US$30,000,000	—	100	Development and provision of communication equipment and application services system operating management, application upgrade and system maintenance
Shanghai All Access Noter Communication Technology Co., Ltd. ("Shanghai Noter")	The PRC/ 23 December 2009	US$3,000,000	—	100	Development and provision of communication equipment and application services system operating management, application upgrade and system maintenance

15 INVENTORIES

(a) Inventories in the consolidated balance sheet comprise:

	The Group	
	2009	2008
	RMB'000	*RMB'000*
Merchandise inventories	**8,395**	3,156

All inventories are expected to be recovered within one year.

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

	2009	2008
	RMB'000	*RMB'000*
Carrying amount of inventories sold	**163,997**	96,665
Write-down of inventories	**312**	—
	164,309	96,665
Operating costs included in cost of sales	**16,072**	7,420
	180,381	104,085

16 TRADE AND OTHER RECEIVABLES

	Note	The Group 2009 RMB'000	The Group 2008 RMB'000	The Company 2009 RMB'000	The Company 2008 RMB'000
Non-current					
Trade receivables		**44,579**	7,463	**—**	—
Performance guarantee deposit	(i)	**9,332**	13,800	**—**	—
		53,911	21,263	**—**	—
Current					
Trade receivables		**120,475**	64,617	**—**	—
Less: Allowance for doubtful debts		**(445)**	(530)	**—**	—
		120,030	64,087	**—**	—
Performance guarantee deposit	(i)	**4,866**	14,400	**—**	—
Other receivables, prepayments and deposits		**6,052**	10,180	**257**	7,693
		130,948	88,667	**257**	7,693

16 TRADE AND OTHER RECEIVABLES *(continued)*

Note:

(i) On 28 February 2008, Noter and SkyComm (as defined in note 26(a)), which was held by the major shareholder of the Group, entered into a long term co-operation agreement for a period of five years until December 2012. Pursuant to the Reorganisation for the purpose of listing the Company's shares on the Main Board of the Stock Exchange, the major shareholder disposed of its interests in SkyComm on the same date. In September 2009, Noter and SkyComm signed a memorandum, under which Noter commits to provide SkyComm with the financial support up to the maximum amount of RMB100 million to assist SkyComm in carrying out its role as the agent of the Group in the provisions of certain telecommunication services and dealing with certain customers while the Group bears all risks and rewards associated with these customers. The financial support made available to SkyComm is interest-free and repayable within one month. In the event that SkyComm fails to repay the amount within one month, interest will be charged at market interest rate, plus a daily penalty of 0.05% of the funding amount, up to a maximum penalty amounting to 5% of the funding amount.

During 2008, Noter provided a lump sum of RMB30,000,000 to SkyComm as a performance guarantee deposit which is subject to an annual adjustment in the manner as specified therein. The performance guarantee deposit is to secure SkyComm during the 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 non-current receivable and is discounted at a rate generally available for discounting similar instruments with commercial banks in the PRC based on the expected timing of refund.

During 2009, a total of RMB15,000,000 of the deposit was refunded. The remaining balance is expected to be recovered in equal portions over the three years ended 31 December 2012. At 31 December 2009, the present value of the performance guarantee deposit amounted to RMB14,198,000 (2008: RMB28,200,000), of which RMB9,332,000 (2008: RMB13,800,000) and RMB4,866,000 (2008: RMB14,400,000) have been classified as non-current assets and current assets respectively. The increase in the present value of RMB998,000 has been accounted for as an interest income during the year ended 31 December 2009. The Group did not provide any financial support to SkyComm as at 31 December 2009. The Group continues to provide such financial support to SkyComm after 31 December 2009.

(ii) For certain of the contracts, retention money representing 5% to 10% of the contract amount is not due until the warranty period expired. Included in trade receivables as at 31 December 2009 and 31 December 2008 are retention money of RMB1,297,000 and RMB1,251,000 respectively.

Trade receivables which are expected to be recovered after more than one year from the balance sheet date are classified as non-current assets. All of the current trade and other receivables are expected to be recovered within one year.

16 TRADE AND OTHER RECEIVABLES *(continued)*

(a) Ageing analysis

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

	The Group	
	2009	2008
	RMB'000	*RMB'000*
Current	**144,167**	21,318
Less than 1 month past due	**11,953**	31,001
1 to 3 months past due	**3,150**	5,922
More than 3 months but less than 12 months past due	**3,644**	6,254
Over 12 months past due	**1,695**	7,055
Amounts past due	**20,442**	50,232
	164,609	71,550
Representing:		
Non-current trade receivables	**44,579**	7,463
Current trade receivables	**120,030**	64,087
	164,609	71,550

The Group's credit policy is set out in note 27(a).

Receivables within the current ageing category include instalments of sales proceeds which are not yet due for payments in accordance with the contract terms, including receivables that are due within one year and after one year from the balance sheet date are classified as current and non-current trade receivables, respectively. The Group only offers the instalment terms to customers with sound financial background and no history of default.

16 TRADE AND OTHER RECEIVABLES *(continued)*

(b) Impairment of trade debtors

Impairment losses in respect of trade debtors are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade debtors directly.

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

	The Group	
	2009	2008
	RMB'000	*RMB'000*
At 1 January	**530**	—
Impairment loss recognised	**586**	645
Reversal of impairment loss	**(398)**	—
Uncollectible amounts written off	**(273)**	(115)
At 31 December	**445**	530

At 31 December 2009, trade debtors of RMB717,960 (2008: RMB849,000), which have been overdue for more than 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 RMB586,000 were recognised of which RMB273,000 has been written off during 2009. In addition, trade debtors of RMB398,000 provided in prior years were recovered during the year. Consequently, a reversal of impairment loss of RMB398,000 was recorded during 2009. The specific allowance for doubtful debt of RMB445,000 was all related to the trade receivables which are over 12 months past due as at 31 December 2009.

(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 procedures which may slow down the collection by the Group. However, there have been no disputes over the balances due from these government organisations, therefore the balances are considered fully recoverable. The Group does not hold any collateral over these balances.

17 CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents in the balance sheet and consolidated cash flow statement comprise:

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Cash at bank and on hand	**465,200**	174,711	**276**	—

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

		2009	2008
	Note	***RMB'000***	*RMB'000*
Profit before taxation		**110,703**	69,534
Adjustments for:			
- Bank interest income	6	**(780)**	(89)
- Gain on early repayment of convertible notes	6	**(196)**	(189)
- Interest income from non-current trade and other receivables	6	**(1,059)**	—
- Loss on disposal of property, plant and equipment	6	**14**	—
- Finance costs	7(a)	**4,674**	7,116
- Impairment losses on trade receivables	7(c)	**586**	645
- Reversal of impairment losses on trade receivables	7(c)	**(398)**	—
- Depreciation	7(c)	**10,719**	746
Changes in working capital			
- Increase in inventories		**(5,239)**	(295)
- Increase in trade and other receivables		**(74,058)**	(67,852)
- Decrease in amounts due from related parties		**—**	11,807
- (Decrease)/increase in trade and other payables		**(5,952)**	6,510
- Decrease in amounts due to related parties		**—**	(480)
Cash generated from operations		**39,014**	27,453

18 TRADE AND OTHER PAYABLES

	The Group	
	2009	2008
	RMB'000	*RMB'000*
Trade payables	**11,429**	25,345
Receipts in advance	**2,213**	1,785
Other payables and accruals	**24,651**	17,115
	38,293	44,245

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

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

	The Group	
	2009	2008
	RMB'000	*RMB'000*
Due within 1 month or on demand	**7,588**	17,456
Due after 1 month but within 3 months	**3,740**	7,889
Due after 6 months but within 12 months	**101**	—
	11,429	25,345

19 AMOUNT DUE TO A SUBSIDIARY

Amount due to a subsidiary is unsecured, interest free and repayable on demand.

20 INTEREST-BEARING BORROWINGS

	The Group	
	2009	2008
	RMB'000	*RMB'000*
Current portion		
Bank loans (note 21)	—	28,753
Convertible notes	—	51,856
Fixed coupon notes	—	69,044
	—	149,653
Non-current portion		
Bank loans (note 21)	—	8,346
	—	157,999

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 Mr. Chan Yuen Ming, an executive director and the Chairman of the Company, and/or Creative Sector Limited (collectively referred as the "Controlling Shareholders").

Each tranche of convertible notes provided 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 offering ("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) was repaid to Smart King. The equity component of the convertible notes of RMB600,000 was released to retained profits upon redemption.

20 INTEREST-BEARING BORROWINGS *(continued)*

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 provided 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, 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 would 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 would be repaid at the maturity date if the conversion did 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. The tranches issued to Profit Concept and Even Grow ("the modified notes") continued to be classified as convertible notes.

On 23 September 2008, CAA BVI issued a tranche of fixed coupon notes to Chengwei CAA Holdings Limited ("Chengwei"). The tranche has a principal value of US$10,000,000 (equivalent to RMB68,788,000) with a maturity of 12 months. The note bears 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, 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 note. 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 repaid in full on 30 April 2009 pursuant to a supplemental agreement entered into between CAA BVI and Guofu. The equity component of the convertible notes of RMB297,000 was released to retained profits upon redemption.

20 INTEREST-BEARING BORROWINGS *(continued)*

On 15 September 2009, the outstanding convertible notes to Profit Concept and Even Grow, and the fixed coupon notes to Chengwei, were converted into 52,500,000, 52,500,000 and 106,200,000 ordinary shares of the Company, representing 7%, 7% and 14.16% interests in the Company prior to the share capital enlargement, respectively. Pursuant to respective agreements between the Controlling Shareholders and Profit Concept, Even Grow and Chengwei, the conversion of these convertible notes and fixed coupon note were settled by exchanging the Controlling Shareholders' interests in the share capital of the Company to these noteholders. The Controlling Shareholders waived all their rights and benefits against CAA BVI and the Company in respect of the principal amounts and accrued interests. As a result, the principal amounts and accrued interests, totalling RMB113,922,000, waived by the Controlling Shareholders were credited to capital reserve of CAA BVI on 15 September 2009.

Movements of the convertible notes of the Group are as follows:

	Liability component	**Equity component**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
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 and accrued interests	(8,967)	(600)	(9,567)
At 31 December 2008	51,856	1,960	53,816
At 1 January 2009	**51,856**	**1,960**	**53,816**
Exchange adjustments	**(207)**	**—**	**(207)**
Accrual of interest costs	**2,132**	**—**	**2,132**
Repayment of convertible notes and accrued interests	**(10,956)**	**(297)**	**(11,253)**
Conversion of convertible notes	**(42,825)**	**(1,663)**	**(44,488)**
At 31 December 2009	**—**	**—**	**—**

21 BANK LOANS

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

		The Group	
	Note	**2009** **RMB'000**	2008 RMB'000
Current portion			
Within 1 year or on demand		—	28,753
Non-current portion			
After 1 year but within 2 years		—	281
After 2 years but within 5 years		—	881
After 5 years		—	7,184
		—	8,346
		—	37,099
Representing:			
Term loan	(i)	—	20,636
Mortgage loan	(ii)	—	8,621
Short term borrowing	(iii)	—	7,842
		—	37,099

21 BANK LOANS *(continued)*

Note:

(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) was fully utilised as at 31 December 2008. The Group repaid US$1,000,000 and US$2,000,000 in January 2009 and June 2009 respectively.

(ii) On 31 December 2008, the loan represented 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" as at 31 December 2008 (note 26(d)). The key terms of the loan to officer are disclosed in note 22 to the financial statements.

On 23 June 2009, the Group has discharged the outstanding liability to Ms Wong Yuk Lan upon the written confirmation from the bank. Mortgage loan balance and the relevant amount due from a related party were reversed on the same date.

(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 25) and was utilised to the extent of US$1,140,000 (equivalent to RMB7,842,000) as at 31 December 2008. The borrowing was repaid in full in May 2009.

The Group had no banking facilities available as at 31 December 2009.

(Expressed in Renminbi)

22 LOAN TO AN OFFICER

At 31 December 2008, the details of loan to officer of the Group were as follows:

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 26(d))
- at 31 December 2009	Nil
Maximum balance outstanding	
- during 2008	HK$10,000,000 (equivalent to RMB8,819,000)
- during 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 was repaid in full in April 2009. The related bank mortgage loan as disclosed in note 21(ii) was discharged to Ms Wong Yuk Lan on 23 June 2009.

23 CAPITAL, RESERVES AND DIVIDENDS

(a) Movement in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below.

	Share capital RMB'000	Share premium RMB'000	Translation reserve RMB'000	Contributed surplus RMB'000	Accumulated losses RMB'000	Total RMB'000
Balance at 1 January 2008	—	—	2	—	(57)	(55)
Changes in equity for 2008:						
Total comprehensive income for the year	—	—	4	—	(36)	(32)
Balance at 31 December 2008 and 1 January 2009	—	—	6	—	(93)	(87)
Changes in equity for 2009:						
Arising from the Reorganisation	—	—	—	90,303	—	90,303
Issuance of shares arising from the Reorganisation	18	51	—	—	—	69
Capitalisation issue	6,590	(6,590)	—	—	—	—
Issuance of shares for placing and initial public offering	2,533	402,721	—	—	—	405,254
Share issue costs	—	(38,990)	—	—	—	(38,990)
Total comprehensive income for the year	—	—	(267)	—	(10,806)	(11,073)
Balance at 31 December 2009	9,141	357,192	(261)	90,303	(10,589)	445,476

23 CAPITAL, RESERVES AND DIVIDENDS *(continued)*

(b) Dividends

Dividends payable to equity shareholders of the Company attributable to the year:

	2009 HK$'000	2008 HK$'000
Final dividend proposed after the balance sheet date of HK$1.0 cent per ordinary share (2008: nil)	10,375	—
	RMB'000	RMB'000
Equivalent to	9,130	—

The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

23 CAPITAL, RESERVES AND DIVIDENDS *(continued)*

(c) Share capital

	2009		2008	
	No. of shares ('000)	**HK$'000**	No. of shares ('000)	HK$'000
Authorised:				
At 1 January	**38,000**	**380**	38,000	380
Ordinary shares of HK$0.01 each created during the year (note (iii))	**99,962,000**	**999,620**	—	—
At 31 December	**100,000,000**	**1,000,000**	38,000	380
	No. of shares ('000)	**HK$'000**	No. of shares ('000)	HK$'000
Ordinary shares, issued and fully paid:				
At 1 January (note (i))	**—**	**—**	—	—
Issuance of shares arising from the Reorganisation (note (ii))	**2,000**	**20**	—	—
Capitalisation issue (note (iii))	**748,000**	**7,480**	—	—
Issuance of shares for placing and initial public offering (note (iv))	**287,500**	**2,875**	—	—
At 31 December	**1,037,500**	**10,375**	—	—
		RMB'000		RMB'000
Equivalent to		**9,141**		—

23 CAPITAL, RESERVES AND DIVIDENDS *(continued)*

(c) Share capital *(continued)*

(i) 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 upon incorporation. At 1 January 2008 and 31 December 2008, one nil-paid share was held by one of the Controlling Shareholders, Mr. Chan Yuen Ming.

(ii) On 28 August 2009, the Company acquired from the shareholders of CAA BVI an aggregate of 10,000 shares of US$1 each, being its entire issued share capital, in consideration of and in exchange for which the Company (i) allotted and issued, credited as fully paid at par, an aggregate of 1,999,999 shares to the shareholder of CAA BVI or such other person as they may direct; and (ii) credited as fully paid at par a nil-paid share then held by the Controlling Shareholders. Thereafter, the Company became the holding company of the companies comprising the Group.

(iii) Pursuant to a written resolution on 28 August 2009, the authorised share capital of the Company was increased from HK$380,000 to HK$1,000,000,000 by creation of 99,962,000,000 shares of HK$0.01 each. The shares rank pari passu in all respects with all other existing shares is issue. On the same date, the Company allotted and issued a total of 748,000,000 shares credited as fully paid at par to the then shareholders of the Company in proportion to their respective shareholdings by way of capitalisation of a sum of HK$7,480,000 (equivalent to RMB6,590,000), conditional on the initial public offering of the Company's shares in Hong Kong.

(iv) On 16 September 2009, the Company was successfully listed on the Stock Exchange following the completion of its initial public offering of 250,000,000 shares to the investors. On 22 September 2009, further 37,500,000 shares were issued pursuant to the exercise of the Over-Allotment Option (as defined in the Company's Prospectus dated 4 September 2009). The proceeds of HK$2,875,000 (equivalent to RMB2,533,000) representing the par value, were credited to the Company's share capital. The remaining proceeds of HK$457,125,000 (equivalent to RMB402,721,000), before the share issue costs of RMB38,990,000, were credited to the share premium account.

(v) Share capital at 31 December 2008 represented the share capital, being 10,000 ordinary shares of US$1 each, of CAA BVI which was the then holding company of the companies now comprising the Group.

23 CAPITAL, RESERVES AND DIVIDENDS *(continued)*

(d) Nature and purpose of reserve

The nature and purpose of reserves are set out below:

(i) Share premium

The share premium represents the difference between the par value of the shares of the Company and proceeds received from the issuance of the shares of the Company. Under the Companies Law of Cayman Islands, the share premium account of the Company is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company would be in a position to pay off its debts as they fall due in the ordinary course of business.

(ii) Contributed surplus

On 28 August 2009, the Company acquired from the shareholders of CAA BVI an aggregate of 10,000 shares of US$1 each, being its entire issued share capital, in consideration of and in exchange for which the Company (i) allotted and issued, credited as fully paid, an aggregate of 1,999,999 shares; and (ii) credited as fully paid at par a nil-paid share then held by the Controlling Shareholders. Thereafter, the Company became the holding company of the companies comprising the Group. The difference between the consolidated net assets of CAA BVI over the nominal value of the shares issued by the Company in exchange thereof was transferred to contributed surplus in the consolidated financial statements as at the date of Reorganisation. The contributed surplus is distributable to the shareholders of the Company.

(iii) Capital reserve

— 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 26(e).

— 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.

— On 15 September 2009, the outstanding convertible notes and fixed coupon note (note 20) were settled by exchanging the Controlling Shareholders' interests in the share capital of the Company to these noteholders. The Controlling Shareholders waived all their rights and benefits against CAA BVI and the Company in respect of the principal amounts and accrued interests. As a result, the principal amounts and accrued interests, totalling RMB113,922,000, waived by the Controlling Shareholders were credited to capital reserve of CAA BVI on 15 September 2009.

23 CAPITAL, RESERVES AND DIVIDENDS *(continued)*

(d) Nature and purpose of reserve *(continued)*

(iv) Statutory general reserve

The subsidiaries in the PRC are required to appropriate 10% of its after-tax profit, as determined in accordance with the PRC accounting rules and regulations, to the general reserve fund until the reserve balance reaches 50% of the registered capital. The transfer to this reserve must be made before distribution of a dividend to shareholders.

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 the PRC subsidiaries.

(v) Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of entities outside the PRC.

(vi) Merger reserve

On 31 August 2006, Noter, Hebei SkyComm and Shanghai SkyComm, as defined in note 26(a), 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 at a consideration of RMB102,600,000. The difference between the consideration over the historical net asset value of the acquired businesses at the effective business transfer date of 30 June 2006, amounting to RMB84,141,000, was debited to the merger reserve.

(vii) Reserves prior to the Reorganisation

The balances of capital reserve, translation reserve, merger reserve and retained profits of the Group's subsidiaries immediately prior to the Reorganisation were eliminated upon the Reorganisation.

(e) Distributability of reserve

At 31 December 2009, the aggregate amount of reserves available for distribution to the equity shareholders of the Company was RMB436,335,000 (2008: Nil).

23 CAPITAL, RESERVES AND DIVIDENDS *(continued)*

(f) 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.

Before the listing of the Company's shares on the Stock Exchange, the Group monitors its capital on the basis of a gearing ratio, being the total interest-bearing borrowings divided by total assets. The gearing ratio at 31 December 2008 was 45%. 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.

The Group's management considered the IPO proceeds received upon the listing of the Company's share are sufficient for the expansion of the Group's business in the near future. The Group do not expect there will be significant changes in its capital structure in the foreseeable future.

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

24 COMMITMENTS

(a) Capital commitments outstanding at 31 December 2009 not provided for in the financial statements were as follows:

	The Group	
	2009	2008
	RMB'000	RMB'000
Contracted for	**14,423**	—

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

	The Group	
	2009	2008
	RMB'000	RMB'000
Within 1 year	**1,221**	1,087
After 1 year but within 5 years	**1,702**	771
After 5 years	**1,312**	—
	4,235	1,858

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 26. None of the leases include contingent rentals.

(c) At 31 December 2009, the Group had committed to provide financial support to SkyComm up to the maximum amount of RMB100 million (note 16(i)).

(Expressed in Renminbi)

25 CONTINGENT ASSETS AND LIABILITIES

Financial guarantees issued

The Company

As at 31 December 2008, 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 21 to these financial statements. The amounts guaranteed by the Director of CAA BVI and the Controlling Shareholders were HK$49,000,000, respectively, while the amount guaranteed by the Company was unlimited.

As at 31 December 2008, the directors did not consider it probable that a claim made against the Company under the guarantees. The maximum liability of the Company as at 31 December 2008 under the guarantees were the outstanding amount of the bank loans of RMB37,099,000.

The bank loans were repaid in June 2009 and thus the above guarantee arrangement has been released on 30 June 2009.

26 MATERIAL RELATED PARTY TRANSACTIONS

The Group had the following material related party transactions during the current and prior years.

(a) Name and relationship with related parties

During the current and prior years, transactions with the following parties are considered as related party transactions:

Name of party	**Relationships**
Sky Communication Group Co., Ltd. ("SkyComm") (note (ii))	Holding company of Hebei SkyComm and Shanghai SkyComm, effectively 81% owned by Mr. Chan Yuen Ming before 28 February 2008 (note (i))
Hebei Sky Communication Co., Ltd. ("Hebei SkyComm") (note (ii))	Subsidiary of SkyComm, effectively 81% owned by Mr. Chan Yuen Ming before 28 February 2008 (note (i))
Shanghai Sky Communication Co., Ltd. ("Shanghai SkyComm") (note (iii))	Subsidiary of SkyComm effectively 76.95% owned by Mr. Chan Yuen Ming before 28 February 2008 (note (i))
Ms Wong Yuk Lan	Director of CAA BVI

26 MATERIAL RELATED PARTY TRANSACTIONS *(continued)*

(a) Name and relationship with related parties *(continued)*

Notes:

(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.

(ii) Following Noter's acquisition of certain assets and liabilities from Hebei SkyComm and Shanghai SkyComm 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.

(iii) 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.

26 MATERIAL RELATED PARTY TRANSACTIONS *(continued)*

(b) Significant related party transactions

Particulars of significant related party transactions credited/ (charged) to the Group during the current and prior years are as follows:

	2009 RMB'000	2008 RMB'000
Recurring transactions:		
Rental expenses charged by		
– Mr Chan Yuen Ming*	**(185)**	(216)
Non-recurring transactions:		
Technical support and service income from:		
– Hebei SkyComm	—	154
– Shanghai SkyComm	—	517
	—	671
Rental expense charged by:		
– SkyComm Group	—	(18)
Reimbursement of operating expenses charged by (note):		
– Hebei SkyComm	—	(71)
– Shanghai SkyComm	—	(884)
	—	(955)

* Continuing connected transactions pursuant to Chapter 14A of the Listing Rules.

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.

Note: It represented reimbursement of operating expenses of ALL ACCESS platform, excluding depreciation charges, to Hebei SkyComm and Shanghai SkyComm, before the platform was acquired.

26 MATERIAL RELATED PARTY TRANSACTIONS *(continued)*

(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 9 and certain of the highest paid employees as disclosed in note 10, is as follows:

	2009	2008
	RMB'000	RMB'000
Short term employee benefits	**3,075**	2,377
Post-employment benefits	**110**	43
	3,185	2,420

Total remuneration was included in "staff costs" (see note 7(b)).

(d) Amount due from related party

	2009	2008
	RMB'000	RMB'000
Ms Wong Yuk Lan (note 21)	**—**	8,621

The amount due from Ms Wong Yuk Lan was subject to the details as set out in note 22. 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 represented amount advanced by one of the Controlling Shareholders, Mr Chan Yuen Ming, to finance the Group's working capital requirements. It was interest-free and was repayable on demand. On 14 January 2008, an amount of HK$36,600,000 (equivalent to RMB34,028,000) was capitalised in capital reserve in consideration of the allotment of 9,999 shares to Mr Chan Yuen Ming. The remaining amount after capitalisation has been settled on 31 August 2009.

27 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 deposits with financial institutions and trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of deposits with financial institutions, the Group only places deposits with financial institutions, which management believes 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 instalments at different stages which comprised (i) downpayment payable upon signing of contract; (ii) remaining balance within three months after acceptance of project, subject to 5%-10% retention money, if any, to be withheld by customers in our projects until expiry of the warranty period. For sale of terminal equipment, contract sums are normally payable upon delivery of the relevant terminal equipment. The Group may grant credit up to 180 days to its customer according to the negotiation and relationship with these customers. The Group may also allow payments by instalments to certain customers with sound financial background and with no history of default. 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 2009, the Group has a certain concentration of credit risk as 5.24% and 45.22% (2008: 0% and 33.04%) 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 16.

27 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(continued)*

(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.

The Group

	2009 Contractual undiscounted cash outflow					
	Within 1 year or on demand RMB'000	**More than 1 year but less than 2 years RMB'000**	**More than 2 years but less than 5 years RMB'000**	**More than 5 years RMB'000**	**Total RMB'000**	**Balance sheet carrying amount RMB'000**
Interest-bearing borrowings	**—**	**—**	**—**	**—**	**—**	**—**
Trade and other payables	**38,293**	**—**	**—**	**—**	**38,293**	**38,293**
Amount due to a shareholder	**—**	**—**	**—**	**—**	**—**	**—**
	38,293	**—**	**—**	**—**	**38,293**	**38,293**

	2008 Contractual undiscounted cash outflow					
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Balance sheet carrying amount RMB'000
Interest-bearing borrowings	155,431	454	1,362	8,739	165,986	157,999
Trade and other payables	44,245	—	—	—	44,245	44,245
Amount due to a shareholder	3,861	—	—	—	3,861	3,861
	203,537	454	1,362	8,739	214,092	206,105

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

27 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(continued)*

(b) Liquidity risk *(continued)*

The Company

	2009 Contractual undiscounted cash outflow		
	Within 1 year or on demand RMB'000	**Total RMB'000**	**Balance sheet carrying amount RMB'000**
Amount due to a subsidiary	—	—	—

	2008 Contractual undiscounted cash outflow		
	Within 1 year or on demand RMB'000	Total RMB'000	Balance sheet carrying amount RMB'000
Amount due to a subsidiary	7,780	7,780	7,780

27 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(continued)*

(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 constantly monitors its borrowing portfolio to minimise its interest rate risk. 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 (all interest bearing borrowings) at the balance sheet date:

	2008	
	Effective interest rate %	RMB'000
Fixed rate borrowings:		
– Convertible notes (note 20)	4.0%	51,856
– Fixed coupon notes (note 20)	4.0%	69,044
		120,900
Variable rate borrowings:		
– Bank loans	4.0%	37,099
Total borrowings		157,999
Fixed rate borrowings as a percentage of total borrowings		77%

(ii) Sensitivity analysis

At 31 December 2008, 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 and retained profits by approximately RMB50,000.

The sensitivity analysis above indicates the instantaneous change in the Group's profit for the year (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.

Sensitivity analysis as at 31 December 2009 is not presented as there is no interest-bearing borrowings.

27 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(continued)*

(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 current and prior years, sales and purchases made by the Group's PRC subsidiaries were mainly denominated in Renminbi, which is its functional currency. These PRC subsidiaries did not have any significant financial assets and liabilities that are denominated in a currency other than its functional currency as at 31 December 2009 and 2008. Accordingly, the Group considers its PRC subsidiaries has no significant exposure to foreign currency risk at 31 December 2009 (2008: Nil).

The functional currency of CAA BVI is Hong Kong dollars. CAA BVI did not have financial liabilities denominated in United States dollars amounted to USD at 31 December 2009 (2008: USD16,295,000). 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 2009 and 2008.

28 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 property, plant and equipment

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.

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

(b) Impairment of trade receivables

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 impairment loss would affect the Group's results in future years.

(c) Impairment loss on 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 3(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.

(d) 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.

(Expressed in Renminbi)

28 ACCOUNTING ESTIMATES AND JUDGEMENTS *(continued)*

Key sources of estimation uncertainty *(continued)*

(e) 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 period 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.

29 IMMEDIATE AND ULTIMATE HOLDING COMPANY

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

30 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2009

Up to the date of issue of these financial statements, the HKICPA has issued the following amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2009 and which have not been adopted in these financial statements.

	Effective for annual accounting periods beginning on or after
HKFRS 3 (revised), *Business combinations*	1 July 2009
Amendments to HKAS 27, *Consolidated and separate financial statements*	1 July 2009
Amendment to HKAS 39, *Financial instruments: Recognition and measurement - Eligible hedged items*	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.