SPEEDCAST HOLDINGS LIMITED

REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2011

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羅兵咸永道

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF SPEEDCAST HOLDINGS LIMITED
(Incorporated in Cayman Islands with limited liability)

We have audited the consolidated financial statements of SpeedCast Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 3 to 28, which comprise the consolidated statement of financial position as at 31 December 2011, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement 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 about whether the consolidated financial statements are free from material misstatement.

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

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

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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF SPEEDCAST HOLDINGS LIMITED (CONTINUED)
(Incorporated in Cayman Islands with limited liability)

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2011, and of the Group's financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards.

PricewaterhouseCoopers

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 18 May 2012

SPEEDCAST HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2011

	Note	2011 HK$	2010 HK$
Turnover	5	240,006,837	206,880,241
Cost of sales	7	(145,130,902)	(126,380,473)
Gross profit		94,875,935	80,499,768
Other income	6	918	689
Distribution costs	7	(7,856,242)	(6,507,845)
Administrative and other expenses	7	(62,025,917)	(51,068,202)
Operating profit		24,994,694	22,924,410
Finance costs	10	(5,632)	(10,604)
Profit before income tax		24,989,062	22,913,806
Income tax expense	11	-	-
Profit and total comprehensive income for the year		24,989,062	22,913,806

The notes on pages 7 to 28 are an integral part of these consolidated financial statements.

SPEEDCAST HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2011

	Note	2011 HK$	2010 HK$
ASSETS			
Non-current assets			
Property, plant and equipment	12	39,520,320	32,906,707
Current assets			
Inventories	13	5,368,467	4,432,182
Trade and other receivables	14	24,552,868	26,874,681
Cash and cash equivalents	15	53,055,915	35,502,540
Total current assets		82,977,250	66,809,403
Total assets		122,497,570	99,716,110
EQUITY			
Equity attributable to the owners of the Company			
Share capital	18	19,909	19,909
Share premium	20	351,104,470	351,104,470
Accumulated losses		(274,000,832)	(298,989,894)
Total equity		77,123,547	52,134,485
LIABILITIES			
Non-current liabilities			
Other payables	16	200,000	-
Current liabilities			
Trade and other payables	16	45,174,023	47,574,282
Current portion of obligations under finance leases	17	-	7,343
Total current liabilities		45,174,023	47,581,625
Total liabilities		45,374,023	47,581,625
Total equity and liabilities		122,497,570	99,716,110
Net current assets		37,803,227	19,227,778
Total assets less current liabilities		77,323,547	52,134,485

The notes on pages 7 to 28 are an integral part of these consolidated financial statements.

The financial statements on pages 3 to 28 were approved by Board of Directors on 18 May 2012 and were signed on its behalf.

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Director Director

SPEEDCAST HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2011

	Attributable to owners of the Company			
	Share capital HK$	Share premium HK$	Accumulated (losses)/profits HK$	Total HK$
At 1 January 2010	19,909	351,104,470	(321,903,700)	29,220,679
Profit and total comprehensive income for the year	-	-	22,913,806	22,913,806
At 31 December 2010	19,909	351,104,470	(298,989,894)	52,134,485
At 1 January 2011	19,909	351,104,470	(298,989,894)	52,134,485
Profit and total comprehensive income for the year	-	-	24,989,062	24,989,062
At 31 December 2011	19,909	351,104,470	(274,000,832)	77,123,547

The notes on pages 7 to 28 are an integral part of these consolidated financial statements.

SPEEDCAST HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2011

	Note	2011 HK$	2010 HK$
Cash flows from operating activities			
Cash generated from operations	21	35,816,577	37,525,802
Net cash from operating activities		35,816,577	37,525,802
Cash flows from investing activities			
Interest received		918	689
Purchase of property, plant and equipment		(19,223,000)	(19,625,924)
Proceed from disposal of property, plant and equipment		966,560	409,500
Net cash used in investing activities		(18,255,522)	(19,215,735)
Cash flows from financing activities			
Repayment of obligations under finance leases		(7,680)	(11,520)
Net cash used in financing activities		(7,680)	(11,520)
Net increase in cash and cash equivalents		17,553,375	18,298,547
Cash and cash equivalents at beginning of the year	15	35,502,540	17,203,993
Cash and cash equivalents at end of the year	15	53,055,915	35,502,540

The notes on pages 7 to 28 are an integral part of these consolidated financial statements.

1 General information

The principal activity of SpeedCast Holdings Limited (the "Company") is investment holding of subsidiaries that are principally engaged in the provision of satellite-based broadband internet access and networking, multi-media syndication and corporate broadcast services.

The Company is an exempted company with limited liability incorporated in Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The ultimate parents of the Company are CITIC Group (incorporated in China) and General Electric Company (incorporated in the United States). The immediate holding company of the Company is Asia Satellite Telecommunications Company Limited (incorporated in Hong Kong).

These consolidated financial statements are presented in Hong Kong dollars, unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 18 May 2012.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Company and its subsidiaries (together, the "Group") have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") and have been prepared under the historical cost convention.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

Changes in accounting policies and disclosures

(a) New and amended standards adopted by the Group

The following new and revised standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1 January 2011 are as follows:

HKFRSs (Amendment)	Improvements to HKFRSs (2010)
HKAS 24 (Revised)	Related Party Disclosures
HKAS 32 (Amendment)	Classification of Rights Issues
HKAS 34 (Amendment)	Interim Financing Reporting
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters
HK(IFRIC) Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement
HK(IFRIC) Int 19	Extinguishing Financial Liabilities with Equity Instruments

The adoption of the above new and revised standards, amendments and interpretations did not result in any substantial changes to the accounting policies and financial statements of the Group.

2 Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

Changes in accounting policies and disclosures (Continued)

(b) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

The following standards and amendments to existing standards have been issued, but are not effective for the financial year beginning 1 January 2011 and have not been early adopted:

HKAS 1 (Amendment)	Presentation of Items of Other Comprehensive Income[2]
HKAS 12 (Amendment)	Deferred Tax: Recovery of Underlying Assets[1]
HKAS 19 (2011)	Employee Benefits[2]
HKAS 27 (2011)	Separate Financial Statements[2]
HKAS 28 (2011)	Investments in Associates and Joint Ventures[2]
HKAS 32 (Amendment)	Presentation – Offsetting Financial Assets and Financial Liabilities[3]
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine[4]
HKFRS 1 (Amendment)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters[1]
HKFRS 7 (Amendment)	Disclosures - Transfers of Financial Assets[1]
HKFRS 7 (Amendment)	Disclosures - Offsetting Financial Assets and Financial Liabilities[2]
HKFRS 9	Financial Instruments[4]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 11	Joint Arrangements[2]
HKFRS 12	Disclosure of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurements[2]

[1] Effective for the Group for annual periods beginning on or after 1 January 2012
[2] Effective for the Group for annual periods beginning on or after 1 January 2013
[3] Effective for the Group for annual periods beginning on or after 1 January 2014
[4] Effective for the Group for annual periods beginning on or after 1 January 2015

The Group is in the process of assessing the impact of these standards or interpretations and does not expect there will be a material impact on the consolidated financial statements of the Group.

2.2 Consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to 31 December.

Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

2 Summary of significant accounting policies (Continued)

2.2 Consolidation (Continued)

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.3 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars (HK$), which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of comprehensive income within "Administrative and other expenses".

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of the reporting period;
(ii) income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
(iii) all resulting exchange differences are recognised in the other comprehensive income.

2 Summary of significant accounting policies (Continued)

2.4 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are expensed in the consolidated statement of comprehensive income during the financial year in which they are incurred.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, at the following rates per annum:

Office equipment	20%
2-way equipment	20% - 50%
Teleport equipment	20%
Computer equipment	50%
Leasehold improvement	33% - 50%
Network operations center ("NOC") equipment	20%
Remote content servers ("RCS") equipment	50%
Motor vehicles	33%

Assets held under finance leases are depreciated over the shorter of their expected useful lives or the term of the leases.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.5).

Gains and losses on disposals are determined by comparing proceeds with carrying amounts and are recognised within "Administrative and other expenses" in the consolidated statement of comprehensive income.

2.5 Impairment of non-financial assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2 Summary of significant accounting policies (Continued)

2.6 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first out (FIFO) method and comprises all costs of purchase and other costs incurred in bringing the inventories to their present locations and conditions. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.7 Financial assets

(a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise "trade and other receivables" and "cash and cash equivalents" in the statement of financial position (Notes 2.8 and 2.9). Loans and receivables are subsequently carried at amortised cost using the effective interest method.

(b) Impairment of financial assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- The Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
  - (i) adverse changes in the payment status of borrowers in the portfolio; and
  - (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

2 Summary of significant accounting policies (Continued)

2.7 Financial assets (Continued)

(b) Impairment of financial assets carried at amortised cost (Continued)

The Group first assesses whether objective evidence of impairment exists.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated statement of comprehensive income. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated statement of comprehensive income.

2.8 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.9 Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits held at call with banks.

2.10 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers and service providers. They are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, unless the effect of discounting is insignificant and in which case they are stated at historical cost.

2.11 Share capital

Ordinary shares are classified as equity.

2 Summary of significant accounting policies (Continued)

2.12 Employee benefits

(a) Pension obligations

The Group participates in defined contribution plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The contributions are recognised as employee benefit expense when they are due and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) Share-based compensation

The Company operated an equity-settled, share-based compensation plan namely a share option scheme. The scheme has been terminated on 31 March 2010 and all the share options previously granted were cancelled.

(i) General information of the share option scheme:

The Company had a share option scheme which was adopted on 30 March 2000 whereby the directors were authorised, at their discretion, to grant employees (including consultants or advisers) of the Company or its subsidiaries to take up options which were in the form of share-based payment transactions, whereby the employees rendered services in exchange for shares or rights over shares. Options would vest after one year from the date of grant and were exercisable over a period of ten years beginning six months after the Listing Date of the Company on The Stock Exchange of Hong Kong Limited or any other recognised stock exchange.

(ii) Exercise terms and conditions of the grants:

A grantee should not exercise his/her options except when one or more shareholders exited more than 20% of its/their equity ownership in the Company on and before 31 December 2006 with a valuation of US$15 million or greater, or in the event of an Initial Public Offer ("IPO") of the Company.

(iii) Fair value of share options and assumptions:

The fair value of services received in return for share options granted was measured by reference to the fair value of share options granted. Taking into consideration of the exercise terms and conditions of the grants, the Group assumed the intrinsic value of the share options granted was nil and as a result, the Group did not recognise any cost of share options granted to employees as an employee cost.

2 Summary of significant accounting policies (Continued)

2.12 Employee benefits (Continued)

(c) Performance-based bonus

The expected costs of performance-based bonuses are recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

Liabilities for performance-based bonuses are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

2.13 Provisions

Provisions for asset retirement obligations are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.14 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivables, and represents amounts receivable for goods supplied, stated net of discounts returns and value added taxes.

The Group recognises revenue when the amount of revenue and costs can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below. The Group bases its estimates of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Broadband access revenue is recognised when the broadband access services are rendered.

(b) Sale of broadband services equipment is recognised upon the transfer of risks and rewards of ownership, which generally coincides with the time when goods are delivered to customers and title is passed.

(c) Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables are recognised using the original effective interest rate.

2 Summary of significant accounting policies (Continued)

2.15 Leases (as the lessee)

(i) Operating lease

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are expensed in the consolidated statement of comprehensive income on a straight-line basis over the period of the lease.

(ii) Finance leases

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased asset and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in liabilities. The interest element of the finance cost is charged to the consolidated statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

2.16 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except for deferred income tax liability where the timing of reversal of the temporary difference is controlled by the Group and it is probable that the temporary differences will not reverse in the foreseeable future.

3 Summary of significant accounting policies (Continued)

2.16 Current and deferred income tax (Continued)

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

3 Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: foreign exchange risk, credit risk, liquidity risk and cash flow interest-rate risk that arise in the normal course of the Group's business. The Group does not have formal risk management policies or guidelines. However, the Board of Directors generally adopts conservative strategies which focus on the unpredictability of financial markets and seek to minimise potential adverse effects on the Group's financial performance.

(a) Foreign exchange risk

The Group trades with international customers and suppliers and may potentially be exposed to foreign exchange risk arising from various currency exposures. To manage the foreign exchange risk arising from the Group's commercial transactions, almost all agreements with its customers and suppliers were denominated in United States dollars. As Hong Kong dollars is pegged to United States dollars, the Group does not have any significant currency exposure and does not need to hedge.

3.1 Financial risk factors (Continued)

(b) Credit risk

The Group has no significant concentrations of credit risk. Credit risk of the Group arises from credit exposures to its customers and cash and cash equivalents.

For credit exposure to customers, the Group trades only with recognised, creditworthy third parties. The Group's policy is to carry out credit verification procedures on new customers before grant of credit terms. In addition, the Group may request customers to make deposits and advance payments before delivery of services or goods. Further disclosure of credit risk of customers is set out in Note 14. Moreover, the Group only places cash and deposits with reputable banks and financial institutions.

(c) Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, finance leases and obtaining financial support from its immediate holding company.

The table below analyses the Group's non-derivative financial liabilities as at 31 December into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

3 Financial risk management (Continued)

(c) Liquidity risk (Continued)

	Within 1 year HK$	More than 1 year but less than 3 years HK$	Total HK$
At 31 December 2011			
Trade and other payables	45,174,023	200,000	45,374,023
At 31 December 2010			
Trade and other payables	47,574,282	-	47,574,282
Obligations under finance leases	7,343	-	7,343
	47,581,625	-	47,581,625

(d) Cash flow interest-rate risk

As the Company has no significant interest-bearing assets or liabilities, its income and operating cash flows are substantially independent of changes in market interest rates.

3.2 Capital risk management

The Group's objectives when 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. The Group actively and regularly reviews and manages its capital structure to ensure an optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. The Group has no formal dividend policy and it generally retains its profit as capital of the Group for future use.

3.3 Fair value estimation

The carrying values of the Group's financial assets and financial liabilities are reasonable approximation of their fair values due to their relatively short term nature of these financial instruments.

4 Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Provision for impairment of trade receivables

The Group maintains provision for impairment of trade receivables and for estimated losses that result from the inability of its customers to make the required payments. The Group bases its provision on the likelihood of recoverability of account receivables based on past experience and current collection trends that are expected to continue. The Group's evaluation also includes the length of time the receivables are past due and the general business environment. A considerable amount of judgment is required in assessing the ultimate realisation of the receivables. If financial conditions of the customers were to deteriorate, resulting in an impairment of their ability to make payments, additional provision will be required. At 31 December 2011, the carrying amount of trade receivables after provision for impairment amounted to HK$20,630,172 (2010: HK$23,208,751).

(b) Income taxes

The Group is subject to income taxes in several jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes, including the recognition of deferred tax assets to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues, if any, based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters 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.

5 Turnover

	2011 HK$	2010 HK$
Broadband access revenue	227,507,210	180,116,544
Sale of broadband services equipment	12,499,627	26,763,697
	240,006,837	206,880,241

6 Other income

	2011 HK$	2010 HK$
Bank interest income	918	689

7 Expenses by nature

Expenses included in cost of sales, distribution costs and administrative and other expenses are analysed as follows:

	2011 HK$	2010 HK$
Auditor's remuneration	491,309	436,950
Depreciation (Note 12)	11,609,840	10,261,760
Cost of inventories and services provided	145,130,902	126,380,473
Gain on disposal of property, plant and equipment	-	(249,723)
Operating lease payments in respect of:		
Property, plant and equipment	53,120	15,147
Office premises	2,955,137	2,791,621
Provision for impairment of inventories (Note 13)	98,329	-
Provision for impairment of trade receivables (Note 14)	666,830	516,222
Employee benefit expense (Note 8)	39,579,940	32,530,390

8 Employees benefit expense

	2011 HK$	2010 HK$
Salaries and allowances	38,113,550	31,250,378
Contributions to defined contribution plans	1,466,390	1,280,012
	39,579,940	32,530,390

9 Director's emoluments

None of the directors received or will receive any fees or other emoluments with respect to their services to the Company during the year (2010: Nil).

10 Finance costs

	2011 HK$	2010 HK$
Interest expense on asset retirement obligations	5,295	9,078
Interest expense on obligations under finance leases	337	1,526
	5,632	10,604

11 Income tax expense

No provision for Hong Kong or overseas profits tax has been made in the consolidated financial statements as the Group's entities had sufficient tax losses to offset the estimated assessable profit for the year (2010: Nil). The rate of taxation prevailing in Hong Kong in which the Group principally operates is 16.5% (2010: 16.5%).

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the applicable tax rate prevailing in the countries in which the Group operates as follows:

	2011 HK$	2010 HK$
Profit before income tax	24,989,062	22,913,806
Tax calculated at tax rate of 16.5% (2010: 16.5%)	4,123,195	3,780,778
Tax effects of:		
Expenses not deductible for tax purposes	573,372	379,801
Income not subject to tax	(139,562)	(220,878)
Unrecognised temporary differences	(1,118,735)	(1,399,908)
Utilisation of previously unrecognised tax losses	(3,438,270)	(2,539,793)
Tax expense	-	-

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets of HK$15,197,475 (2010: HK$18,635,745) in respect of the tax losses of HK$92,105,908 (2010: HK$112,943,911) that can be carried forward against future taxable income. These tax losses do not expire under the current tax legislation.

12 Property, plant and equipment

	Office equipment HK$	2-way equipment HK$	Teleport equipment HK$	Computer equipment HK$	Leasehold improvement HK$	NOC equipment HK$	RCS equipment HK$	Motor vehicles HK$	Total amount HK$
At 1 January 2010									
Cost	967,338	31,272,288	4,113,489	8,411,950	2,382,040	18,942,689	4,625,907	280,000	70,995,701
Accumulated depreciation	(611,946)	(18,686,235)	(2,907,980)	(7,847,123)	(2,069,628)	(10,462,939)	(4,190,482)	(280,000)	(47,056,333)
Net book amount	355,392	12,586,053	1,205,509	564,827	312,412	8,479,750	435,425	-	23,939,368
Year ended 31 December 2010									
Opening net book amount	355,392	12,586,053	1,205,509	564,827	312,412	8,479,750	435,425	-	23,939,368
Additions	225,884	14,658,227	-	732,209	612,130	3,448,549	5,300	-	19,682,299
Disposals	-	(450,915)	-	-	(2,285)	-	-	-	(453,200)
Depreciation	(144,668)	(5,373,589)	(419,262)	(580,651)	(350,399)	(2,979,417)	(413,774)	-	(10,261,760)
Closing net book amount	436,608	21,419,776	786,247	716,385	571,858	8,948,882	26,951	-	32,906,707
At 31 December 2010									
Cost	1,193,222	44,913,325	4,113,489	9,110,268	2,924,360	22,368,845	4,631,207	280,000	89,534,716
Accumulated depreciation	(756,614)	(23,493,549)	(3,327,242)	(8,393,883)	(2,352,502)	(13,419,963)	(4,604,256)	(280,000)	(56,628,009)
Net book amount	436,608	21,419,776	786,247	716,385	571,858	8,948,882	26,951	-	32,906,707
Year ended 31 December 2011									
Opening net book amount	436,608	21,419,776	786,247	716,385	571,858	8,948,882	26,951	-	32,906,707
Additions	123,703	14,712,753	13,846	275,324	1,443,060	2,567,294	87,020	-	19,223,000
Disposals	-	(978,535)	(13,846)	-	-	(7,167)	-	-	(999,547)
Depreciation	(175,866)	(6,861,658)	(309,684)	(638,861)	(601,547)	(2,988,762)	(33,461)	-	(11,609,840)
Closing net book amount	384,445	28,292,336	476,563	352,848	1,413,371	8,520,247	80,510	-	39,520,320
At 31 December 2011									
Cost	1,316,925	57,342,653	4,096,565	9,385,594	4,367,420	24,924,253	4,718,227	280,000	106,431,633
Accumulated depreciation	(932,480)	(29,050,317)	(3,620,002)	(9,032,746)	(2,954,049)	(16,404,006)	(4,637,717)	(280,000)	(66,911,313)
Net book amount	384,445	28,292,336	476,563	352,848	1,413,371	8,520,247	80,510	-	39,520,320

At 31 December 2011, the Group had no office equipment held under finance leases (2010: HK$6,493).

13 Inventories

	2011 HK$	2010 HK$
Merchandise	5,466,796	4,432,182
Less: Provision for impairment	(98,329)	-
	5,368,467	4,432,182

The cost of inventories recognised as expense and included in cost of sales amounted to HK$9,517,203 (2010: HK$19,416,918).

14 Trade and other receivables

	2011 HK$	2010 HK$
Trade receivables	21,611,490	23,724,973
Less: Provision for impairment of trade receivables	(981,318)	(516,222)
Trade receivables - net	20,630,172	23,208,751
Deposits and prepayments	3,723,046	3,584,290
Other receivables	199,650	81,640
	24,552,868	26,874,681

The carrying values of the trade and other receivables approximate their fair values.

The majority of the Group's sales are with credit terms of 30 to 60 days. The ageing analysis of the trade receivables based on invoice date is as follows:

	2011 HK$	2010 HK$
0 to 30 days	13,333,914	13,432,719
31 to 60 days	4,208,468	3,988,472
61 to 90 days	1,170,753	5,510,826
91 to 180 days	1,502,183	166,722
181 days or above	1,396,172	626,234
	21,611,490	23,724,973

There is no concentration of credit risk with respect to trade receivables, as the Group has a large number of customers that are internationally dispersed.

14 Trade and other receivables (continued)

As of 31 December 2011, trade receivables of HK$981,318 (2010: HK$516,222) were impaired and fully provided for. The impaired receivables mainly relate to customers' failure to make payment for more than six months from invoice date. The ageing analysis of these receivables is as follows:

	2011 HK$	2010 HK$
181 days or above	981,318	516,222

Movements on the provision for impairment of trade receivables are as follows:

	2011 HK$	2010 HK$
At 1 January	516,222	2,469,304
Provision for impairment of trade receivables (Note 7)	666,830	516,222
Amounts written off	(201,734)	(2,469,304)
At 31 December	981,318	516,222

The creation and release of provision for impaired receivables have been included in "Administrative and other expenses" in the consolidated statement of comprehensive income. Amounts charged to the allowance accounts are generally written off when there is no expectation of recovery of additional cash.

The ageing analysis of trade receivables based on invoice date that are neither individually nor collectively considered to be impaired is as follows:

	2011 HK$	2010 HK$
0 to 30 days	13,333,915	13,432,719
31 to 60 days	4,208,466	3,988,472
61 to 90 days	1,170,753	5,510,826
91 to 180 days	1,502,184	166,722
181 days or above	414,854	110,012
	20,630,172	23,208,751

Trade receivables that were past due but not impaired relate to a number of independent customers for whom there is no recent history of default. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

At 31 December 2011, the other classes within trade and other receivables did not contain impaired assets (2010: Nil).

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above. The Group does not hold any collateral as security.

14 Trade and other receivables (continued)

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	2011 HK$	2010 HK$
United States dollars	23,425,067	24,897,582
Hong Kong dollars	215,054	966,806
Euro dollars	98,545	224,223
Malaysian Ringgits	292,490	397,672
United Arab Emirates Dirham	300,002	306,325
Others	221,710	82,073
	24,552,868	26,874,681

15 Cash and cash equivalents

	2011 HK$	2010 HK$
Cash at bank and in hand	53,055,915	35,502,540

16 Trade and other payables

	2011 HK$	2010 HK$
Trade payables		
Due to the immediate holding company (Note 24)	15,178,111	12,816,242
Due to third parties	8,405,066	14,258,071
	23,583,177	27,074,313
Other payables		
Accrued charges and other creditors	12,050,619	9,937,715
Advance receipts	9,250,069	9,715,512
Deferred revenue	490,158	846,742
	21,790,846	20,499,969
Total trade and other payables	45,374,023	47,574,282
Less: non-current portion	200,000	-
Current portion	45,174,023	47,574,282

Trade payables due to the immediate holding company are on credit terms of 30 days.

17 Obligations under finance leases

At 31 December 2011, the Group had obligations under finance lease repayable as follows:

	Minimum lease payments		Present value of minimum lease payments	
	2011	2010	2011	2010
	HK$	HK$	HK$	HK$
Within one year	-	7,874	-	7,343
Less: Future finance charges	-	(531)	-	-
Present value of lease obligations	-	7,343	-	7,343

The interest rate of the finance leases was 11.87% for the office equipment.

18 Share capital

	2011		2010	
	No. of Shares	HK$	No. of shares	HK$
Authorised:				
Ordinary shares of US$0.0001 each	50,000,000	39,000	50,000,000	39,000
Issued and fully paid:				
At 1 January and 31 December	25,524,026	19,909	25,524,026	19,909

19 Share option scheme

Pursuant to the share option scheme adopted on 30 March 2000, the Company had granted share options to certain employees and consultants of the Group. The exercise price of the share options was estimated based on the valuation of the Group at the date of grant. The discounted cash flow model was used based on the long-term business plan and free cash flow projections of the Group.

Taking into consideration of the exercise terms and conditions of the grants, the Group assumed the intrinsic value of the share options granted was nil and as a result, the Group did not recognise any cost of share options granted to employees as an employee cost in 2010.

On 31 March 2010, the Board of Directors approved to terminate the share option scheme and consequently, all the share options previously granted were cancelled.

20 Share premium

Share premium represents the difference between the nominal value of share capital of the Company issued and the consideration received upon the issue of shares.

21 Cash generated from operations

	2011 HK$	2010 HK$
Profit before income tax	24,989,062	22,913,806
Adjustments for:		
Depreciation	11,609,840	10,261,760
Gain on disposal of property, plant and equipment	-	(249,723)
Provision for impairment of inventories	98,329	-
Provision for impairment of trade receivables	666,830	516,222
Interest income	(918)	(689)
Finance costs	5,632	10,604
Changes in working capital:		
Increase in inventories	(1,001,627)	(453,705)
Decrease/(increase) in trade and other receivables	1,654,983	(6,863,233)
(Decrease)/increase in trade and other payables	(2,205,554)	11,390,760
Cash generated from operations	35,816,577	37,525,802

22 Financial instruments by category

	2011 HK$	2010 HK$
Assets as per consolidated statement of financial position		
Loans and receivables:		
Trade and other receivables excluding prepayments	23,291,949	25,377,940
Cash and cash equivalents	53,055,915	35,502,540
Total	76,347,864	60,880,480
Liabilities as per consolidated statement of financial position		
Financial liabilities at amortised cost:		
Other payables - non-current	200,000	-
Trade and other payables excluding deferred revenue	44,883,863	46,727,540
Obligations under finance leases – current	-	7,343
Total	45,083,863	46,734,883

23 Commitments

(a) Capital commitments

Capital expenditure contracted for at the end of the reporting period but not yet incurred is as follows:

	2011 HK$	2010 HK$
Purchase of property, plant and equipment	10,800	814,924

23 Commitments (Continued)

(b) Operating lease commitments

The Group leases certain of its office premises under non-cancellable operating leases. Leases are negotiated for an average term of one to three years. The lease expenditure charged in the consolidated statement of comprehensive income during the year is disclosed in Note 7.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2011 HK$	2010 HK$
No later than 1 year	4,317,934	4,295,950
Later than 1 year and no later than 5 years	3,267,305	1,052,225
	7,585,239	5,348,175

24 Related party transactions

The following transactions were carried out with related parties:

(a) Sales and purchases of services to/from the immediate holding company

	2011 HK$	2010 HK$
Sales of corporate broadcast services	808,236	808,236
Purchase of satellite capacity services	(100,594,120)	(77,865,005)

The sales and purchases of services to/from the immediate holding company were carried out in the normal course of business with terms comparable with that transacted with third parties.

(b) Key management compensation

Key management includes Chief Executive Officer and the Heads of Operations, Products, Sales and Finance. The compensation paid or payable to key management for employee services is shown below:

	2011 HK$	2010 HK$
Salaries and allowances	11,053,890	9,547,472
Contributions to defined contribution plans	202,007	194,765
	11,255,897	9,742,237

24 Related party transactions (Continued)

(c) Year end balances arising from these transactions

	2011 HK$	2010 HK$
Trade payables due to the immediate holding company (Note 16)	15,178,111	12,816,242

The amount due to the immediate holding company is repayable in accordance with respective terms of agreements.