

SPEEDCAST HOLDINGS LIMITED

REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2012



**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDER 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 39, which comprise the consolidated statement of financial position as at 31 December 2012, 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 International Financial Reporting Standards, 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. We conducted our audit in accordance with International Standards on Auditing. 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 SHAREHOLDER 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 2012, and of the Group's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Other Matters

This report, including the opinion, has been prepared for and only for you 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.


PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 2 August 2013

SPEEDCAST HOLDINGS LIMITED**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2012**

	Note	2012 US\$	2011 US\$
Turnover	5	33,974,866	30,770,107
Cost of sales	7	(20,858,643)	(18,606,526)
Gross profit		13,116,223	12,163,581
Other income	6	3,315	118
Distribution costs	7	(1,143,561)	(1,007,211)
Administrative and other expenses	7	(10,181,866)	(7,952,040)
Operating profit		1,794,111	3,204,448
Finance costs	10	(193,306)	(722)
Profit before income tax		1,600,805	3,203,726
Income tax credit	11	1,376,684	-
Profit for the year attributable to owners of the Company		2,977,489	3,203,726
Other comprehensive income		-	-
Total comprehensive income for the year attributable to owners of the Company		2,977,489	3,203,726

The notes on pages 8 to 39 are an integral part of these consolidated financial statements.

SPEEDCAST HOLDINGS LIMITED

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2012**

		As at 31 December		As at
	Note	2012	2011	1 January
		US\$	US\$	2011
				US\$
ASSETS				
Non-current assets				
Property, plant and equipment	13	8,721,036	5,066,708	4,218,809
Intangible assets	14	20,351,352	-	-
Deferred tax assets	18	1,521,577	-	-
Total non-current assets		30,593,965	5,066,708	4,218,809
Current assets				
Inventories	15	1,100,988	688,265	568,228
Trade and other receivables	16	9,062,665	3,147,804	3,445,472
Amount due from immediate holding company	27	2,371,279	-	-
Cash and cash equivalents	17	3,069,762	6,802,040	4,551,608
Total current assets		15,604,694	10,638,109	8,565,308
Total assets		46,198,659	15,704,817	12,784,117
EQUITY				
Equity attributable to the owners of the Company				
Share capital	21	2,552	2,552	2,552
Share premium	22	45,013,394	45,013,394	45,013,394
Other reserve		24,255	-	-
Accumulated losses		(32,150,823)	(35,128,312)	(38,332,038)
Total equity		12,889,378	9,887,634	6,683,908

The notes on pages 8 to 39 are an integral part of these consolidated financial statements.



SPEEDCAST HOLDINGS LIMITED

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2012**

	Note	As at 31 December 2012 US\$	2011 US\$	As at 1 January 2011 US\$
LIABILITIES				
Non-current liabilities				
Other payables	19	25,641	25,641	-
Non-current portion of obligations under finance leases	20	48,947	-	-
Deferred tax liabilities	18	2,852,310	-	-
Total non-current liabilities		<u>2,926,898</u>	<u>25,641</u>	<u>-</u>
Current liabilities				
Trade and other payables	19	11,223,363	5,791,542	6,099,268
Current portion of obligations under finance leases	20	13,048	-	941
Loan from immediate holding company	27	19,000,000	-	-
Income tax payable		145,972	-	-
Total current liabilities		<u>30,382,383</u>	<u>5,791,542</u>	<u>6,100,209</u>
Total liabilities		<u>33,309,281</u>	<u>5,817,183</u>	<u>6,100,209</u>
Total equity and liabilities		<u>46,198,659</u>	<u>15,704,817</u>	<u>12,784,117</u>
Net current (liabilities)/assets		<u>(14,777,689)</u>	<u>4,846,567</u>	<u>2,465,099</u>
Total assets less current liabilities		<u>15,816,276</u>	<u>9,913,275</u>	<u>6,683,908</u>

The notes on pages 3 to 39 are an integral part of these consolidated financial statements.

The financial statements on pages 8 to 39 were approved by Board of Directors on and were signed on its behalf.

Director Director

SPEEDCAST HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2012

	Attributable to owners of the Company				
	Share Capital US\$	Share premium US\$	Accumulated losses US\$	Other reserve US\$	Total US\$
At 1 January 2010	2,552	45,013,394	(41,269,705)	-	3,746,241
Comprehensive income					
Profit for the year	-	-	2,937,667	-	2,937,667
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	2,937,667	-	2,937,667
Balance at 31 December 2010	2,552	45,013,394	(38,332,038)	-	6,683,908
At 1 January 2011	2,552	45,013,394	(38,332,038)	-	6,683,908
Comprehensive income					
Profit for the year	-	-	3,203,726	-	3,203,726
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	3,203,726	-	3,203,726
Balance at 31 December 2011	2,552	45,013,394	(35,128,312)	-	9,887,634
As at 1 January 2012	2,552	45,013,394	(35,128,312)	-	9,887,634
Comprehensive income					
Profit for the year	-	-	2,977,489	-	2,977,489
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	2,977,489	-	2,977,489
Total contributions by and distributions to the Company recognised in equity					
Employee share scheme – value of employee services (Note 12)	-	-	-	24,255	24,255
Total transactions with owners	-	-	-	24,255	24,255
Balance at 31 December 2012	2,552	45,013,394	(32,150,823)	24,255	12,889,378

The notes on pages 8 to 39 are an integral part of these consolidated financial statements.

SPEEDCAST HOLDINGS LIMITED

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2012**

	Note	2012 US\$	2011 US\$
Cash flows from operating activities			
Cash generated from operations	23	933,897	4,591,866
Net cash generated from operating activities		<u>933,897</u>	<u>4,591,866</u>
Cash flows from investing activities			
Interest received		3,315	118
Purchase of property, plant and equipment		(3,787,044)	(2,464,486)
Proceeds from disposal of property, plant and equipment		173,361	123,918
Advances made to an immediate holding company		(2,562,862)	-
Acquisition of a business, net of cash acquired	24	(17,553,217)	-
Net cash used in investing activities		<u>(23,726,447)</u>	<u>(2,340,450)</u>
Cash flows from financing activities			
Proceeds from loan from ultimate holding company		19,000,000	-
Interest element of finance lease rental payments		(1,723)	(43)
Capital element of finance lease rental payments		61,995	(941)
Net cash generated from/(used in) financing activities		<u>19,060,272</u>	<u>(984)</u>
Net (decrease)/increase in cash and cash equivalents		<u>(3,732,278)</u>	<u>2,250,432</u>
Cash and cash equivalents at beginning of the year	17	<u>6,802,040</u>	<u>4,551,608</u>
Cash and cash equivalents at end of the year	17	<u><u>3,069,762</u></u>	<u><u>6,802,040</u></u>

The notes on pages 8 to 39 are an integral part of these consolidated financial statements.

SPEEDCAST HOLDINGS LIMITED

NOTES TO THE 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 89 Nexus Way, Camana Bay, Grand Cayman KY1-9007, Cayman Islands.

During the year, the ultimate parents of the Company have been changed from CITIC Group (incorporated in China) and General Electric Company (incorporated in the United States) to funds managed by TA Associates (incorporated in the United States). The immediate holding company of the Company is SpeedCast Acquisitions Limited (incorporated in Cayman Islands), which acquired 100% of the share capital of the Company on 21 September 2012 financed through an increase in equity.

These consolidated financial statements are presented in United States dollars, unless otherwise stated. Prior year figures are restated from Hong Kong dollars to United States dollars at a rate of HK\$7.80 to US\$1.00. These consolidated financial statements have been approved for issue by the Board of Directors on 2 August 2013.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below.

2.1 Basis of preparation and adoption of International Financial Reporting Standards ("IFRS")

The consolidated financial statements of the Company and its subsidiaries (together, the "Group") have been prepared in accordance with IFRS as issued by the International Accounting Standards Board ("ISAB"). This is the Company's first annual consolidated financial statements prepared in accordance with IFRS.

The Company has consistently applied the same accounting policies in its opening IFRS statements of financial position at 1 January 2011 and throughout all periods presented, as if these policies had always been in effect. The adoption of IFRS has had no impact to the Company's reported financial position, financial performance and cash flows, including the nature and effect of significant changes in accounting policies, from those presented in the Company's consolidated financial statements for the year ended 31 December 2010 and 2011 under Hong Kong Financial Reporting Standards ("HKFRS").

The accounting policies applied in these consolidated financial statements are based on IFRS effective for the year ended 31 December, 2012, as issued and outstanding as of [date], being the date the Board of Directors approved the statements.

At 31 December 2012, the Company's current liabilities exceeded its current assets by US\$14,777,689 (2011: net current assets of US\$4,846,567). Speedcast Acquisitions Limited, an immediate holding company of the Company, has confirmed its agreement to provide financial support for the continuing operations of the Company so as to enable it to meet its liabilities as they fall due and carry on its business without a significant curtailment of operations in the twelve months from the balance sheet date. The directors believe that the Company will continue as a going concern. Consequently, the financial statements have been prepared on a going concern basis.

SPEEDCAST HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.1 Basis of preparation and adoption of International Financial Reporting Standards (“IFRS”) (Continued)

The preparation of financial statements in conformity with IFRS 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.

Acquisition of the business of satellite business in Australia

On 14 September 2012, SpeedCast Acquisitions Limited, the immediate holding company, through its wholly owned subsidiary SpeedCast (Australia) Pty Limited, entered into an agreement to acquire the business and certain assets and liabilities of Australian Satellite Communications (“ASC”). The transaction was completed on 30 November 2012. Subsequently SpeedCast (Australia) Pty Limited changed its name to Australia Satellite Communications Pty Limited on 4 December 2012. Details of the acquisition are set out in Note 24.

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

2.2 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.

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 United States dollars (US\$), which is the Company’s functional and presentation currency. Prior year figures are restated from Hong Kong dollars to United States dollars at a rate of HK\$ 7.80 to US\$1.00.

SPEEDCAST HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.3 Foreign currency translation (Continued)

(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.

2.4 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 improvements	2-3 years or over the unexpired period of the lease, whichever is shorter
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.

SPEEDCAST HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.4 Property, plant and equipment (Continued)

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 2.7).

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 Goodwill

Goodwill arises on the acquisition of business and represents the excess of the consideration transferred over the Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business is allocated to each of the individual entities, or groups of entities, that is expected to benefit from the synergies of the combination. Each entity or group of entities to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

2.6 Intangible assets

Customer relationship and trademark

The acquired customer relationships and trademark in a business acquisition are recognised at fair value at the acquisition date. They have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over the expected life of the assets, as follows:

Customer relationship	10 years
Trademark	17 years

2.7 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 amortisation 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.

SPEEDCAST HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.8 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.

2.9 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", "cash and cash equivalents" (Notes 2.10 and 2.11) and receivables from related companies in the statement of financial position. 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.

SPEEDCAST HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.9 Financial assets (Continued)

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

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.

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.

2.10 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.

2.11 Cash and cash equivalents

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

SPEEDCAST HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.12 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.

2.13 Share capital

Ordinary shares are classified as equity.

2.14 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) 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.

(c) Share-based compensation

The Company's immediate holding company, Speedcast Acquisition Limited operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the equity instruments is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the equity instruments granted: (i) including any market performance conditions; (ii) excluding the impact of any service and nonmarket performance vesting conditions (for example, profitability and sales growth targets); and (iii) including the impact of any non-vesting conditions. Non-market vesting conditions are included in assumptions about the number of shares that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the immediate holding company revises its estimates of the number of equity instruments that are expected to vest based on the non-marketing vesting conditions. It recognises the impact of the revision to original estimates, if any, in the consolidated statement of comprehensive income, with a corresponding adjustment to equity.

SPEEDCAST HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.14 Employee benefits (Continued)

(c) Share-based compensation (Continued)

The grant by the Company's immediate holding company of equity instruments to the employees of subsidiaries undertakings in the group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in a subsidiary undertakings, with a corresponding credit to equity.

2.15 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.

2.16 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any differences between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statement of comprehensive income over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

2.17 Borrowing costs

Borrowing costs are recognised in the consolidated statement of comprehensive income in the period in which they are incurred.

2.18 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.

SPEEDCAST HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.18 Revenue recognition (Continued)

- (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.

2.19 Leases (as the lessee)

- (c) Share-based compensation (Continued)

- (i) Operating leases

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.

2.20 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated statement of comprehensive income, 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.

SPEEDCAST HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.20 Current and deferred income tax (Continued)

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.

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, most 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.

SPEEDCAST HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 Financial risk management (Continued)

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. The Group only places cash and deposits with reputable banks and financial institutions.

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 16. Moreover, the Company has policies in place to assess the credit quality of balances with related companies, taking into account its financial position, past experience and other factors.

Four customers (2011: Two customers) accounted for approximately 33% and 25% of the Group's trade receivables as at 31 December 2012 and 2011 respectively. These customers have long business relationship with the Group and there is no past history of default.

(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.

	Within 1 year US\$	Between 2 to 5 years US\$	Total US\$
At 31 December 2012			
Trade and other payables	6,253,038	25,641	6,278,679
Obligations under finance leases	15,298	52,316	67,614
Loan from immediate holding company	19,000,000	-	19,000,000
	<u>25,268,336</u>	<u>77,957</u>	<u>25,346,293</u>
At 31 December 2011			
Trade and other payables	<u>4,542,795</u>	<u>25,641</u>	<u>4,568,436</u>
At 31 December 2010			
Trade and other payables	<u>4,745,132</u>	<u>-</u>	<u>4,745,132</u>

SPEEDCAST HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(d) Cash flow interest-rate risk

At 31 December 2012 and 2011, the Group has no significant interest-bearing assets and liabilities, except for the loan from immediate holding company (2011: nil). If interest rates with immediate holding company had been 100 basis points higher/lower with all other variable held constant, interest expense would have been approximately US\$190,000 (2011: nil) higher/lower.

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) Recognition and measurement of identifiable assets acquired and liabilities assumed in acquisition of a business

The Group applies the acquisition method of accounting to account for acquisitions of businesses. The determination and allocation of fair values to the identifiable assets acquired and liabilities assumed is based on various assumptions and valuation methodologies requiring considerable management judgement. The most significant variables in these valuations are discount rates, terminal values, the number of years on which the cash flow projections are based, as well as the assumptions and estimates used to determine the cash inflows and outflows. Management determines discount rates to be used based on the risk inherent in the related activity's current business model and industry comparisons. Terminal values are based on the expected life of products and forecasted life cycle and forecasted cash flows over that period. Although the assumptions applied in the determination are reasonable based on information available at the date of acquisition, actual results may differ from the forecasted amounts and the difference could be material.

SPEEDCAST HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 Critical accounting estimates and judgments (Continued)

(b) 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 2012, the carrying amount of trade receivables after provision for impairment amounted to US\$5,953,058 (2011: US\$2,644,894).

(c) Impairment assessment of goodwill and other intangible assets

In accordance with IFRS, an impairment charge is required for both goodwill and other intangible assets when the carrying amount exceeds the recoverable amount, defined as the higher of fair value less costs to sell and value in use. Our approach in determining the recoverable amount utilises a discounted cash flow methodology, which necessarily involves making numerous estimates and assumptions regarding revenue growth, operating margins, tax rates, appropriate discount rates and working capital requirements.

(d) 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.

SPEEDCAST HOLDINGS LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****5 Turnover**

	2012 US\$	2011 US\$
Broadband access revenue	32,303,820	29,167,591
Sale of broadband services equipment	1,671,046	1,602,516
	<u>33,974,866</u>	<u>30,770,107</u>

6 Other income

	2012 US\$	2011 US\$
Bank interest income	<u>3,315</u>	<u>118</u>

7 Expenses by nature

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

	2012 US\$	2011 US\$
Auditor's remuneration	139,344	62,988
Depreciation (Note 13)	1,814,076	1,488,440
Amortisation of intangible assets (Note 14)	58,365	-
Loss on disposal of property, plant and equipment	2,170	-
Cost of inventories and services provided	20,858,643	18,606,526
Operating lease payments in respect of:		
Property, plant and equipment	8,848	6,810
Office premises	407,900	378,864
Provision for impairment of inventories (Note 15)	-	12,606
Provision for impairment of trade receivables (Note 16)	61,051	85,491
Employee benefit expenses (Note 8)	<u>5,474,125</u>	<u>5,074,352</u>

SPEEDCAST HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8 Employees benefit expenses

	2012 US\$	2011 US\$
Salaries and allowances	4,922,855	4,886,353
Contributions to defined contribution plans	527,015	187,999
Share-based payment expense (Note 12)	24,255	-
	<u>5,474,125</u>	<u>5,074,352</u>

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 (2011: Nil).

10 Finance costs

	2012 US\$	2011 US\$
Interest expense on asset retirement obligations	-	679
Interest expense on obligations under finance leases	1,723	43
Interest expense on loan from intermediate holding Company	191,583	-
	<u>193,306</u>	<u>722</u>

11 Income tax credit

No provision for Hong Kong 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 (2011: Nil). The rate of taxation prevailing in Hong Kong in which the Group principally operates is 16.5% (2011: 16.5%).

Taxes on profits elsewhere have been calculated on the rates of tax prevailing in the jurisdictions in which the Group operates:

	2012 US\$	2011 US\$
Current tax - overseas	144,893	-
Deferred tax (Note 18)	(1,521,577)	-
Income tax credit	<u>(1,376,684)</u>	<u>-</u>

SPEEDCAST HOLDINGS LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****11 Income tax credit (Continued)**

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:

	2012 US\$	2011 US\$
Profit before income tax	1,600,805	3,203,726
Tax calculated at tax rate of 16.5% (2011: 16.5%)	264,133	528,615
Tax effects of:		
Expenses not deductible for tax purposes	319,024	73,509
Income not subject to tax	(23,797)	(17,893)
Utilisation of previously unrecognised tax losses	(484,480)	(584,231)
Effect of income tax rate differential between Hong Kong and overseas location	62,147	-
Recognition of previously unrecognised tax losses	(1,513,711)	-
Tax credit	(1,376,684)	-

As at 31 December 2012, the Group had no unprovided deferred income tax. As at 31 December 2011, the Company did not recognise deferred income tax assets of US\$1,957,558 in respect of the tax losses of US\$11,863,987 that can be carried forward against future taxable income. These tax losses do not expire under the current tax legislation.

12 Share-based payment

The Company's immediate holding company has established an equity-settled ownership based compensation scheme for key members of management. The objective of the plan is to motivate and align the interests of management with those of the investors in the Company. In accordance with the provisions of the plan, key managers were offered the right to subscribe to performance shares at a price of \$0.0001 per share. The shares will vest according to the following schedule:

On 12 th month of the grant date	25%
On 15 th month of the grant date	6.25%
On 18 th month of the grant date	6.25%
On 21 st month of the grant date	6.25%
On 24 th month of the grant date	6.25%
On 27 th month of the grant date	6.25%
On 30 th month of the grant date	6.25%
On 33 rd month of the grant date	6.25%
On 36 th month of the grant date	6.25%
On 39 th month of the grant date	6.25%
On 42 nd month of the grant date	6.25%
On 45 th month of the grant date	6.25%
On 48 th month of the grant date	6.25%

SPEEDCAST HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12 Share-based payment (Continued)

Vesting ceases at resignation of a manager, at which point 50% of the vested shares are redeemed at nil value, as are non-vested shares. Upon the occurrence of certain events, including liquidation, dissolution or winding-up of the Company's immediate holding company, and a sale of the majority of the equity of the Company's immediate holding company, the unvested shares will be deemed to be vested for managers in good standing.

Under certain circumstances, including a manager's departure or bankruptcy, the Company's immediate holding company has the right to repurchase vested shares at fair market value (or the lower of US\$0.0001 and fair market value in case the manager is dismissed for cause).

The shares are non-transferable, except under the following cases:

- Under certain circumstances, as described above, the Company's immediate holding company can repurchase the shares
- If there is a change of control of the Company's immediate holding company, the ultimate holding company has the right to require transfer of the performance shares, and the holders of the performance shares have the right to sell their shares.

Movements in the number of shares outstanding and their related weighted average exercise prices are as follow:

	Average exercise price in US\$ per share	Number of shares
At 31 December 2011 and 1 January 2012	-	-
Granted	0.0001	10,859,375
At 31 December 2012	0.0001	10,859,375

None of the shares outstanding were exercisable at 31 December 2012.

SPEEDCAST HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12 Share-based payment (Continued)

During the period, the Company recognised a share-based payment of US\$24,255 in the consolidated statement of comprehensive income and a corresponding increase in other reserve of the same amount in respect of the fair value of the shares granted by the immediate holding company to certain employees of the Company in connection with their services rendered to the Company for the period.

Details of shares outstanding at the end of the year is set out below:

Grant date	Exercise price US\$	Fair value per share on the date of grant of shares US\$	Shares granted	Shares outstanding at 31 December 2012
29 October 2012	0.0001	0.0536	10,859,375	<u>10,859,375</u>

Fair value of shares and assumptions

The fair value of services received in return for shares granted are measured by reference to the fair value of shares granted. The estimate of the fair value of services received is measured based on the Monte Carlo Simulation. The factors considered in the valuation included the terms and structure of the share schemes, price and volatility of company in similar industry and any other relevant information in relation to the shares such as dividend policy and expected exercise pattern of the shares.

Holders of performance shares are entitled to specified variable returns upon the occurrence of liquidation events. For the purpose of valuing the performance shares, it is assumed that a liquidation event would occur 6.1 years from the grant date. Other key assumptions adopted are set out below:

Exercise price	US\$0.0001
Expected volatility	39.70%
Risk-free rate	0.95%
Expected dividend yield	0%

SPEEDCAST HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13

Property, plant and equipment

	Office equipment US\$	2-way equipment US\$	Teleport equipment US\$	Computer equipment US\$	Leasehold improvements US\$	NOC equipment US\$	RCS equipment US\$	Motor vehicles US\$	Total amount US\$
At 1 January 2010									
Cost	124,018	4,009,268	527,370	1,078,455	305,390	2,428,550	593,065	35,897	9,102,013
Accumulated depreciation	(78,456)	(2,395,671)	(372,818)	(1,006,041)	(265,337)	(1,341,402)	(537,241)	(35,897)	(6,032,863)
Net book amount, as restated	45,562	1,613,597	154,552	72,414	40,053	1,087,148	55,824	-	3,069,150
Year ended 31 December 2010									
Opening net book amount	45,562	1,613,597	154,552	72,414	40,053	1,087,148	55,824	-	3,069,150
Additions	28,959	1,879,261	-	93,873	78,478	442,122	679	-	2,523,372
Disposals	-	(57,810)	-	-	(293)	-	-	-	(58,103)
Depreciation	(18,546)	(688,922)	(53,751)	(74,443)	(44,923)	(381,977)	(53,048)	-	(1,315,610)
Closing net book amount, as restated	55,975	2,746,126	100,801	91,844	73,315	1,147,293	3,455	-	4,218,809
At 31 December 2010									
Cost	152,977	5,758,120	527,370	1,167,983	374,918	2,867,801	593,744	35,897	11,478,810
Accumulated depreciation	(97,002)	(3,011,994)	(426,569)	(1,076,139)	(301,603)	(1,720,508)	(590,289)	(35,897)	(7,260,001)
Net book amount, as restated	55,975	2,746,126	100,801	91,844	73,315	1,147,293	3,455	-	4,218,809

SPEEDCAST HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13 Property, plant and equipment (Continued)

	Office equipment US\$	2-way equipment US\$	Teleport equipment US\$	Computer equipment US\$	Leasehold improvements US\$	NOC equipment US\$	RCS equipment US\$	Motor vehicles US\$	Total amount US\$
At 1 January 2011									
Cost	152,977	5,758,120	527,370	1,167,983	374,918	2,867,801	593,744	35,897	11,478,810
Accumulated depreciation	(97,002)	(3,011,994)	(426,569)	(1,076,139)	(301,603)	(1,720,508)	(590,289)	(35,897)	(7,260,001)
Net book amount, as restated	55,975	2,746,126	100,801	91,844	73,315	1,147,293	3,455	-	4,218,809
Year ended 31 December 2011									
Opening net book amount	55,975	2,746,126	100,801	91,844	73,315	1,147,293	3,455	-	4,218,809
Additions	15,860	1,886,250	1,775	35,298	185,007	329,140	11,156	-	2,464,486
Disposals	-	(125,453)	(1,775)	-	-	(919)	-	-	(128,147)
Depreciation	(22,547)	(879,700)	(39,703)	(81,905)	(77,121)	(383,174)	(4,290)	-	(1,488,440)
Closing net book amount, as restated	49,288	3,627,223	61,098	45,237	181,201	1,092,340	10,321	-	5,066,708
At 31 December 2011									
Cost	168,837	7,351,622	525,201	1,203,281	559,926	3,195,417	604,900	35,897	13,645,081
Accumulated depreciation	(119,549)	(3,724,399)	(464,103)	(1,158,044)	(378,725)	(2,103,077)	(594,579)	(35,897)	(8,578,373)
Net book amount, as restated	49,288	3,627,223	61,098	45,237	181,201	1,092,340	10,321	-	5,066,708

SPEEDCAST HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13 Property, plant and equipment (Continued)

	Office equipment US\$	2-way equipment US\$	Teleport equipment US\$	Computer equipment US\$	Leasehold improvements US\$	NOC equipment US\$	RCS equipment US\$	Motor vehicles US\$	Total amount US\$
Year ended 31 December 2012									
Opening net book amount	49,288	3,627,223	61,098	45,237	181,201	1,092,340	10,321	-	5,066,708
Acquisition of a business (Note 24)	8,523	-	224,297	276,697	-	1,301,287	-	46,087	1,856,891
Additions	12,512	3,560,088	-	17,683	48,002	90,958	250	57,551	3,787,044
Disposals	(745)	(174,366)	-	-	-	(420)	-	-	(175,531)
Depreciation	(20,856)	(1,209,254)	(40,055)	(49,998)	(93,426)	(395,511)	(4,195)	(781)	(1,814,076)
Closing net book amount	48,722	5,803,691	245,340	289,619	135,777	2,088,654	6,376	102,857	8,721,036
At 31 December 2012									
Cost	187,800	10,540,313	749,498	1,496,660	607,928	4,582,967	605,150	103,638	18,873,954
Accumulated depreciation	(139,078)	(4,736,622)	(504,158)	(1,207,041)	(472,151)	(2,494,313)	(598,774)	(781)	(10,152,918)
Net book amount	48,722	5,803,691	245,340	289,619	135,777	2,088,654	6,376	102,857	8,721,036

At 31 December 2012, the Group had US\$61,995 office equipment held under finance leases (2011: Nil).

SPEEDCAST HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14 Intangible assets

	Goodwill US\$	Customer relationships US\$	Trademark US\$	Total US\$
As at 1 January 2010				
Opening net book amount	-	-	-	-
Additions	-	-	-	-
Amortisation charge	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Closing net book amount	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
As at 1 January 2011				
Opening net book amount	-	-	-	-
Additions	-	-	-	-
Amortisation charge	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Closing net book amount	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
As at 1 January 2012				
Opening net book amount	-	-	-	-
Additions	-	-	-	-
Acquisition of a business (Note 24)	10,902,017	3,606,333	5,901,367	20,409,717
Amortisation charge	-	(30,053)	(28,312)	(58,365)
	<u>10,902,017</u>	<u>3,576,280</u>	<u>5,873,055</u>	<u>20,351,352</u>
Closing net book amount	<u>10,902,017</u>	<u>3,576,280</u>	<u>5,873,055</u>	<u>20,351,352</u>

Amortisation charge of intangible assets have been included in 'administrative expenses' for the year ended 31 December 2012.

The goodwill is arisen from the acquisition of business as discussed in Note 24.

SPEEDCAST HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15 Inventories

	As at 31 December		As at 1 January
	2012	2011	2011
	US\$	US\$	US\$
Merchandise	1,100,988	700,871	568,228
Less: Provision for impairment	-	(12,606)	-
	<u>1,100,988</u>	<u>688,265</u>	<u>568,228</u>

The cost of inventories recognised as expense and included in cost of sales amounted to US\$1,253,242 (2011: US\$1,220,154).

16 Trade and other receivables

	As at 31 December		As at 1 January
	2012	2011	2011
	US\$	US\$	US\$
Trade receivables	6,101,369	2,770,704	3,041,663
Less: Provision for impairment of trade receivables	(148,311)	(125,810)	(66,182)
Trade receivables - net	<u>5,953,058</u>	<u>2,644,894</u>	<u>2,975,481</u>
Deposits and prepayments	2,794,232	477,314	459,524
Other receivables	315,375	25,596	10,467
	<u>9,062,665</u>	<u>3,147,804</u>	<u>3,445,472</u>

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:

	As at 31 December		As at 1 January
	2012	2011	2011
	US\$	US\$	US\$
0 to 30 days	3,316,822	1,709,476	1,722,143
31 to 60 days	891,904	539,547	511,343
61 to 90 days	492,702	150,097	706,516
91 to 180 days	994,797	192,588	21,375
181 days or above	405,144	178,996	80,286
	<u>6,101,369</u>	<u>2,770,704</u>	<u>3,041,663</u>

SPEEDCAST HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16 Trade and other receivables (Continued)

As of 31 December 2012, trade receivables of US\$148,311 (2011: US\$125,810) 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:

	As at 31 December		As at 1 January
	2012	2011	2011
	US\$	US\$	US\$
181 days or above	<u>148,311</u>	<u>125,810</u>	<u>66,182</u>

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

	As at 31 December		As at 1 January
	2012	2011	2011
	US\$	US\$	US\$
At 1 January	125,810	66,182	316,577
Provision for impairment of trade receivables (Note 7)	61,051	85,491	66,182
Amounts written off	<u>(38,550)</u>	<u>(25,863)</u>	<u>(316,577)</u>
At 31 December	<u>148,311</u>	<u>125,810</u>	<u>66,182</u>

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:

	As at 31 December		As at 1 January
	2012	2011	2011
	US\$	US\$	US\$
0 to 30 days	3,316,822	1,709,476	1,722,143
31 to 60 days	891,904	539,547	511,343
61 to 90 days	492,702	150,097	706,516
91 to 180 days	994,797	192,588	21,375
181 days or above	<u>256,833</u>	<u>53,186</u>	<u>14,104</u>
	<u>5,953,058</u>	<u>2,644,894</u>	<u>2,975,481</u>

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.

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16 Trade and other receivables (Continued)

At 31 December 2012, the other classes within trade and other receivables did not contain impaired assets (2011: 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.

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

	As at 31 December		As at
	2012	2011	1 January
	US\$	US\$	2011
			US\$
United States dollars	7,193,848	3,003,214	3,191,998
Hong Kong dollars	163,845	27,571	123,949
Euro	-	12,634	28,747
Malaysian Ringgits	567,809	37,499	50,984
United Arab Emirates Dirham	356,741	38,462	39,272
Others	780,422	28,424	10,522
	<u>9,062,665</u>	<u>3,147,804</u>	<u>3,445,472</u>

17 Cash and cash equivalents

	As at 31 December		As at
	2012	2011	1 January
	US\$	US\$	2011
			US\$
Cash at bank and in hand	<u>3,069,762</u>	<u>6,802,040</u>	<u>4,551,608</u>

The carrying amounts of the Group's cash and cash equivalents are denominated in the following currencies:

	As at 31 December		As at
	2012	2011	1 January
	US\$	US\$	2011
			US\$
United States dollars	2,364,369	6,478,215	4,183,862
Hong Kong dollars	77,486	119,758	133,662
Malaysian Ringgits	244,252	78,315	29,447
United Arab Emirates Dirham	14,489	28,517	-
Australian dollars	332,332	2,811	2,742
Others	36,834	94,424	201,895
	<u>3,069,762</u>	<u>6,802,040</u>	<u>4,551,608</u>

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18 Deferred income tax

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	As at 31 December		As at
	2012	2011	1 January
	US\$	US\$	2011
			US\$
Deferred tax assets:			
Deferred tax assets to be recovered within 12 months	(1,521,577)	-	-
Deferred tax liabilities:			
Deferred tax liabilities to be recovered after more than 12 months	2,852,310	-	-
Deferred tax liabilities, net	1,330,733	-	-

The gross movement on the deferred income tax account is as follows:

	As at 31 December		As at
	2012	2011	1 January
	US\$	US\$	2011
			US\$
At 1 January	-	-	-
Acquisition of a business (Note 24)	2,852,310	-	-
Credited to the profit or loss	(1,521,577)	-	-
At 31 December	1,330,733	-	-

The movement in deferred income tax assets and liabilities during the year without taking into consideration the offsetting of balance within same tax justification are as follows:

Deferred tax liabilities

	2012	2011
	US\$	US\$
At 1 January	-	-
Acquisition of a business (Note 24)	2,852,310	-
Credited to the profit or loss	-	-
At 31 December	2,852,310	-

Deferred tax assets

	Tax losses		Decelerated depreciation		Total	
	2012	2011	2012	2011	2012	2011
	US\$	US\$	US\$	US\$	US\$	US\$
At 1 January	-	-	-	-	-	-
Credited to the profit or loss	(1,513,711)	-	(7,866)	-	(1,521,577)	-
At 31 December	(1,513,711)	-	(7,866)	-	(1,521,577)	-

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19 Trade and other payables

	As at 31 December		As at
	2012	2011	1 January
	US\$	US\$	2011
			US\$
Trade payables			
Due to third parties	3,190,974	3,023,484	3,471,066
	<u>3,190,974</u>	<u>3,023,484</u>	<u>3,471,066</u>
Other payables			
Accrued charges and other creditors	3,087,705	1,544,952	1,274,066
Advance receipts	2,769,254	1,185,906	1,245,578
Deferred revenue	2,201,071	62,841	108,558
	<u>8,058,030</u>	<u>2,793,699</u>	<u>2,628,202</u>
Total trade and other payables	<u>11,249,004</u>	<u>5,817,183</u>	<u>6,099,268</u>
Less: non-current portion	(25,641)	(25,641)	-
Current portion	<u>11,223,363</u>	<u>5,791,542</u>	<u>6,099,268</u>

The carrying amounts are denominated in the following currencies:

	As at 31 December		As at
	2012	2011	1 January
	US\$	US\$	2011
			US\$
United States dollars	5,927,085	4,775,570	5,133,646
Hong Kong dollars	598,510	596,825	565,868
Australian dollars	4,232,631	-	-
Others	490,778	444,788	399,754
	<u>11,249,004</u>	<u>5,817,183</u>	<u>6,099,268</u>

20 Obligations under finance leases

At 31 December 2012, the Group had obligations under finance lease repayable as follows:

	Minimum lease payments			Present value of minimum lease payments		
	As at 31 December		As at	As at 31 December		As at
	2012	2011	1 January	2012	2011	1 January
	US\$	US\$	2011	US\$	US\$	2011
			US\$			US\$
Within one year	15,298	-	1,009	13,048	-	941
Within 2nd – 5th year	52,316	-	-	48,947	-	-
Less: Future finance charges	(5,619)	-	(68)	-	-	-
Present value of lease obligations	<u>61,995</u>	<u>-</u>	<u>941</u>	<u>61,995</u>	<u>-</u>	<u>941</u>

The interest rate of the finance leases was 8% for the office equipment and 1.75% for motor vehicles respectively (2011: Nil).

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21 Share capital

	As at 31 December 2012		As at 31 December 2011		As at 1 January 2011	
	No. of shares	US\$	No. of shares	US\$	No. of shares	US\$
Authorised:						
Ordinary shares of US\$0.0001 each	50,000,000	5,000	50,000,000	5,000	50,000,000	5,000
Issued and fully paid:						
At 1 January and 31 December	25,524,026	2,552	25,524,026	2,552	25,524,026	2,552

22 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.

23 Cash generated from operations

	2012 US\$	2011 US\$
Profit before income tax	1,600,805	3,203,726
Adjustments for:		
Depreciation	1,814,076	1,488,441
Amortisation of intangible assets	58,365	-
Loss on disposal of property, plant and equipment	2,170	4,229
Share based payment (Note 12)	24,255	-
Provision for impairment of inventories	-	12,606
Provision for impairment of trade receivables	61,051	85,491
Interest income	(3,315)	(118)
Finance costs	193,306	722
Changes in working capital:		
Decrease/(increase) in inventories	(118,752)	(128,414)
(Increase)/decrease in trade and other receivables	(4,168,344)	212,177
Increase/(decrease) in trade and other payables	1,470,280	(286,994)
Cash generated from operations	933,897	4,591,866

In the consolidated statement of cash flows, proceeds from sale of property, plant and equipment comprise:

	2012 US\$	2011 US\$
Net book amount	175,531	128,147
Loss on disposal of property, plant and equipment	(2,170)	(4,229)
Proceeds from disposal of property, plant and equipment	173,361	123,918

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24 Acquisition of a business

On 14 September 2012, the Group entered into an asset purchase agreement with Christopher David Joseland and Kathleen Joan Joseland, the shareholders of Australian Satellite Communications Pty Ltd. ("ASC") to purchase all the assets and liabilities of ASC. ASC is principally engaged in the provision of satellite communication network solutions and technical consultancy services in Asia Pacific.

A goodwill of US\$10,902,017, intangible assets of US\$9,507,700, net tangible liabilities of US\$4,190 and deferred tax liabilities of US\$2,852,310 were recognised in relation to this acquisition. The goodwill arises from a number of factors. The most significant amongst these is the premium attributable to a pre-existing, well-positioned business that is in operation in a competitive market. Other significant factors include synergies through accessing a highly skilled workforce and obtaining economies of scale.

The following table summarises the consideration paid, the provisional estimated fair value of assets and liabilities acquired at the acquisition date.

	US\$
Consideration:	
- Cash	17,553,217
Recognised amounts of identifiable assets acquired and liabilities assumed	
Inventory	293,972
Prepayment, deposits and other receivables	1,807,568
Property, plant and equipment	1,856,891
Accrual and other payables	(3,962,621)
Intangible assets	9,507,700
Deferred tax liabilities	(2,852,310)
Total identified net assets	6,651,200
Goodwill (Note 14)	10,902,017

Acquisition-related costs of US\$1,127,553 have been charged to administrative expenses in the consolidated statement of comprehensive income for the year ended 31 December 2012.

In the consolidated statement of cash flows, payment for acquisition of a business comprise:

	US\$
Outflow of cash to acquire business	
- Cash consideration paid	17,553,217
Cash outflow on acquisition of a business	17,553,217

The revenue of the combined entity for the 12 months to 31 December 2012 as though the acquisitions dates for the business acquisition had been 1 January 2012, is US\$33,974,886. Due to financial, legal and operational reorganisations, it is impracticable to disclose either the profit or loss of the combined entity as though the acquisitions dates for the business acquisition had been 1 January 2012, or the amount of ASC's profit or loss since the acquisition included in the consolidated statement of comprehensive income for the period ended 31 December 2012.

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25 Financial instruments by category

	As at 31 December		As at
	2012	2011	1 January
	US\$	US\$	2011
			US\$
Assets as per consolidated statement of financial position			
Loans and receivables:			
Trade and other receivables excluding prepayments	7,675,092	2,986,147	3,253,582
Cash and cash equivalents	3,069,762	6,802,040	4,551,608
Amount due from immediate holding company	2,371,279	-	-
Total	<u>13,116,133</u>	<u>9,788,187</u>	<u>7,805,190</u>
Liabilities as per consolidated statement of financial position			
Financial liabilities at amortised cost:			
Trade and other payables excluding deferred revenue and advance receipts	6,278,679	4,568,436	4,745,132
Loan from immediate holding company	19,000,000	-	-
Obligations under finance leases	61,995	-	941
Total	<u>25,340,674</u>	<u>4,568,436</u>	<u>4,746,073</u>

26 Commitments

(a) Capital commitments

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

	As at 31 December		As at
	2012	2011	1 January
	US\$	US\$	2011
			US\$
Purchase of property, plant and equipment	<u>179,119</u>	<u>1,385</u>	<u>104,477</u>

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26 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:

	As at 31 December		As at
	2012	2011	1 January
	US\$	US\$	2011
			US\$
No later than 1 year	957,215	553,581	550,763
Later than 1 year and no later than 5 years	2,575,012	418,886	134,901
	<u>3,532,227</u>	<u>972,467</u>	<u>685,664</u>

27 Related party transactions

The following transactions were carried out with related parties:

(a) Related party transactions

During the year ended 31 December 2012, the Group had paid interest expense of US\$191,583 to its immediate holding company for the loan due to its immediate holding company which bears interest at 12.1% per annum and is repayable on 30 November 2018.

(b) Key management compensation

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

	2012	2011
	US\$	US\$
Salaries and allowances	1,465,412	1,417,165
Contributions to defined contribution plans	173,421	25,898
	<u>1,638,833</u>	<u>1,443,063</u>

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27 Related party transactions (Continued)

(c) Year end balances arising from these transactions

	As at 31 December		As at
	2012	2011	1 January
	US\$	US\$	2011
			US\$
Amount due from immediate holding company	2,371,279	-	-
Loan from immediate holding company	19,000,000	-	-

All intercompany balances were unsecured, non-interest bearing and were repayable on demand except for a loan of US\$19,000,000 due to immediate holding company (2011: none) which bears interest at 12.1% per annum and repayable on 30 November 2018.

28 Events after the balance sheet date

- 1) The Group acquired 100% of the share capital of Elektrikom Satellite Services ("Elektrikom"), for a cash consideration of US\$3,750,000 on 17 January 2013 through a wholly owned subsidiary, SpeedCast Netherlands B.V.

Elektrikom is a maritime satellite communications service provider based in Schiedam, Netherlands, focusing on the high-end segments of the maritime market, including the oil & gas and offshore supply segments and possess expertise and ability to deliver custom-engineered communication solutions for its customers, including various types of satellite communications, such as Ku-band & C-band VSAT services and L-band services, as well as wireless technologies and a range of IT services. Elektrikom serves customers and partners throughout Europe.

- 2) On 31 May 2013, the Group through its wholly owned subsidiary, acquired 100% of the share capital of Pactel International Pty Ltd, a satellite communications service provider based in Sydney Australia for cash consideration up to a maximum of US\$27,500,000. The acquisition was financed by a term loan provided by ING Bank N.V.