VODATEL

(Stoock code: 8033)

2008

Annual Report

Characteristics of GEM

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

Contents

Corporate Information

Directors

Executive Directors

José Manuel dos Santos
Yim Hong
Kuan Kin Man
Monica Maria Nunes

Independent Non-executive Directors

Lo King Chiu Charles
Fung Kee Yue Roger
Wong Tsu An Patrick

Authorised Representatives

Yim Hong
Monica Maria Nunes

Company Secretary

Foo Chun Ngai Redford, ACIS, ACS, FCCA, FCPA

Compliance Officer

Monica Maria Nunes

Audit Committee

Lo King Chiu Charles
Fung Kee Yue Roger
Wong Tsu An Patrick

Auditor

PricewaterhouseCoopers
Certified Public Accountants
22nd Floor, Prince's Building
Central
Hong Kong

Registered Office

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Bermuda

Head Office and Principal Place of Business

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Place of Business in Hong Kong

Room 713B, 7th Floor
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2-8 Watson Road
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Website

http://www.vodatelsys.com

Bankers

Banco Comercial de Macau, S.A.
Banco Nacional Ultramarino, S.A.

Share Registrars

Tricor Abacus Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Hong Kong

Company Profile

Headquartered in Macao and listed on GEM, the Group carries the vision to deliver high quality communications infrastructural solutions to customers, allowing them to manage their business and reach out for information, anywhere and anytime. The Group principally engages in the provision of network and system infrastructure and applications, CNMS and customised software solutions.

The Group provides an integrated span of services in network and system infrastructure and applications and software solutions, ranging from network and system planning, design, provision of equipment and software, installation and implementation to maintenance and technical support for telecommunications service providers in PRC, such as China Telecom, China Netcom, China Unicom and China Mobile, and enterprises customers in selected vertical markets, such as cable TV operators, electricity bureaus, governmental authorities and universities. In Macao, the Group is also a leading provider of solutions in structured cabling, surveillance, trunking radio and networking solutions for different gaming and hotel operators, governmental authorities and enterprises.

The Group is engaged in the provision of self-developed CNMS for telecommunications service providers in PRC, which allows various operators to effectively and efficiently manage the performance of and traffic over the networks and data controlling solutions that allow users to readily access and flexibly manage and utilise information/data. The Group also designs and builds customised software for its clientele base.

The Group currently has operating subsidiaries in Macao, Hong Kong, Guangzhou and Shanghai, providing a full range of products, solutions and support services. The Group also operates a service hub from Guangzhou that offers general 24-hour nationwide support services. The Group has also established representative offices in different major cities in PRC, namely Beijing, Shanghai, Nanchang, Shenyang, Zhengzhou, Guangzhou, Chongqing and Wuhan, offering products/solutions information and local support services.

Chairman's Statement

Dear Members,

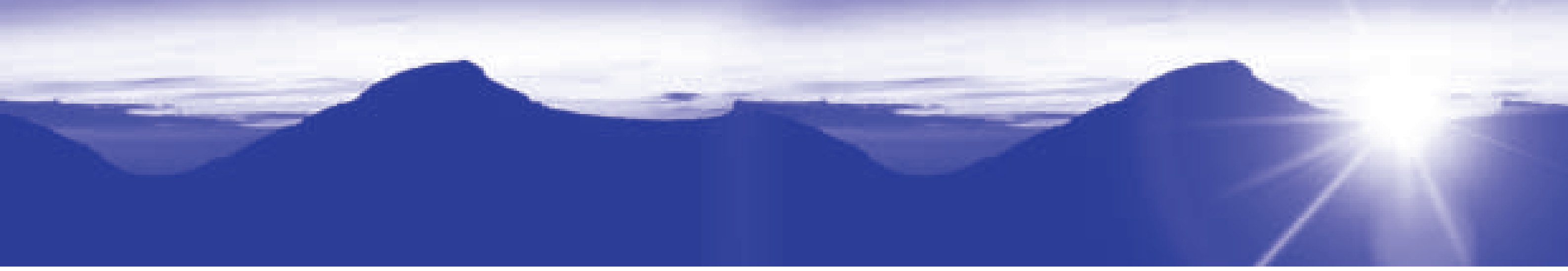
2008 can definitely be described as an extraordinary year as the global market faces extraordinary challenges with no precedents. The financial turmoil has its works on the operating performance of Vodatel, as witnessed by a drop in our turnover of 29.16% on a year-on-year basis and the need to report, yet another net loss for the Year. Despite so, I am pleased to firmly reassure you in this annual report that the cornerstones of Vodatel have remained intact. The financial stance of the Group remained solid as our prudent cash management style successfully weathered Vodatel against latest turbulent market conditions. The Group continued to maintain a debt-free capital structure while our cash balances (included pledged bank deposits) improved considerably to HK$99,069,000 as at 31st December, 2008.

Challenging and Changing Business Landscape

Macao, being one of the fastest-growing economies during the past years, has been the major business driver of the Group. Nevertheless, like most economies, the local market has also been adversely affected by the financial tsunami. Coupled with different regulatory measures imposed on the gaming sector, gaming and hospitality operators slowed down or put a halt to the development of their integrated resorts. To keep up with the momentum of business activities in the domestic territory, the Government of Macao steps in and speeds up the rolling out of infrastructural projects. Given limited number of projects in the market, we do expect the level of competition to intensify. However, with deep roots in Macao and with the Government of Macao as a major customer of the Group – a valuable customer that Vodatel has been serving over the years — together with a strong software development team and a technical support team in place, we are confident that Vodatel is well positioned as a tough bidder in the tenders put out by the Government of Macao.

In Mainland China, while the support service team brought in approximately HK$9,000,000 of service income, TSTSH also continued to perform well. Its new module, TS-IEMS, was successfully applied for use to monitor environments of servers and equipment rooms of telecommunications service providers and for use by armed forces at different cities. Given the market acceptance of the CNMS, we believe TSTSH will, based on requirements of customers, continue to develop new modules that will mould the CNMS into a complete and diversified solution.

We did make some poor investment decisions in the past, however, the investment in TTSA did pay out well. First, with the second dividend income received during the Year, we fully recovered the capital invested made in TTSA. Second, we are excited to learn that TTSA experienced, yet another year of impressive growth to their earnings, with EBITDA growing by approximately 40% on a year-on-year basis.



The Road Ahead

With the impact of the financial turmoil still at large, the operating environment in the year ahead will not be easy. Given volatile changes to business landscape, business will now conduct under a new equation. Despite so, our business directions remain clear. We will further enhance the capabilities of our software development team and support service team, with the goals to develop many more successful and well-received applications for use by customers and to strengthen the recurring income for the Group. We will also put efforts in streamlining our operations and creating synergy among the teams so as to ensure more efficient and effective use of human resources. The mission to strengthen the financial footing of Vodatel, maintain sustainable growth and enhance value for the Members remains top of the agenda.

Appreciation

Foremost, I would like to thank our suppliers and customers again for their continued support and trust in Vodatel over the years. Second, I would also like to give appreciation to the management team and our colleagues. Vodatel is all about people and we will not be successful without their dedication and efforts. I would like to take this opportunity to give a special thanks to Mr. Chui Sai Cheong and Mr. Lo King Chiu Charles, who resigned from our Board, after serving over eight years as the independent non-executive Director at Vodatel. I hereby do wish Mr. Chui and Mr. Lo all the success in their new appointments.

Finally, I would like to give a special thanks to our Members, who continue to put their trust in us.

José Manuel dos Santos
Chairman

Macao, 23rd March, 2009

Management Discussion and Analysis

REVIEW OF BUSINESS ACTIVITIES

Macao

Despite challenges facing the global markets and certain restrictions imposed to curb visitors to Macao, the local market remained robust during the first eight months of the Year as different gaming operators continued to build, expand and upgrade their gaming and hospitality premises and add new attractions to entice visitors and tourists to their venues. Therefore, the Group successfully secured different contracts and variation orders in the areas of structured cabling, surveillance, networking and trunking radio systems and office networks (comprising of servers, storage, workstations and desktops). In the area of trunking radio systems, partnering with a major supplier with speciality in this area, the Group became one of the core providers of trunking radio systems to the Government of Macao and different gaming and hospitality operators in Macao. In the area of surveillance systems, capitalising on our experience in the design and building of large-scale surveillance systems for both mass gaming halls that housed few hundred tables and VIP rooms, the Group successfully won a major contract to design and build a surveillance system for one of the major gaming operators in Macao at their premises in the Cotai Strip.

Getting into the last quarter of the Year, as international gaming operators faced challenges to the operating environments in their home countries, credit crunches from financial institutions, weakness to the global economic outlook and imposition of various regulatory measures on the gaming sector in Macao, certain gaming operators have suspended their development of their integrated resort projects in the territory. This had resulted in the delay or cancellation of certain projects that the Group had previously secured, including the cancellation of the surveillance system project as above-mentioned, and a halt to different projects that were previously under discussion. Consequently, during the last quarter of the Year, the Group was only able to secure a handful of contracts and focus on the completion of orders already secured.

With strong roots in Macao and providing services to the Government of Macao for over fifteen years, the Government of Macao continued to remain a core customer of the Group. During the Year, in addition to the design and installation of systems in the areas of surveillance, trunking radios and networking systems and office networks for different departments of the Government of Macao, the Group, via its wholly-owned subsidiary, MDL, provided customised software and applications that further improved the access of governmental services by the general public and the effective and efficient dissemination and provision of governmental services to the general public. Among the different software solutions and applications provided by MDL to the Government of Macao were the development and implementation of a management software program for the health department to more effectively manage patients' records, the upgrade to the storage system and the installation of a network redundancy solution for the police bureau, and the expansion of the automatic passenger clearance system for the security force bureau, the latter of which involved the second phase of an automated system that operates 24/7 to provide effective and efficient patrol of inbound and outbound customs clearance of passengers at the Macao border connecting to Mainland China.

In view of the temporary suspension and slowdown of various business and commercial activities in Macao, the Government of Macao worked on a mandate to speed up the rolling out of different projects so as to keep the momentum of the economy. With established foothold as one of the core suppliers to the Government of Macao over the years, and a strong service team that offers 24/7 support services to the Government of Macao and other local clients, the Group is confident that it has all the necessary ingredients to compete the projects of the Government of Macao as they tender out.

Mainland China

Despite the traditional business domain that the Group used to operate in Mainland China remained on a declining trend, the Group continued to be chosen as the system integrator and service partner when telecommunications service providers in selected provinces and municipalities upgraded their network infrastructure and required support services for their existing data networks respectively. During the Year, the Group continued to be selected by different telecommunications service providers in the provinces of Guangdong, Hunan, Jiangsu, Guizhou, Jiangxi and Zhejiang, and the municipalities of Shanghai, Beijing and Chongqing for the upgrade and provision of support services to their data networks, with approximately HK$9,000,000 of contracts secured from different telecommunications service providers for the provision of annual maintenance and support services.

With business focus in Mainland China now geared towards the provision of software and value-added services, TSTSH successfully installed its self-developed CNMS and the upgraded version at telecommunications service providers in the provinces of Anhui, Guangdong, Hainan and Jiangsu so as to allow more efficient and effective management of data traffic over the networks, including the Internet protocol (IP) networks. In addition, the new module, TS-IEMS, was not only applied to monitor environments of servers and equipment rooms at different sub-offices of a telecommunications service provider in the municipality of Chongqing, its effective environmental monitoring feature was also extended for use at armed forces at different cities within the province of Jiangxi to conduct improved environmental monitoring. By utilising information in the community in alert management, business, video surveillance management, fault management and multi-regional control centres and access control management, the use of TS-IEMS by armed forces allows safety management and computerises the monitoring of assigned duties, providing reliable support to jail security, including alerts upon emergency and unusual circumstances, and real-time monitoring and capturing of images.

To better enrich the CNMS, TSTSH is currently in the process of developing different value-added platforms over its CNMS, one of which being an application controlling platform that allows data collection and analysis and identification of personal favorites of each individual mobile/Internet user. With such analysis, telecommunications service providers will be able to more precisely induce direct marketing of products or services to each user based on their personal interests and preferences.

International Investments

TTSA is now the only international investment of the Group. Operating under a monopoly for the provision of telecommunications services in Timor-Leste, TTSA continued to report strong performance for the Year. Attributed to strong increase in the number of mobile customers, revenue and EBITDA at TTSA grew further with EBITDA growing approximately 40% to approximately HK$159,664,000 (US$20,600,000). With a population of approximately 1,000,000 in Timor-Leste, mobile net additions during the Year reached 47,000, bringing total mobile customers to 125,000 at the end of the Year. However, minutes of use per mobile customer decreased from 101 minutes to 87 minutes while average revenue per mobile user dropped from approximately HK$256 (US$33) to HK$202 (US$26) over last year.

During September, 2008, the Group received its second dividend payout from TTSA, bringing in HK$8,228,000 of dividend income for the Group during the Year. Subsequent to the receipt of the second dividend payment from TTSA, the Group fully recovered the capital invested in TTSA.

During the Year, the Group marked its exit from the business that engaged in the distribution of mobile phones in Macao. In line with the sale of CAOCL, the Group disposed of the Property held by CAOCL at HK$4,800,000 in February, 2008.

REVIEW OF OPERATING RESULTS

Turnover and Profitability

During the Year, Macao remained the major market of the Group, with different gaming and hospitality operators and the Government of Macao as the core clientele, contributing 61.71% of the total turnover of the Group. While business environment in Macao remained robust during the first eight months of the Year, due to the financial turmoil and turbulent market conditions, gaming and hospitality operators put a halt to the development of their gaming establishments and integrated resort projects, resulting in the delay or cancellation of certain projects that the Group had already secured. Unlike previous years whereby the Government of Macao rolled out large scale projects, for example, East Asian Games during 2006 and Asian Indoor Games during 2007, in the absence of major infrastructure projects from the Government of Macao during the Year, turnover derived from the local territory amounted to HK$143,411,000, represented a drop of 29.54% over 2007.

With business focus in Mainland China now geared towards the provision of networking support and maintenance services and the provision of CNMS self-developed by TSTSH, turnover derived from Mainland China remained on a declining trend. Turnover yielded from Mainland China decreased from HK$105,571,000 to HK$58,468,000, which as a percentage of total turnover of the Group, dropped from 32.18% to 25.16%.

Since 2005, the Group has been promoting the CNMS to the market in Hong Kong. During the Year, the Group successfully marketed the CNMS to certain customers in Hong Kong, resulting in turnover derived from Hong Kong increasing considerably from HK$18,943,000 to HK$30,516,000.

With the focus of the Group on the higher margin businesses, that is, provision of maintenance and support services and sale of software, gross profit margin of the Group continued to stand comfortably at over 20%.

In line with lower turnover registered during the Year, selling and marketing costs reduced from HK$6,843,000 to HK$5,690,000. Nevertheless, administrative expenses increased by HK$1,449,000 to reach HK$63,382,000, the increase of which was explained primarily by an increase in wages as the human resources market in Macao remained tight during the first eight months of the Year. Nevertheless, with a number of projects in pipeline being delayed or terminated, the Group had started to streamline its workforce during the last quarter of the Year. Further streamlining is expected to take place during 2009 should limited improvement to the operating conditions in Macao is witnessed.

With respect to trade receivables, similar to last year, attributed to the continuous effort to recover long outstanding receivables, level of net trade receivables dropped considerably from HK$126,822,000 to HK$70,254,000, with reversal of doubtful debts of HK$6,674,000.

Despite no borrowings, hence minimal finance costs, dividend income of HK$8,228,000 received from TTSA, HK$2,157,000 tax rebates at TSTSH and the presence of income tax credit as a result of income tax overprovided in previous years of HK$13,233,000, attributable to lower revenue and impairment of the carrying costs of MTNHL of HK$11,005,000 as a result of prolonged depressed market conditions resulting in the value of the MTNHL Shares remained below cost of investment during the Year, the Group reported net loss of HK$9,992,000 from continuing operations. Together with the profit for the Year from the disposal of CAOCL of HK$1,670,000, the profit of which was attributable to the sale of the Property held under CAOCL of HK$2,712,000, the Group reported net loss of HK$8,322,000 for the Year.

Capital Structure and Financial Resources

From a capital prospective, despite a challenging year, the Group was able to well preserve the capital base, with total equity of the Group amounted to HK$106,206,000. During the Year, the prudent management style weathered the Group against turbulent market conditions. With nil external borrowings, the Group was not affected by credit crunch in the financial market. Coupled with the efforts to recover receivables, including past dues, the Group reported a considerable improvement to the cash balance (including pledged bank deposits) from HK$72,904,000 as at 31st December, 2007 to HK$99,069,000 as at 31st December, 2008. Other factors that further strengthened the cash balances of the Group included the receipt of HK$8,228,000 dividends from TTSA and the disposal of the Property at HK$4,800,000.

Employees' Information

As at 31st December, 2008, the Group had 316 employees, of which 198, 12 and 106 employees were based in Mainland China, Hong Kong and Macao respectively.

The remuneration and bonus policies of the Group were basically determined by the performance of individual Directors and employees.

The Company adopted the Scheme whereby certain employees of the Group may be granted Options. Details of the Scheme are set out under the section "Options" in the report of the Directors.

The Group also provided various training programmes and product orientation for the marketing and technical employees so as to improve their overall qualifications and to continuously keep them abreast of industry and technological changes.

Capital Commitments and Significant Investments

As at 31st December, 2008, the Group did not have any significant capital commitments and significant investments.

Charges on Group Assets

As at 31st December, 2008, time deposit of approximately HK$9,108,000 was charged to obtain banking facilities for the issue of performance bonds against certain projects. Save as disclosed, the Group did not have any charges on assets of the Group.

Details of Material Acquisitions and Disposals

On 19th February, 2008, a sale and purchase deed was entered into between CAOCL and a Director, José Manuel dos Santos relating to the sale of the Property for HK$4,800,000.

On 30th June, 2008, the Group disposed of CAOCL for MOP160,000 (approximately HK$155,000).

Save as disclosed above, during the Year, the Group had no material acquisitions or disposals.

Details of Future Plans for Material Investment or Capital Assets

The Directors do not have any future plans for material investments or capital assets.

Foreign Exchange Exposure

The Group mainly earns revenue and incurs cost in HK$, MOP, US$ and RMB. The Directors consider that the impact of foreign exchange exposure on the Group is minimal.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

José Manuel DOS SANTOS, aged 61, was first appointed as an executive Director on 13th December, 1999. He is the founder of the Group and Chairman of the Company. He has experience of over thirty years in the telecommunications industry in the Asia Pacific region. He served in a senior position at Direcção dos Serviços de Correcios e Telecomunicações, the telecommunications authority of the Government of Macao, prior to the founding of Zetronic and subsequently the Group. He is the sole director of ERL, a Substantial Shareholder, and LRL. The entire issued share capital in ERL was held by LRL.

YIM Hong, aged 51, was first appointed as an executive Director on 14th December, 1999. He is the Managing Director of the Company in charge of overall operations. He graduated from QM, UK with a Bachelor of Science degree. With more than twenty years of experience in the IT industry, he joined the Group in 1998. Prior to joining the Group, he was the area business director at Newbridge Networks (Asia) Limited and the country manager at 3Com Asia Limited.

KUAN Kin Man, aged 43, was first appointed as an executive Director on 14th December, 1999. He is the general manager of the Group in charge of sales and marketing. In 1985, he joined Zetronic as an engineer and was transferred into marketing later. He joined Vodatel Systems (the assets and liabilities of which were assigned to VHL on 1st July, 1998) on 8th July, 1992 to assume the role of sales manager and was promoted to general manager in 1994.

Monica Maria NUNES, aged 40, was first appointed as an executive Director on 13th December, 1999. She is the finance director of the Company and the Compliance Officer. She graduated from the University of Calgary, Canada with a Bachelor of Commerce degree. She joined the Group in 1999 and has over ten years of accounting and banking experience. She holds a Certified Management Accountant Designation of Certified Management Accountants of Alberta, Canada.

INDEPENDENT NON-EXECUTIVE DIRECTORS

LO King Chiu Charles, aged 65, was first appointed as an independent non-executive Director on 14th December, 1999. He holds a Bachelor of Arts degree and major in economics from Lake Forest University, USA in 1967. He is a member of Jiangxi Province Committee, Chinese People's Political Consultative Conference and the Chairman of Macau Olympic Committee. He is the special advisor to president (Asia) of the University of Victoria, Canada and is a consultant on public relations for British American Tobacco Plc in Macao. He is also the founder of the Macao Junior Chamber of Commerce and past president of the Rotary Club in Macao.

FUNG Kee Yue Roger, aged 56, was first appointed as an independent non-executive Director on 30th September, 2004. He was the managing director of Mitel Networks Asia Pacific Limited, a wholly-owned subsidiary of Mitel Networks Corporation in Canada. He graduated from the University of Toronto, Canada with a Bachelor of Applied Science degree in industrial engineering. He was a member of Professional Engineers Ontario, Canada. He has more than twenty years of experience in the telecommunications and electronics industry.

INDEPENDENT NON-EXECUTIVE DIRECTORS (Continued)

WONG Tsu An Patrick, aged 35, was first appointed as an independent non-executive Director on 4th June, 2008. He is the founder and Chief Executive Officer of Tenacity Real Estate Group, for which he is responsible for its overall strategic development, management and operations. Prior to founding the Tenacity Real Estate Group, he has over ten years of investment experience from USA and Asia, working as a portfolio manager for growth-orientated funds at Trust Company of the West, a multi billion US$ (www. tcw. com) fund management company headquartered in Los Angeles, USA. He is a certified public accountant in USA (qualified by the State Board of Accountancy of the State of Colorado).

SENIOR MANAGEMENT (By alphabetical order)

CHAN Chi Pio, aged 39, is the technical support manager of the Group. He joined the Group in 1992 after having graduated from Huaqiao University, PRC with a Bachelor of Science degree in the same year.

CHEONG Kuan Pat, aged 44, is the general manager of MDL. He graduated from AIOUM, PRC with a Master of Business Administration degree. He is the Vice President of Computer Chamber of Macau since 2006. He has been working in the IT industry in Macao for over twenty years. He joined MDL in 1993 as the chief of product sales and marketing department.

FOO Chun Ngai Redford, aged 35, is the Company Secretary. He joined the Company in September, 2003. He is responsible for company secretarial matters and overall financial and accounting management of the Group. He graduated from the University of Hong Kong, PRC with a degree of Bachelor of Business Administration in Accounting and Finance. He is a fellow of the Association of Chartered Certified Accountants and HKICPA. He is also an associate of the Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Chartered Secretaries. Before joining the Company, he worked for another company listed on GEM as the company secretary and qualified accountant and for an international renowned accounting firm.

HO Wai Sam Paul, aged 46, is the director of technical services of the Group. He graduated from AIOUM, PRC with a Master of Business Administration degree. He had worked in Companhia de Telecomunicações de Macau S.A.R.L. for eighteen years and was head of transport network covering the international and national engineering such as optical fibre, synchronous and plesiochronous digital hierarchy transmission, submarine cable, microwave and satellite earth station. He joined the Group in June, 2000.

Manouchehr MEHRABI, aged 50, is the senior network consultant of the Group. He obtained his Bachelor of Computer Science degree from Concordia University, Canada in Montreal and his Master of Science degree in Telecommunications from QM, UK. He is also a Project Management Professional. Over the years, he has filled a number of IT positions, including programmer, database administrator, field engineer, system manager, and network consultant. He joined the Group in June, 2000.

SENIOR MANAGEMENT (By alphabetical order) (Continued)

MOK Chi Va, aged 43, is the sales director of the Group for the market in Macao. He has obtained a Diploma in Business Administration jointly organised by UM, PRC and Macau Management Association and a Master of Business Administration - International Business degree from West Coast Institute of Management and Technology, the Commonwealth of Australia. He first joined the Group on 3rd July, 2000 as the business development manager principally in charge of the business of MIHL and was appointed as an executive director of MIHL on 29th January, 2003. He was transferred back to the Group on 1st July, 2007. Prior to joining the Group, he had worked for Charter Kingdom Limited as the operation manager for about one year, and Tung Tat E&M Engineering Co. Limited as the project manager for four years.

NG Ka Leung, aged 39, is the technical support manager of the Group. He graduated from UM, PRC with a Bachelor of Science degree in 1994. He has been with the Group since 1995.

SI I Hong, aged 40, is the senior regional business director of the Group. He graduated from UM, PRC with a Bachelor of Science degree. He joined the Group in 1994. He had working experience in banking and hotel industries before joining the Group.

WANG Qing, aged 38, is the regional business manager of the Group. He graduated from Nanjing University of Posts and Telecommunications, PRC with a Bachelor of Science degree in 1992. He joined the Group in 1994. He was an engineer at a telecommunications equipment firm before joining the Group.

WONG Chi Ping, aged 59, is the business development director of the Group. He has over twenty years of experience in the audio and electronic industries in PRC. Prior to joining the Group in 1999, he worked for Zetronic for over ten years responsible for the operation and marketing of voice telecommunications business.

WONG Wai Kan, aged 44, is the senior regional business director of the Group. He graduated from Jinan University, PRC with a Bachelor of Science degree. He has been with the Group since 1993. He worked in the fields of purchasing and banking before joining the Group.

WU Wenhua, aged 45, is currently the chief executive officer of TSTSH in charge of overall operations, overseeing the sales and marketing, technical development and management of TSTSH. With a doctoral degree from the University of Waterloo, Canada, he has previously worked for international software development corporations, where he has accumulated over thirteen years of product development experience, in particular, development of network management systems for telecommunications service providers. He has established good connections with different telecommunications service providers in PRC.

1. Corporate governance practices

The Company complied with the Code, except that:

(a) The sale of the Property to José Manuel dos Santos, a Director, was approved by way of circulation instead of holding a Board meeting.

A.1.8 Since the consideration was arrived at after arm's length negotiations between CAOCL and José Manuel dos Santos by reference to a valuation report of the Property conducted by an independent valuer, and all other Directors agreed with the sale of the Property, the Board considered that a written resolution, which would be valid only when signed by all Directors, reflected the consent from all Directors.

(b) The Chairman of the Board did not attend the annual general meeting held in the Year.

E.1.2 The Chairman of the Board was away on a business trip on the date when the annual general meeting was held.

2. Directors' securities transactions

The Company has adopted rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding Directors' securities transactions.

The Company has made specific enquiry of all Directors that they have complied with the required standard of dealings and its code of conduct regarding Directors' securities transactions.

There is no event of non-compliance with the required standard of dealings.

3. Board

The members of the Board were:

Chairman:	José Manuel dos Santos
Executive Directors:	Yim Hong
	Kuan Kin Man
	Monica Maria Nunes
Independent non-executive Directors:	Chui Sai Cheong (resigned on 15th February, 2008)
	Lo King Chiu Charles
	Fung Kee Yue Roger
	Wong Tsu An Patrick (appointed on 4th June, 2008)

3. Board (Continued)

Five meetings were held during the Year.

The attendance record of each Director was as follows:

José Manuel dos Santos	4/5
Yim Hong	5/5
Kuan Kin Man	4/5
Monica Maria Nunes	5/5
Chui Sai Cheong	0/0
Lo King Chiu Charles	5/5
Fung Kee Yue Roger	4/5
Wong Tsu An Patrick	3/3

Matters reserved for the Board are as follows:

(a) Approval of interim and final financial statements.

(b) Approval of the interim dividend and recommendation of the final dividend.

(c) Approval of any significant changes in accounting policies or practices.

(d) Appointment or removal of the Company Secretary.

(e) Remuneration of the Auditor where, as is usual, Members have delegated this power to the Board and recommendations for the appointment or removal of Auditor following recommendations of the Audit Committee.

(f) Resolutions and corresponding documentations to be put forward to Members at a general meeting.

(g) Approval of all circulars and listing particulars.

(h) Approval of press releases concerning matters decided by the Board.

(i) Board appointments and removals and any special terms and conditions attached to the appointment subject to the recommendations of the Nomination Committee and the Remuneration Committee.

(j) Terms of reference of chairman, chief executive and other executive Directors.

(k) Terms of reference and membership of Board committees.

(l) Approval of the long term objectives and commercial strategies of the Group.

(m) Approval of the annual operating and capital expenditure budgets.

(n) Changes relating to the capital structure or its status of the Group.

3. Board (Continued)

(o) Terms and conditions of Directors and senior executives.

(p) Changes to the management and control structure of the Group.

(q) Major capital projects.

(r) Material, either by reason of size or strategy, contracts of the Company or any subsidiary in the ordinary course of business, for example, bank borrowings and acquisition or disposal of fixed assets.

(s) Contracts of the Company or any subsidiary not in the ordinary course of business, for example, loans and repayments, foreign currency transactions, major acquisitions or disposals.

(t) Major investments.

(u) Risk management strategy.

(v) Treasury policies, including foreign currency exposure.

(w) Review of the overall corporate governance arrangements of the Company.

(x) Major changes to the rules of the Company pension scheme, and changes of trustees and changes in the fund management arrangements.

(y) Major changes to employee share schemes and the allocation of executive Options.

(z) Formulation of policy regarding charitable donations.

(aa) Political donations.

(ab) Approval of the principal professional advisors of the Company.

(ac) Prosecution, defence or settlement of litigation.

(ad) Internal control arrangements.

(ae) Directors' and officers' liability insurance.

Matters not mentioned above will be delegated to the management.

Following the resignation of Chui Sai Cheong on 15th February, 2008 and until the appointment of Wong Tsu An Patrick on 4th June, 2008, the Company had only two independent non-executive Directors which fell below the minimum number of three independent non-executive directors as required by the GEM Listing Rules and none of the remaining independent non-executive Directors had appropriate professional qualifications in the area of accounting or related financial management expertise, as required under the GEM Listing Rules respectively. Except as mentioned, the Company complied with rules 5.05(1) and (2) of the GEM Listing Rules in the rest of the Year.

3. Board (Continued)

The Company confirmed that it has received from each of the independent non-executive Directors an annual confirmation of his independence pursuant to rule 5.09 of the GEM Listing Rules and it still considers the independent non-executive Directors to be independent.

There is no financial, business or other material/relevant relationships among the Directors.

4. Chairman and chief executive officer

Chairman:	José Manuel dos Santos
Chief executive officer:	Yim Hong

The roles of the Chairman and the chief executive officer are segregated and are not exercised by the same individual.

5. Non-executive Directors

Wong Tsu An Patrick was appointed for a two-year term expiring on 3rd June, 2010. Fung Kee Yue Roger was re-appointed for a two-year term expiring on 29th September, 2010. Lo King Chiu Charles was re-appointed for a two-year term expiring on 13th December, 2010. Each Director's fee is HK$10,000 per month.

6. Remuneration of Directors

The Remuneration Committee is to assist the Board in determining the policy and structure for the remuneration of executive Directors, evaluating the performance of executive Directors, reviewing incentive schemes and Directors' service contracts and fixing the remuneration packages for all Directors and senior management.

The members of the Remuneration Committee were:

José Manuel dos Santos (Chairman)
Chui Sai Cheong (resigned on 15th February, 2008)
Lo King Chiu Charles
Fung Kee Yue Roger
Wong Tsu An Patrick (appointed on 4th June, 2008)

One meeting was held during the Year.

6. Remuneration of Directors (Continued)

The attendance record of each Director was as follows:

José Manuel dos Santos	1/1
Chui Sai Cheong	0/0
Lo King Chiu Charles	1/1
Fung Kee Yue Roger	0/1
Wong Tsu An Patrick	1/1

During the Year, the Remuneration Committee determined the policy and structure for the remuneration of the Directors, evaluated their performance and approved the terms of all the executive Directors' service contracts, which were renewed with an expiry date of 11th February, 2010.

7. Nomination of Directors

The purpose of the Nomination Committee is to assist, identify, screen and recommend to the Board appropriate candidates to serve as Directors, to oversee the process for evaluating the performance of the Board and to develop, recommend to the Board and monitor nomination guidelines for the Company.

The members of the Nomination Committee were:

José Manuel dos Santos (Chairman)
Chui Sai Cheong (resigned on 15th February, 2008)
Lo King Chiu Charles
Fung Kee Yue Roger
Wong Tsu An Patrick (appointed on 4th June, 2008)

The chairman of the Nomination Committee nominated a candidate with appropriate professional qualifications in the area of accounting and related financial management expertise for the Nomination Committee to consider. The Nomination Committee recommended the candidate to the Board for appointment as a Director.

One meeting was held during the year.

The attendance record of each Director was as follows:

José Manuel dos Santos	1/1
Chui Sai Cheong	0/0
Lo King Chiu Charles	1/1
Fung Kee Yue Roger	1/1
Wong Tsu An Patrick	0/0

During the Year, the Nomination Committee nominated Wong Tsu An Patrick to fill in the casual vacancy of independent non-executive Director after the resignation of Chui Sai Cheong.

8. Auditor's remuneration

Remuneration of audit is HK$1,850,000 for the Year.

9. Audit Committee

The Audit Committee is to assist the Board to deal with the matters concerning the Auditor, to review the financial information of the Company, and to oversee the financial reporting system and internal control procedures of the Company.

The members of the Audit Committee were:

Chui Sai Cheong (Chairman) (resigned on 15th February, 2008)
Wong Tsu An Patrick (Chairman) (appointed on 4th June, 2008)
Lo King Chiu Charles
Fung Kee Yue Roger

Four meetings were held during the Year. Record of individual attendance was as follows:

Chui Sai Cheong	0/0
Lo King Chiu Charles	4/4
Fung Kee Yue Roger	3/4
Wong Tsu An Patrick	2/2

During the Year, the Audit Committee reviewed the financial reports for the Year, for the six months ended 30th June, 2008 and for the quarters ended 31st March, 2008 and 30th September, 2008. The Audit Committee also reviewed and discussed the report of the Auditor to the Audit Committee for the Year and reviewed the Auditor's statutory audit plan for the Year.

Following the resignation of Chui Sai Cheong on 15th February, 2008 and until the appointment of Wong Tsu An Patrick on 4th June, 2008, the Company had only two members in the Audit Committee which fell below the minimum number of three members in the Audit Committee as required by the GEM Listing Rules and none of the remaining members in the Audit Committee had appropriate professional qualifications in the area of accounting or related financial management expertise, as required under the GEM Listing Rules respectively. Except as mentioned, the Company complied with rule 5.28 of the GEM Listing Rules in the rest of the Year.

10. Other specific disclosures

The Directors are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with HKFRS and the disclosure requirements of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) as amended from time to time. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

The Auditor's responsibility is to express an opinion on these consolidated financial statements based on its audit and to report its opinion solely to the Members, as a body, in accordance with section 90 of the Companies Act 1981 of Bermuda and for no other purpose. It does not assume responsibility towards or accept liability to any other person for the contents of the independent Auditor's report.

The Board has conducted a review of the effectiveness of the system of internal control of the Group.

On behalf of the Board

José Manuel dos Santos
Chairman

Macao, 23rd March, 2009

Report of the Directors

The Directors submit their report together with the audited financial statements for the Year.

Principal activities and geographical analysis of operations

The principal activity of the Company is investment holding. The activities of the subsidiaries are set out in note 8 to the financial statements.

An analysis of the performance of the Group for the Year by operating segment from both a geographical and business perspective is set out in note 5 to the financial statements.

Results and appropriations

The results of the Group for the Year are set out in the consolidated income statement on page 35.

The Board does not recommend payment of a final dividend for the Year.

Reserves

Movements in the reserves of the Group and of the Company during the Year are set out in note 18 to the financial statements.

Property, plant and equipment

Details of the movements in property, plant and equipment of the Group are set out in note 7 to the financial statements.

Share capital

Details of the movements in share capital of the Company are set out in note 17 to the financial statements.

Distributable reserves

Distributable reserves of the Company as at 31st December, 2008, calculated under the Companies Act 1981 of Bermuda (as amended), amounted to approximately HK$124,877,000 (2007 (restated): HK$128,681,000).

Financial summary of five fiscal periods

A summary of the results and of the assets and liabilities of the Group for the eighteen months ended 31st December, 2004, the three financial years ended up to 31st December, 2007 and the Year is set out on page 105.

Purchase, sale or redemption of securities

The Company did not redeem any of the Shares during the Year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Shares during the Year.

Options

Options were granted to certain Directors, employees and consultants under the Scheme. The Scheme was to provide incentives and rewards to Participants thereunder for their contribution to the Group and/or to enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group.

The total number of Shares available for issue under the Scheme as at 31st December, 2008 was 61,381,900, representing 10% of the issued share capital of the Company as at 31st December, 2008.

The total number of Shares issued and to be issued upon exercise of the Option granted and to be granted to each Participant, including exercised, cancelled and outstanding Options, in any twelve-month period up to the date of grant must not exceed 1% of the Shares in issue at the date of grant.

Options shall be exercised in a period of three years commencing on the date on which the Option is granted and accepted by the Grantee, or expiring on 4th November, 2012, whichever is earlier.

Pursuant to the Scheme, the Grantee shall pay HK$1 to the Company by way of consideration for the grant.

The Subscription Price shall be no less than the highest of 1. the closing price of the Shares as stated in the daily quotation sheets issued by the Exchange on the Offer Date, which must be a business day; 2. the average closing price of the Shares as stated in the daily quotation sheets issued by the Exchange for the five business days immediately preceding the Offer Date; and 3. the nominal value of a Share on the date of grant of the Option.

The Scheme will remain valid until 4th November, 2012.

Options (Continued)

Details of the Options outstanding as at 31st December, 2008 which were granted under the Scheme are as follows:

	Number of Options						
	Held as at 1st January, 2008	Lapsed during the Year	Held as at 31st December, 2008	Subscription Price HK$	Grant date	Exercisable from	Exercisable until
José Manuel dos Santos	800,000	—	800,000	0.32	11th July, 2007	12th July, 2007	11th July, 2010
Yim Hong	800,000	—	800,000	0.32	11th July, 2007	12th July, 2007	11th July, 2010
Kuan Kin Man	800,000	—	800,000	0.32	11th July, 2007	12th July, 2007	11th July, 2010
Monica Maria Nunes	800,000	—	800,000	0.32	11th July, 2007	12th July, 2007	11th July, 2010
Chui Sai Cheong (resigned as Director on 15th February, 2008)	500,000	(500,000)	—	0.32	11th July, 2007	12th July, 2007	11th July, 2010
Lo King Chiu Charles	500,000	—	500,000	0.32	11th July, 2007	12th July, 2007	11th July, 2010
Fung Kee Yue Roger	500,000	—	500,000	0.32	11th July, 2007	12th July, 2007	11th July, 2010
Continuous contract employees	18,384,000	(1,968,000)	16,416,000	0.32	11th July, 2007	12th July, 2007	11th July, 2010
Consultants	190,000	—	190,000	0.32	11th July, 2007	12th July, 2007	11th July, 2010
	23,274,000	(2,468,000)	20,806,000				

Report of the Directors

Directors

The Directors during the Year were:

José Manuel dos Santos	
Yim Hong	
Kuan Kin Man	
Monica Maria Nunes	
Chui Sai Cheong	(resigned on 15th February, 2008)
Lo King Chiu Charles	
Fung Kee Yue Roger	
Wong Tsu An Patrick	(appointed on 4th June, 2008)

In accordance with Article 87 of the bye-laws of the Company, Lo King Chiu Charles retires by rotation at the forthcoming annual general meeting. Since Lo King Chiu Charles gives notice of his resignation as a Director with effect from 1st April, 2009, Kuan Kin Man retires by rotation at the forthcoming annual general meeting and, being eligible, offers himself for re-election.

To comply with the Code, José Manuel dos Santos and Yim Hong retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

Lo King Chiu Charles, Fung Kee Yue Roger and Wong Tsu An Patrick are independent non-executive Directors. Wong Tsu An Patrick was appointed for a two-year term expiring on 3rd June, 2010. Fung Kee Yue Roger was re-appointed for a two-year term expiring on 29th September, 2010. Lo King Chiu Charles was re-appointed for a two-year term expiring on 13th December, 2010.

Directors' service contracts

None of the Directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

Directors' interests in contracts

Details of José Manuel dos Santos' interest in contracts of significance in relation to the business of the Group are set out in note 32 to the financial statements.

Save as disclosed herein, no contracts of significance in relation to the business of the Group to which the Company was a party and in which a Director had a material interest, whether directly or indirectly, subsisted as at 31st December, 2008 or at any time during the Year.

Biographical details of Directors and senior management

Brief biographical details of Directors and senior management (including the professional qualifications of the Company Secretary and the Compliance Officer) are set out on pages 11 to 13.

Directors' interests and short positions in Shares, underlying Shares and debentures of the Company or any Associated Corporation

As at 31st December, 2008, the relevant interests and short positions of the Directors or Chief Executive in the Shares, underlying Shares and debentures of the Company or its Associated Corporations which will be required to be notified to the Company and the Exchange pursuant to Divisions 7 and 8 of Part XV of SFO (including interests and short positions which he took or deemed to have taken under such provisions of SFO) or required pursuant to section 352 of SFO, to be entered in the register referred to therein or required, pursuant to rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors to be notified to the Company and the Exchange were as follows:

Aggregate long positions in the Shares

Name of Director	Nature of interest	Number of Shares held	Number of underlying Shares (in respect of Options held)	Approximate % of the issued share capital of the Company
José Manuel dos Santos	Corporate interest/founder of a discretionary trust (note 1)	293,388,000	—	47.80%
	Personal (note 2)	—	800,000	0.13%
Yim Hong	Personal (note 3)	7,357,500	800,000	1.33%
Kuan Kin Man	Personal (note 4)	22,112,500	800,000	3.73%
Monica Maria Nunes	Personal (note 5)	2,452,500	800,000	0.53%
Lo King Chiu Charles	Personal (note 6)	—	500,000	0.08%
Fung Kee Yue Roger	Personal (note 7)	210,000	500,000	0.12%

Directors' interests and short positions in Shares, underlying Shares and debentures of the Company or any Associated Corporation (Continued)

Aggregate long positions in the Shares (Continued)

Notes:

1. As at 31st December, 2008, these Shares were held in the name of ERL. The entire issued share capital in ERL was held by LRL, wholly-owned by José Manuel dos Santos as trustee of the existing trust whereby the family members of José Manuel dos Santos were the discretionary objects and which assets included a controlling stake of 47.80% of the issued share capital of the Company.

2. The personal interest of José Manuel dos Santos comprised 800,000 underlying Shares in respect of Options granted to him by the Company. The aforesaid interest was held by José Manuel dos Santos as beneficial owner.

3. The personal interest of Yim Hong comprised 7,357,500 Shares and 800,000 underlying Shares in respect of Options granted to him by the Company. The aforesaid interest was held by Yim Hong as beneficial owner.

4. The personal interest of Kuan Kin Man comprised 22,112,500 Shares and 800,000 underlying Shares in respect of Options granted to him by the Company. The aforesaid interest was held by Kuan Kin Man as beneficial owner.

5. The personal interest of Monica Maria Nunes comprised 2,452,500 Shares and 800,000 underlying Shares in respect of Options granted to her by the Company. The aforesaid interest was held by Monica Maria Nunes as beneficial owner.

6. The personal interest of Lo King Chiu Charles comprised 500,000 underlying Shares in respect of Options granted to him by the Company. The aforesaid interest was held by Lo King Chiu Charles as beneficial owner.

7. The personal interest of Fung Kee Yue Roger comprised 210,000 Shares and 500,000 underlying Shares in respect of Options granted to him by the Company. The aforesaid interest was held by Fung Kee Yue Roger as beneficial owner.

José Manuel dos Santos, ERL and his nephews (that is Rui Nuno dos Santos, Luis Alberto dos Santos and Antonio dos Santos Robarts, all of whom hold interests in the Shares through Best Eastern Limited, Back Support Properties Limited and Yat Yi Properties Limited (companies incorporated in BVI with limited liability) respectively) have also informed the Company that they have been, and continue to be, acting in concert for the purposes of the Code on Takeovers and Mergers approved by the Securities and Futures Commission established under section 3 of the Securities and Futures Commission Ordinance and continuing in existence under section 3 of SFO as amended from time to time. As at 31st December, 2008, the parties acting in concert with José Manuel dos Santos and ERL held approximately 58.47% of all the Shares in issue.

Substantial Shareholders' interests and short positions in the Shares and underlying Shares

The register of Substantial Shareholders required to be kept under section 336 of Part XV of SFO showed that as at 31st December, 2008, the Company was notified of the following Substantial Shareholders' interests, being 5% or more of the issued share capital of the Company. These interests were in addition to those disclosed above in respect of the Directors and Chief Executive:

Aggregate long positions in the Shares

Name	Nature of interest	Number of Shares held	Approximate % of the issued share capital of the Company
ERL	Corporate interest (note 1)	293,388,000	47.80%
LRL	Corporate interest (note 1)	293,388,000	47.80%
Lei Hon Kin (note 2)	Family interest	294,188,000	47.93%

Notes:

1 As at 31st December, 2008, these Shares were held in the name of ERL. The entire issued share capital in ERL was held by LRL.

2 Lei Hon Kin, the spouse of José Manuel dos Santos, was deemed to be interested in all the interests of José Manuel dos Santos.

Management contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Year.

Major suppliers and customers

The percentages of purchases and sales for the Year attributable to the major suppliers and customers of the Group were as follows:

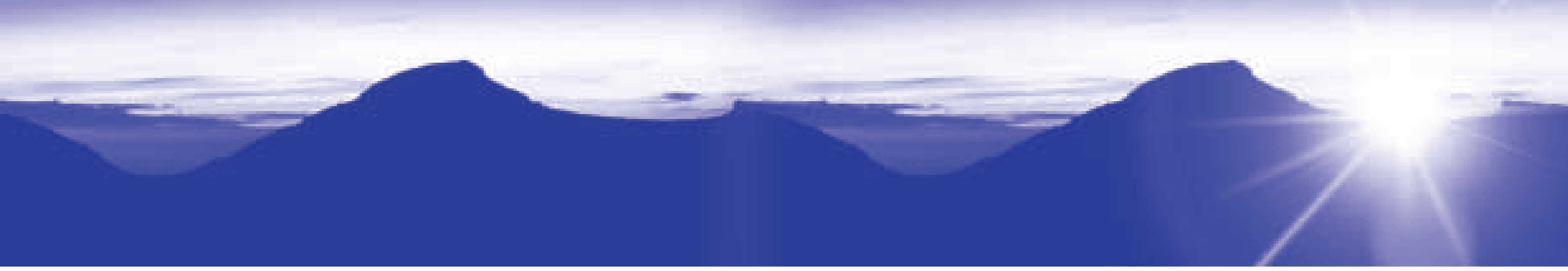
Purchases	
– the largest supplier	17.07%
– five largest suppliers combined	51.49%
Sales	
– the largest customer	18.58%
– five largest customers combined	48.16%

None of the Directors, their Associates or any Member (which to the knowledge of the Directors owns more than 5% of the share capital of the Company) had an interest in the major suppliers or customers noted above.

Connected transactions

Certain related party transactions as disclosed in note 32 to the financial statements also constituted exempted connected transactions under the GEM Listing Rules, while the following transaction between a Connected Person and a subsidiary of the Company was entered into for which relevant announcement had been made by the Company in accordance with the requirements of Chapter 20 of the GEM Listing Rules.

On 19th February, 2008, a sale and purchase deed was entered into between CAOCL and José Manuel dos Santos relating to the sale of the Property for HK$4,800,000, which was satisfied by José Manuel dos Santos in cash. José Manuel dos Santos is a Director and therefore a Connected Person and the sale of the Property constituted a connected transaction under the GEM Listing Rules. The Group was of the view that it was an appropriate time to sell the Property.



Sufficiency of public float

Based on the information that was publicly available to the and within the knowledge of the Directors, it was confirmed that there was sufficient public float of at least 25% of the issued Shares at 20th March, 2009.

Competing business

As at 31st December, 2008, none of the Directors, or any person who was (or group of persons who together were) entitled to exercise or control the exercise of 5% or more of the voting power at general meetings of the Company and which was (or were) able, as a practical matter, to direct or influence the management of the Company or any of their respective Associates had any interest in a business, which competed or might compete with the business of the Group.

Corporate governance report

The corporate governance report is set out on pages 14 to 20.

Auditor

The financial statements were audited by PricewaterhouseCoopers who retires and, being eligible, offers itself for re-appointment.

On behalf of the Board

José Manuel dos Santos
Chairman

Macao, 23rd March, 2009

Independent Auditor's Report

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF VODATEL NETWORKS HOLDINGS LIMITED
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Vodatel Networks Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 32 to 104, which comprise the consolidated and Company balance sheets as at 31st December, 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31st December, 2008 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 23rd March, 2009

Consolidated Balance Sheet

	Note	2008 HK$'000	2007 HK$'000
		As at 31st December,	
ASSETS			
Non-current assets			
Freehold land	6	—	—
Property, plant and equipment	7	**1,046**	1,358
Investment in an associate	9	**656**	572
Available-for-sale financial assets	10,12	**16,226**	25,967
		17,928	27,897
Current assets			
Inventories	13	**13,620**	25,062
Income tax prepaid		—	1,034
Trade receivables	10,14	**70,254**	126,822
Other receivables, deposits and prepayments	10,14	**18,454**	19,354
Pledged bank deposits	10,11,15	**9,108**	8,475
Cash and cash equivalents	10,11,15	**89,961**	64,429
		201,397	245,176
Assets of disposal entity classified as held for sale	33(a)	—	5,356
		201,397	250,532
LIABILITIES			
Current liabilities			
Trade and bills payables	16	**50,796**	89,839
Other payables and accruals	16	**45,151**	42,963
Current income tax liabilities		**17,172**	32,958
		113,119	165,760
Liabilities of disposal entity classified as held for sale	33(b)	—	1,215
		113,119	166,975
Net current assets		**88,278**	83,557
Total assets less current liabilities		**106,206**	111,454

	Note	As at 31st December, 2008 HK$'000	2007 HK$'000
Financed by:			
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Shares	17	**61,382**	61,382
Other reserves	18(a)	**139,792**	136,718
Accumulated losses		**(100,264)**	(93,377)
		100,910	104,723
Minority interest in equity		**5,296**	6,731
Total equity		**106,206**	111,454

On behalf of the Board

José Manuel dos Santos
Director

Monica Maria Nunes
Director

The notes on pages 39 to 104 are an integral part of these financial statements.

Balance Sheet

	Note	As at 31st December, 2008 HK$'000	2007 HK$'000 (restated)
ASSETS			
Non-current assets			
Investments in subsidiaries	8(a)	**75,670**	75,670
Current assets			
Amounts due from subsidiaries	8(b),10	**125,027**	126,364
Other receivables, deposits and prepayments	10,14	**242**	126
Cash and cash equivalents	10,11,15	**82**	214
		125,351	126,704
LIABILITIES			
Current liabilities			
Amounts due to subsidiaries	8(b),10	**9,973**	5,955
Other payables and accruals	16	**1,798**	3,365
		11,771	9,320
Net current assets		**113,580**	117,384
Total assets less current liabilities		**189,250**	193,054
Financed by:			
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Shares	17	**61,382**	61,382
Other reserves	18(b)	**174,385**	174,385
Accumulated losses	18(b)	**(46,517)**	(42,713)
Total equity		**189,250**	193,054

On behalf of the Board

José Manuel dos Santos
Director

Monica Maria Nunes
Director

The notes on pages 39 to 104 are an integral part of these financial statements.

Consolidated Income Statement

	Note	2008 HK$'000	2007 HK$'000
		Year ended 31st December,	
Continuing operations			
Revenue	5	**232,395**	328,061
Cost of sales	20	**(185,527)**	(258,592)
Gross profit		**46,868**	69,469
Selling and marketing costs	20	**(5,690)**	(6,843)
Administrative expenses	20	**(63,382)**	(61,933)
Other (losses)/gains - net	21	**(562)**	3,171
Operating (loss)/profit		**(22,766)**	3,864
Finance income	23	**995**	4,497
Finance costs	23	**(1)**	(9)
Finance income - net	23	**994**	4,488
Share of profit of an associate	9	**84**	127
(Loss)/profit before income tax		**(21,688)**	8,479
Income tax credit	24	**11,696**	9,617
(Loss)/profit for the Year from continuing operations		**(9,992)**	18,096
Discontinued operations			
Profit for the Year from discontinued operations	33(c)	**1,670**	39,210
(Loss)/profit for the Year		**(8,322)**	57,306
Attributable to:			
Equity holders of the Company		**(6,887)**	56,065
Minority interest		**(1,435)**	1,241
		(8,322)	57,306

The notes on pages 39 to 104 are an integral part of these financial statements.

Consolidated Income Statement

	Note	Year ended 31st December, 2008	2007
(Loss)/earnings per Share for (loss)/profit from continuing and profit from discontinued operations attributable to the equity holders of the Company during the Year (expressed in HK cents per Share)			
Basic and diluted (loss)/earnings per Share			
From continuing operations	27	**(1.39)**	2.74
From discontinued operations	27	**0.27**	6.39
		(1.12)	9.13
Dividends	28	**—**	—

The notes on pages 39 to 104 are an integral part of these financial statements.

Consolidated Statement of Changes in Equity

	Note	Attributable to equity holders of the Company					
		Shares HK$'000	Other reserves HK$'000	Accumulated losses HK$'000	Total HK$'000	Minority interest HK$'000	Total equity HK$'000
Balance as at 1st January, 2007		159,058	24,348	(149,442)	33,964	5,556	39,520
Fair value gain for available-for-sale financial assets	18(a)	—	10,640	—	10,640	—	10,640
Reserves transferred to income statement upon disposal of loaned asset	18(a)	—	(22)	—	(22)	—	(22)
Reserves transferred to income statement upon deregistration of TCM	18(a)	—	1,671	—	1,671	—	1,671
Currency translation differences	18(a)	—	116	—	116	—	116
Net income recognised directly in equity		—	12,405	—	12,405	—	12,405
Profit for the year ended 31st December, 2007		—	—	56,065	56,065	1,241	57,306
Total recognised income and expense for the year ended 31st December, 2007		—	12,405	56,065	68,470	1,241	69,711
Reduction of share premium credited to contributed surplus	18(a)	(97,676)	97,676	—	—	—	—
Share-based compensation	18(a)	—	2,289	—	2,289	—	2,289
Deregistration of TCM		—	—	—	—	(66)	(66)
Balance as at 31st December, 2007		61,382	136,718	(93,377)	104,723	6,731	111,454
Balance as at 1st January, 2008		61,382	136,718	(93,377)	104,723	6,731	111,454
Reserves transferred to income statement upon impairment of available-for-sale financial assets	18(a)	—	1,264	—	1,264	—	1,264
Currency translation differences	18(a)	—	1,810	—	1,810	—	1,810
Net income recognised directly in equity		—	3,074	—	3,074	—	3,074
Loss for the Year		—	—	(6,887)	(6,887)	(1,435)	(8,322)
Total recognised income and expense for the Year		—	3,074	(6,887)	(3,813)	(1,435)	(5,248)
Balance as at 31st December, 2008		61,382	139,792	(100,264)	100,910	5,296	106,206

The notes on pages 39 to 104 are an integral part of these financial statements.

Consolidated Cash Flow Statement

	Note	2008 HK$'000	2007 HK$'000
		Year ended 31st December,	
Cash flows from operating activities			
Cash generated from/(used in) operations	29(a)	**12,667**	(45,060)
Interest paid		**(1)**	(9)
Income tax refund		**987**	—
Income tax paid		**(4,088)**	(2,007)
Net cash generated from/ (used in) operating activities		**9,565**	(47,076)
Cash flows from investing activities			
Disposal of a subsidiary, net of cash disposed	29(b)	**155**	—
Purchase of property, plant and equipment	7	**(193)**	(353)
Proceeds from sale of freehold land, property, plant and equipment		**4,800**	1,250
Interest received		**995**	4,497
Dividend received		**8,228**	2,735
Net cash generated from investing activities		**13,985**	8,129
Cash flows from financing activities			
Pledged bank deposits		**(633)**	(8,475)
Proceeds from settlement of loaned asset		**—**	38,748
Repayments of borrowings		**—**	(35,527)
Net cash used in financing activities		**(633)**	(5,254)
Net increase/(decrease) in cash and bank balances		**22,917**	(44,201)
Cash and bank balances at beginning of the Year		**65,245**	108,059
Exchange losses on cash and cash equivalents		**1,799**	1,387
Cash and bank balances at end of the Year		**89,961**	65,245
Analysis of balances of cash and cash equivalents			
Cash and bank balances		**89,961**	65,245
Less: cash and bank balances classified as non-current assets held for sale		**—**	(816)
	15	**89,961**	64,429

The notes on pages 39 to 104 are an integral part of these financial statements.

1 General information

The Group carries the vision to deliver high quality communications infrastructural solutions to customers, allowing them to manage their business and reach out for information, anywhere and anytime. The Group principally engages in the provision of network and system infrastructure and applications, CNMS and customised software solutions.

The Group provides an integrated span of services in network and system infrastructure and applications and software solutions, ranging from network and system planning, design, provision of equipment and software, installation and implementation to maintenance and technical support for telecommunications service providers in PRC, such as China Telecom, China Netcom, China Unicom and China Mobile, and enterprises customers in selected vertical markets, such as cable TV operators, electricity bureaus, governmental authorities and universities. In Macao, the Group is also a leading provider of solutions in structured cabling, surveillance, trunking radio, networking solutions for different gaming and hotel operators, governmental authorities and enterprises.

The Group is engaged in the provision of self-developed CNMS for telecommunications service providers in PRC, which allows the various operators to effectively and efficiently manage the performance of and traffic over the networks and data controlling solutions that allows users to readily access and flexibly manage and utilise information/data. The Group also designs and builds customised sofrware for its clientele base.

The Company is a limited liability company incorporated in Bermuda. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda.

The Company is listed on GEM.

These consolidated financial statements are presented in thousands of units of HK$ (HK$'000), unless otherwise stated. These consolidated financial statements are approved for issue by the Board on 23rd March, 2009.

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 were consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

The consolidated financial statements of the Company were prepared in accordance with HKFRS. They were prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets.

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

2 Summary of significant accounting policies (Continued)

(a) Basis of preparation (Continued)

(i) Amendments and interpretations effective in the Year

- The HKAS 39, "Financial Instruments: Recognition and Measurement", amendment on reclassification of financial assets permitted reclassification of certain financial assets out of the held-for-trading and available-for-sale categories if specified conditions are met. The related amendment to HKFRS 7, "Financial Instruments: Disclosures", introduced disclosure requirements with respect to financial assets reclassified out of the held-for-trading and available-for-sale categories. The amendment was effective prospectively from 1st July, 2008. This amendment did not have any impact on the consolidated financial statements of the Group, as the Group did not reclassify any financial assets.

- HK(IFRIC)-Int 11, "HKFRS 2–Group and Treasury Share Transactions", provided guidance on whether share-based transactions involving treasury shares or involving group entities (for example, options over shares of a parent) should be accounted for as equity-settled or cash-settled share-based payment transactions in the stand-alone accounts of the parent and group companies. The interpretation should be applied retrospectively.

  The adoption of HK(IFRIC)-Int 11 resulted in:

	Company	
	2008	2007
	HK$'000	HK$'000
Increase in investments in subsidiaries	**—**	1,752
Decrease in accumulated losses	**—**	1,752

  This interpretation did not have an impact on the consolidated financial statements of the Group.

(ii) Interpretations effective in the Year but not relevant

The following interpretations to published standards were mandatory for accounting periods beginning on or after 1st January, 2008 but were not relevant to the operations of the Group:

- HK(IFRIC)-Int 12, "Service Concession Arrangements"
- HK(IFRIC)-Int 14, "HKAS 19–The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction"

2 Summary of significant accounting policies (Continued)

(a) Basis of preparation (Continued)

(iii) Standards, amendments and interpretations to existing standards that were not yet effective and were not early adopted by the Group

The following standards, amendments and interpretations to existing standards were published and were mandatory for the accounting periods of the Group beginning on or after 1st January, 2009 or later periods, but the Group did not early adopt them:

- The HKAS 1 (Revised), "Presentation of Financial Statements" (effective from 1st January, 2009). The revised standard will prohibit the presentation of items of income and expenses (that is, "non-owner changes in equity") in the statement of changes in equity, requiring "non-owner changes in equity" to be presented separately from owner changes in equity. All non-owner changes in equity will be required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the consolidated income statement and statement of comprehensive income). Where entities restate or reclassify comparative information, they will be required to present a restated balance sheet as at the beginning comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period. The Group will apply HKAS 1 (Revised) from 1st January, 2009. It is likely that both the consolidated income statement and statement of comprehensive income will be presented as performance statements.

- The HKAS 27 (Revised), "Consolidated and Separate Financial Statements" (effective from 1st July, 2009). The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value and a gain or loss is recognised in profit or loss. The Group will apply HKAS 27 (Revised) prospectively to transactions with non-controlling interests from 1st January, 2010.

2 Summary of significant accounting policies (Continued)

(a) Basis of preparation (Continued)

(iii) Standards, amendments and interpretations to existing standards that were not yet effective and were not early adopted by the Group (Continued)

- HKFRS 2 (Amendment), "Share-based Payment" (effective from 1st January, 2009). The amended standard deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. As such these features would need to be included in the grant date fair value for transactions with employees and others providing similar services, that is, these features would not impact the number of awards expected to vest or valuation thereof subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The Group will apply HKFRS 2 (Amendment) from 1st January, 2009, but it is not expected to have a material impact on the financial statements of the Group.

- HKFRS 3 (Revised), "Business Combinations" (effective from 1st July, 2009). The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the consolidated income statement. There is a choice on an acquisition by acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the proportionate share of the non-controlling interests of the net assets of the acquiree. All acquisition-related costs should be expensed. The Group will apply HKFRS 3 (Revised) prospectively to all business combinations from 1st January, 2010.

- HKFRS 8, "Operating Segments" (effective from 1st January, 2009). HKFRS 8 replaces HKAS 14, "Segment Reporting", and aligns segment reporting with the requirements of the USA standard Statement of Financial Accounting Standard Number 131, "Disclosures about Segments of an Enterprise and Related Information". The new standard requires a "management approach", under which segment information is presented on the same basis as that used for internal reporting purposes. The Group will apply HKFRS 8 from 1st January, 2009. The expected impact is still being assessed in detail by management, but it appears likely that the number of reportable segments, as well as the manner in which the segments will be reported, will change in a manner that will be consistent with the internal reporting provided to the chief operating decision-maker.

2 Summary of significant accounting policies (Continued)

(a) Basis of preparation (Continued)

(iii) Standards, amendments and interpretations to existing standards that were not yet effective and were not early adopted by the Group (Continued)

- Improvements to HKFRS published by HKICPA in October, 2008

  - The HKAS 1 (Amendment), "Presentation of Financial Statements" (effective from 1st January, 2009). The amendment clarifies that some rather than all financial assets and liabilities classified as held-for-trading in accordance with HKAS 39, "Financial Instruments: Recognition and Measurement" are examples of current assets and liabilities respectively. The Group will apply HKAS 1 (Amendment) from 1st January, 2009. It is not expected to have an impact on the consolidated financial statements of the Group.

  - The HKAS 19 (Amendment), "Employee Benefits" (effective from 1st January, 2009). The amendment clarifies that a plan amendment that results in a change in the extent to which benefit promises are affected by future salary increases is a curtailment, while an amendment that changes benefits attributable to past service gives rise to a negative past service cost if it results in a reduction in the present value of the defined benefit obligation. The definition of return on plan assets has been amended to state that plan administration costs are deducted in the calculation of return on plan assets only to the extent that such costs have been excluded from measurement of the defined benefit obligation. The distinction between short term and long term employee benefits will be based on whether benefits are due to be settled within or after twelve months of employee service being rendered.

    The HKAS 37, "Provisions, Contingent Liabilities and Contingent Assets" requires contingent liabilities to be disclosed, not recognised. HKAS 19 has been amended to be consistent.

    The Group will apply the HKAS 19 (Amendment) from 1st January, 2009.

  - The HKAS 28 (Amendment), "Investments in Associates" (and consequential amendments to HKAS 32, "Financial Instruments: Presentation" and HKFRS 7, "Financial Instruments: Disclosures") (effective from 1st January, 2009). An investment in associate is treated as a single asset for the purposes of impairment testing and any impairment loss is not allocated to specific assets included within the investment, for example, goodwill. Reversals of impairment are recorded as an adjustment to the investment balance to the extent that the recoverable amount of the associate increases. The Group will apply HKAS 28 (Amendment) to impairment tests related to investment in associates and any related impairment losses from 1st January, 2009.

2 Summary of significant accounting policies (Continued)

(a) Basis of preparation (Continued)

(iii) Standards, amendments and interpretations to existing standards that were not yet effective and were not early adopted by the Group (Continued)

- Improvements to HKFRS published by HKICPA in October, 2008 (Continued)

  - The HKAS 36 (Amendment), "Impairment of Assets" (effective from 1st January, 2009). Where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value-in-use calculation should be made. The Group will apply HKAS 36 (Amendment) and provide the required disclosure where applicable for impairment tests from 1st January, 2009.

  - The HKAS 38 (Amendment), "Intangible Assets" (effective from 1st January, 2009). A prepayment may only be recognised in the event that payment has been made in advance of obtaining right of access to goods or receipt of services, as is the current accounting policy of the Group. The Group will apply HKAS 38 (Amendment) from 1st January, 2009.

  - The HKAS 39 (Amendment), "Financial Instruments: Recognition and Measurement" (effective from 1st January, 2009).

    This amendment clarifies that it is possible for there to be movements into and out of the fair value through profit or loss category where a derivative commences or ceases to qualify as a hedging instrument in cash flow or net investment hedge.

    The definition of financial asset or financial liability at fair value through profit or loss as it relates to items that are held-for-trading is also amended. This clarifies that a financial asset or liability that is part of a portfolio of financial instruments managed together with evidence of an actual recent pattern of short-term profit-taking is included in such a portfolio on initial recognition.

    The current guidance on designating and documenting hedges states that a hedging instrument needs to involve a party external to the reporting entity and cites a segment as an example of a reporting entity. This means that in order for hedge accounting to be applied at segment level, the requirements for hedge accounting are currently required to be met by the applicable segment. The amendment removes this requirement so that HKAS 39 is consistent with HKFRS 8, "Operating segments" which requires disclosure for segments to be based on information reported to the chief operating decision-maker. Currently, for segment reporting purposes, each subsidiary designates and documents (including effectiveness testing) contracts with group treasury as fair value or cash flow hedges so that the hedges are reflected in the segment to which the hedged items relate. This is consistent with the information viewed by the chief operating decision-maker. See note 3(a) for further details. After the amendment is effective, the hedge will continue to be reflected in the segment to which the hedged items relate (and information provided to the chief operating decision-maker) but the Group will not formally document and test this hedging relationship.

2 Summary of significant accounting policies (Continued)

(a) Basis of preparation (Continued)

(iii) Standards, amendments and interpretations to existing standards that were not yet effective and were not early adopted by the Group (Continued)

- Improvements to HKFRS published by HKICPA in October, 2008 (Continued)
  - The HKAS 39 (Amendment), "Financial Instruments: Recognition and Measurement" (effective from 1st January, 2009). (Continued)

    When remeasuring the carrying amount of a debt instrument on cessation of fair value hedge accounting, the amendment clarifies that a revised effective interest rate (calculated at the date fair value hedge accounting ceases) is used.

    The Group will apply HKAS 39 (Amendment) from 1st January, 2009. It is not expected to have an impact on the consolidated income statement of the Group.
  - HKFRS 5 (Amendment), "Non-current Assets Held for Sale and Discontinued Operations" (and consequential amendment to HKFRS 1, "First-time Adoption") (effective from 1st July, 2009). The amendment clarifies that all of the assets and liabilities of a subsidiary are classified as held for sale if a partial disposal sale plan results in loss of control, and relevant disclosure should be made for this subsidiary if the definition of a discontinued operation is met. A consequential amendment to HKFRS 1 states that these amendments are applied prospectively from the date of transition to HKFRS. The Group will apply HKFRS 5 (Amendment) prospectively to all partial disposals of subsidiaries from 1st January, 2010.
  - There are a number of minor amendments to HKFRS 7, "Financial Instruments: Disclosures", HKAS 8, "Accounting Policies, Changes in Accounting Estimates and Errors", HKAS 10, "Events after the Balance Sheet Date", HKAS 18, "Revenue" and HKAS 34, "Interim Financial Reporting" which are not addressed above. These amendments are unlikely to have an impact on the consolidated financial statements of the Group and have therefore not been analysed in detail.

2 Summary of significant accounting policies (Continued)

(a) Basis of preparation (Continued)

(iv) Amendments and interpretations to existing standards that are not yet effective and not relevant for the operations of the Group

The following amendments and interpretations to existing standards were published and are mandatory for the accounting periods of the Group beginning on or after 1st January, 2009 or later periods but are not relevant for the operations of the Group:

- The HKAS 23 (Revised), "Borrowing Costs" (effective from 1st January, 2009). The amendment requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. The Group will apply HKAS 23 (Revised) from 1st January, 2009 but is currently not applicable to the Group as there are no qualifying assets.

- The HKAS 32 (Amendment), "Financial Instruments: Presentation", and HKAS 1 (Amendment), "Presentation of Financial Statements" "Puttable financial instruments and obligations arising on liquidation" (effective from 1st January, 2009). The amended standards require entities to classify puttable financial instruments and instruments, or components of instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation as equity, provided the financial instruments have particular features and meet specific conditions. The Group will apply HKAS 32 (Amendment) and HKAS 1 (Amendment) from 1st January, 2009. This amendment is not relevant to the Group.

- The HKAS 39 (Amendment), "Financial Instruments: Recognition and Measurement" – "Eligible Hedged Items" (effective from 1st July, 2009). The amendment is to clarify how the principles that determine whether a hedged risk or portion of cash flows is eligible for designation shall be applied in particular situations.

- HKFRS 1 (Amendment), "First-time Adoption of HKFRS" and HKAS 27 "Consolidated and Separate Financial Statements" (effective from 1st July, 2009). The amended standard allows first-time adopters to use a deemed cost of either fair value or the carrying amount under previous accounting practice to measure the initial cost of investments in subsidiaries, jointly controlled entities and associates in the separate financial statements. The amendment also removes the definition of the cost method from HKAS 27 and replaces it with a requirement to present dividends as income in the separate financial statements of the investor. The Company will apply HKAS 27 (Amendment) prospectively from 1st January, 2010 in its separate financial statements. This amendment is not relevant to the Group.

2 Summary of significant accounting policies (Continued)

(a) Basis of preparation (Continued)

(iv) Amendments and interpretations to existing standards that are not yet effective and not relevant for the operations of the Group (Continued)

- HK(IFRIC)-Int 13, "Customer Loyalty Programmes" (effective from 1st July, 2008). HK(IFRIC)-Int 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement using fair values. HK(IFRIC)-Int 13 is not relevant to the operations of the Group because none of the companies in the Group operate any loyalty programmes.

- HK(IFRIC)-Int 15, "Agreements for Construction of Real Estates" (effective from 1st January, 2009) supersedes Hong Kong Interpretation 3, "Revenue – Pre-completion Contracts for the Sale of Development Properties". HK(IFRIC)-Int 15 clarifies whether HKAS 18, "Revenue" or HKAS 11, "Construction Contracts" should be applied to particular transactions. It is likely to result in HKAS 18 being applied to a wider range of transactions. HK(IFRIC)-Int 15 is not relevant to the operations of the Group as all revenue transactions are accounted for under HKAS 18 and not HKAS 11, since the Group is not primarily engaged in the construction and selling of real estate properties.

- HK(IFRIC)–Int 16, "Hedges of a Net Investment in a Foreign Operation" (effective from 1st October, 2008). HK(IFRIC)-Int 16 clarifies the accounting treatment in respect of net investment hedging. This includes the fact that net investment hedging relates to differences in Functional Currency not presentation currency, and hedging instruments may be held anywhere in the Group. The requirements of HKAS 21, "The Effects of Changes in Foreign Exchange Rates", do apply to the hedged item. The Group will apply HK(IFRIC)-Int 16 from 1st January, 2009. This interpretation is not relevant to the Group.

- HK(IFRIC)-Int 17, "Distributions of Non-cash Assets to Owners" (effective from 1st July, 2009). HK(IFRIC) - Int 17 applied to non-reciprocal distributions of non-cash assets (or with a cash alternative) except for common control transactions and clarifies that:

  - a dividend payable shall be recognised when the dividend is appropriately authorised and is no longer at the discretion of the entity.

  - the dividend payable shall be measured at the fair value of the assets to be distributed.

  - the difference between the dividend paid and the carrying amount of the assets distributed shall be recognised in profit or loss.

  HK(IFRIC)-Int 17 is not relevant to the operations of the Group since there was no distributions to owners.

2 Summary of significant accounting policies (Continued)

(a) Basis of preparation (Continued)

(iv) Amendments and interpretations to existing standards that are not yet effective and not relevant for the operations of the Group (Continued)

- HK(IFRIC)–Int 18, "Transfers of Assets from Customers" (effective from 1st July, 2009). HK(IFRIC)-Int 18 defines assets applied to accounting for transfers of items of property, plant and equipment by entities that receive such transfer from their customers. It also applies to agreements in which an entity receives cash from a customer when that amount of cash must be used only to construct or acquire an item of property, plant and equipment and the entity must then use the item of property, plant and equipment either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services. HK(IFRIC)-Int 18 is not relevant to the operations of the Group since there were no transfers of assets from customers.

- Improvements to HKFRS published by HKICPA in October, 2008

  - The HKAS 16 (Amendment), "Property, Plant and Equipment" (and consequential amendment to HKAS 7, "Cash Flow Statements") (effective from 1st January, 2009). Entities whose ordinary activities comprise renting and subsequently selling assets present proceeds from the sale of those assets as revenue and should transfer the carrying amount of the asset to inventories when the asset becomes held for sale. A consequential amendment to HKAS 7 states that cash flows arising from purchase, rental and sale of those assets are classified as cash flows from operating activities. The amendment will not have an impact on the operations of the Group because none of the ordinary activities of the group companies comprise renting and subsequently selling assets.

  - The HKAS 20 (Amendment), "Accounting for Government Grants and Disclosure of Government Assistance" (effective from 1st January, 2009). The benefit of a below-market rate government loan is measured as the difference between the carrying amount in accordance with HKAS 39, "Financial Instruments: Recognition and Measurement" and the proceeds received with the benefit accounted for in accordance with HKAS 20. The amendment will not have an impact on the operations of the Group as there are no loans received or other grants from the government.

  - The HKAS 23 (Amendment), "Borrowing Costs" (effective from 1st January, 2009). The definition of borrowing costs has been amended so that interest expense is calculated using the effective interest method defined in HKAS 39, "Financial instruments: Recognition and Measurement". This eliminates the inconsistency of terms between HKAS 39 and HKAS 23. This amendment is not relevant to the Group.

2 Summary of significant accounting policies (Continued)

(a) Basis of preparation (Continued)

(iv) Amendments and interpretations to existing standards that are not yet effective and not relevant for the operations of the Group (Continued)

- Improvements to HKFRS published by HKICPA in October, 2008 (Continued)
    - The HKAS 27 (Amendment), "Consolidated and Separate Financial Statements" (effective from 1st January, 2009). Where an investment in a subsidiary that is accounted for under HKAS 39, "Financial Instruments: Recognition and Measurement", is classified as held for sale under HKFRS 5, "Non-current Assets Held for Sale and Discontinued Operations", HKAS 39 would continue to be applied. The amendment will not have an impact on the operations of the Group because it is the policy of the Group for an investment in subsidiary to be recorded at cost in the stand-alone accounts of each entity.
    - The HKAS 28 (Amendment), "Investments in Associates" (and consequential amendments to HKAS 32, "Financial Instruments: Presentation" and HKFRS 7, "Financial Instruments: Disclosures") (effective from 1st January, 2009). Where an investment in associate is accounted for in accordance with HKAS 39, "Financial Instruments: Recognition and Measurement" only certain rather than all disclosure requirements in HKAS 28 need to be made in addition to disclosures required by HKAS 32, "Financial Instruments: Presentation" and HKFRS 7 "Financial Instruments: Disclosures". The amendment will not have an impact on the operations of the Group because it is the policy of the Group for an investment in an associate to be equity accounted for in the consolidated financial statements.
    - The HKAS 29 (Amendment), "Financial Reporting in Hyperinflationary Economies" (effective from 1st January, 2009). The guidance was amended to reflect the fact that a number of assets and liabilities are measured at fair value rather than historical cost. The amendment will not have an impact on the operations of the Group, as none of the subsidiaries or associates of the Group operate in hyperinflationary economies.
    - The HKAS 31 (Amendment), "Interests in Joint Ventures" (and consequential amendments to HKAS 32, "Financial Instruments: Presentation" and HKFRS 7 "Financial Instruments: Disclosures") (effective from 1st January, 2009). Where an investment in joint venture is accounted for in accordance with HKAS 39, only certain rather than all disclosure requirements in HKAS 31 need to be made in addition to disclosures required by HKAS 32, "Financial Instruments: Presentation" and HKFRS 7 "Financial Instruments: Disclosures". The amendment will not have an impact on the operations of the Group as there are no interests held in joint ventures.

2 Summary of significant accounting policies (Continued)

(a) Basis of preparation (Continued)

(iv) Amendments and interpretations to existing standards that are not yet effective and not relevant for the operations of the Group (Continued)

- Improvements to HKFRS published by HKICPA in October, 2008 (Continued)

  - The HKAS 38 (Amendment), "Intangible Assets" (effective from 1st January, 2009). The amendment deletes the wording that states that there is "rarely, if ever" support for use of a method that results in a lower rate of amortisation than the straight line method. The amendment will not currently have an impact on the operations of the Group as there are no intangible assets.

  - The HKAS 39 (Amendment), "Financial Instruments: Recognition and Measurement" (effective from 1st January, 2009). The amendment clarifies that it is possible for there to be movements into and out of the fair value through profit or loss category where a derivative commences or ceases to qualify as a hedging instrument in cash flow or net investment hedge. The amendment will not have an impact on the operations of the Group as there are no derivative financial instruments.

  - The HKAS 40 (Amendment), "Investment Property" (and consequential amendments to HKAS 16, "Property, Plant and Equipment") (effective from 1st January, 2009). Property that is under construction or development for future use as investment property is within the scope of HKAS 40. Where the fair value model is applied, such property is, therefore, measured at fair value. However, where fair value of investment property under construction is not reliably measurable, the property is measured at cost until the earlier of the date construction is completed and the date at which fair value becomes reliably measurable. The amendment will not have an impact on the operations of the Group, as no investment properties are held by the Group.

  - The HKAS 41 (Amendment), "Agriculture" (effective from 1st January, 2009). It requires the use of a market-based discount rate where fair value calculations are based on discounted cash flows and the removal of the prohibition on taking into account biological transformation when calculating fair value. The amendment will not have an impact on the operations of the Group as no agricultural activities are undertaken.

  - The minor amendments to HKAS 20, "Accounting for Government Grants and Disclosure of Government Assistance", HKAS 29, "Financial Reporting in Hyperinflationary Economies", HKAS 40, "Investment Property" and HKAS 41, "Agriculture" are not addressed above. These amendments will not have an impact on the operations of the Group as described above.

2 Summary of significant accounting policies (Continued)

(b) Consolidation

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

(i) Subsidiaries

Subsidiaries were all entities (including special purpose entities) over which the Group had 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 were currently exercisable or convertible were considered when assessing whether the Group controlled another entity. Subsidiaries were fully consolidated from the date on which control was transferred to the Group. They were de-consolidated from the date that control ceased.

The purchase method of accounting was used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition was measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination were measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the share of the identifiable net assets acquired by the Group was recorded as goodwill. If the cost of acquisition was less than the fair value of the net assets of the subsidiary acquired, the difference was recognised directly in the consolidated income statement (note 2(f)).

Inter-company transactions, balances and unrealised gains on transactions between Group companies were eliminated. Unrealised losses were also eliminated. Accounting policies of subsidiaries were changed where necessary in the consolidated financial statements to ensure consistency with the policies adopted by the Group.

In the balance sheet of the Company, the investments in subsidiaries were stated at cost less provision for impairment losses (note 2(f)). The results of subsidiaries were accounted for by the Company on the basis of dividend received and receivable.

(ii) Transactions with minority interests

The Group applied a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests resulted in gains and losses for the Group that were recorded in the consolidated income statement. Purchases from minority interests resulted in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

2 Summary of significant accounting policies (Continued)

(b) Consolidation (Continued)

(iii) Associates

Associates were all entities over which the Group had significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates were accounted for using the equity method of accounting and were initially recognised at cost.

The share of post-acquisition profits or losses of the associates of the Group was recognised in the consolidated income statement, and its share of post-acquisition movements in reserves was recognised in reserves. The cumulative post-acquisition movements were adjusted against the carrying amount of the investment. When the share of losses in an associate of the Group equaled or exceeded its interest in the associate, including any other unsecured receivables, the Group did not recognise further losses, unless it had incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates were eliminated to the extent of the interest in the associates of the Group. Unrealised losses were also eliminated unless the transaction provided evidence of an impairment of the asset transferred. Accounting policies of associates were changed where necessary to ensure consistency with the policies adopted by the Group.

In the balance sheet of the Company, the investments in associated companies were stated at cost less provision for impairment losses (note 2(f)). The results of associated companies were accounted for by the Company on the basis of dividend received and receivable.

(c) Segment reporting

A business segment was a group of assets and operations engaged in providing products or services that were subject to risks and returns that were different from those of other business segments. A geographical segment was engaged in providing products or services within a particular economic environment that were subject to risks and returns that were different from those of segments operating in other economic environments.

2 Summary of significant accounting policies (Continued)

(d) Foreign currency translation

(i) Functional Currency and presentation currency

Items included in the financial statements of each of the entities of the Group were measured using the Functional Currency. The consolidated financial statements were presented in HK$, which was the Functional Currency of the Company and presentation currency of the Group.

(ii) Transactions and balances

Foreign currency transactions were translated into the Functional Currency using the exchange rates prevailing at the dates of the transactions or valuation where items were remeasured. 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 were recognised in the consolidated income statement.

All foreign exchange gains and losses were presented in the consolidated income statement within "administrative expenses" net.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale were analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost were recognised in the profit or loss, and other changes in the carrying amount were recognised in equity.

Translation difference on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss were recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale were included in the available-for-sale investments reserve in equity.

2 Summary of significant accounting policies (Continued)

(d) Foreign currency translation (Continued)

(iii) Group companies

The results and financial position of all the Group entities (none of which had the currency of a hyperinflationary economy) that had a Functional Currency different from the presentation currency were translated into the presentation currency as follows:

— assets and liabilities for each balance sheet presented were translated at the closing rate at the date of that balance sheet;

— income and expenses for each consolidated income statement were translated at average exchange rates (unless this average was not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses were translated at the dates of the transactions); and

— all resulting exchange differences were recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations was taken to the equity of the Members. When a foreign operation was partially disposed or sold, exchange differences that were recorded in equity were recognised in the consolidated income statement as part of the gain or loss on sale.

2 Summary of significant accounting policies (Continued)

(e) Property, plant and equipment

Property, plant and equipment were stated at historical cost less depreciation. Historical cost included expenditure that was directly attributable to the acquisition of the items.

Subsequent costs were included in the carrying amount of the asset or recognised as a separate asset, as appropriate, only when it was probable that future economic benefits associated with the item would flow to the Group and the cost of the item could be measured reliably. The carrying amount of the replaced part was derecognised. All other repairs and maintenance were charged in the consolidated income statement during the financial period in which they were incurred.

Depreciation on assets was calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

Buildings	20 years
Leasehold improvements	5 years or over the lease terms, whichever is shorter
Furniture, fixtures, office equipment and leased equipment	2 - 5 years
Motor vehicles	5 years
Demonstration equipment	3 years

The residual values and useful lives of the assets were reviewed, and adjusted if appropriate, at each balance sheet date.

The carrying amount of an asset was written down immediately to its recoverable amount if the carrying amount of the asset was greater than its estimated recoverable amount (note 2(f)).

Gains and losses on disposals were determined by comparing the proceeds with the carrying amount and were recognised within administrative expenses in the consolidated income statement. When assets were leased out under an operating lease, the asset was included in the balance sheet based on the nature of the asset.

(f) Impairment of investments in subsidiaries, associates and non-financial assets

Assets were reviewed for impairment whenever events or changes in circumstances indicated that the carrying amount might not be recoverable. An impairment loss was recognised for the amount by which the carrying amount of the asset exceeded its recoverable amount. The recoverable amount was the higher of the fair value of the asset less costs to sell and value in use. For the purposes of assessing impairment, assets were grouped at the lowest levels for which there were separately identifiable cash flows. Non-financial assets other than goodwill that suffered an impairment were reviewed for possible reversal of the impairment at each reporting date.

2 Summary of significant accounting policies (Continued)

(g) Non-current assets (or disposal entity) held for sale

Non-current assets (or disposal entity) were classified as assets held-for-sale when their carrying amount was to be recovered principally through a sale transaction and a sale was considered highly probable. They were stated at the lower of carrying amount and fair value less costs to sell if their carrying amount was to be recovered principally through a sale transaction rather than through continuing use.

(h) Financial assets

(i) Classification

The Group classified its financial assets in loans and receivables and available-for-sale financial assets. The classification depended on the purpose for which the financial assets were acquired. Management determined the classification of its financial assets at initial recognition.

(I) Loans and receivables

Loans and receivables were non-derivative financial assets with fixed or determinable payments that were not quoted in an active market. They were included in current assets, except for maturities greater than twelve months after the balance sheet date. These were classified as non-current assets. The loans and receivables of the Group comprised "trade and other receivables" and "cash and cash equivalents" in the balance sheet (notes 2(j) and 2(k)).

(II) Available-for-sale financial assets

Available-for-sale financial assets were non-derivatives that were either designated in this category or not classified in any of the other categories. They were included in non-current assets unless management intended to dispose of the investment within twelve months of the balance sheet date.

2 Summary of significant accounting policies (Continued)

(h) Financial assets (Continued)

(ii) Recognition and measurement

Regular way purchases and sales of financial assets were recognised on trade-date - the date on which the Group committed to purchase or sell the asset. Investments were initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets were derecognised when the rights to receive cash flows from the investments had expired or were transferred and the Group had transferred substantially all risks and rewards of ownership. Available-for-sale financial assets were subsequently carried at fair value. Loans and receivables were carried at amortised cost using the effective interest method.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale were analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences on monetary securities were recognised in profit or loss; translation differences on non-monetary securities were recognised in equity. Changes in the fair value of monetary and non-monetary securities classified as available-for-sale were recognised in equity.

When securities classified as available-for-sale were sold or impaired, the accumulated fair value adjustments recognised in equity were included in the consolidated income statement as "gains and losses from investment securities".

Dividends on available-for-sale equity instruments were recognised in the consolidated income statement as part of other gains when the right of the Group to receive payments was established.

The fair values of quoted investments were based on current bid prices. Available-for-sale financial assets that were not quoted in an active market were measured at cost less impairment.

The Group assessed at each balance sheet date whether there was objective evidence that a financial asset or a group of financial assets was impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost was considered as an indicator that the securities were impaired. If any such evidence existed for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss - was removed from equity and recognised in the consolidated income statement. Impairment losses recognised in the consolidated income statement on equity instruments were not reversed through the consolidated income statement. Impairment testing of trade receivables was described in note 2(j).

2 Summary of significant accounting policies (Continued)

(i) Inventories

Inventories were stated at the lower of cost and net realisable value. Cost was determined on the weighted average basis and comprised invoiced cost of inventories. Net realisable value was the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

(j) Trade and other receivables

Trade and other receivables were recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables was established when there was objective evidence that the Group would not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor would enter bankruptcy or financial reorganisation, and default or delinquency in payments were considered indicators that the receivable was impaired. The amount of the provision was the difference between the carrying amount of the asset and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the assets was reduced through the use of an allowance account, and the amount of the loss was recognised in the consolidated income statement within "administrative expenses". When a receivable was uncollectible, it was written off against the allowance account for receivables. Subsequent recoveries of amounts previously written off were credited against "administrative expenses" in the consolidated income statement.

(k) Cash and cash equivalents

Cash and cash equivalents included cash in hand, deposits held at call with banks and bank overdrafts. Bank overdrafts were shown within borrowings in current liabilities on the balance sheet.

(l) Share capital

Shares were classified as equity.

(m) Trade payables

Trade payables were recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2 Summary of significant accounting policies (Continued)

(n) Current and deferred income tax

The current income tax charge was calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the regions where the Company, its subsidiaries and associates operated and generated taxable income. Management periodically evaluated positions taken in tax returns with respect to situations in which applicable tax regulation was subject to interpretation. It established provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax was 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 was not accounted for if it arose from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affected neither accounting nor taxable profit or loss. Deferred income tax was determined using tax rates (and laws) that were enacted or substantially enacted by the balance sheet date and were expected to apply when the related deferred income tax asset was realised or the deferred income tax liability was settled.

Deferred income tax assets were recognised only to the extent that it was probable that future taxable profit would be available against which the temporary differences could be utilised.

Deferred income tax was provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference was controlled by the Group and it was probable that the temporary difference would not reverse in the foreseeable future.

(o) Employee benefits

(i) Pension obligations

Group companies operated various pension schemes. The schemes were generally funded through payments to insurance companies. The Group had defined contribution plans. A defined contribution plan was a pension plan under which the Group paid fixed contributions into a separate entity. The Group had no legal or constructive obligations to pay further contributions if the fund did not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

For defined contribution plans, the Group paid contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group had no further payment obligations once the contributions were paid. The contributions were recognised as employee benefit expense when they were due. Prepaid contributions were recognised as an asset to the extent that a cash refund or a reduction in the future payments was available.

2 Summary of significant accounting policies (Continued)

(o) Employee benefits (Continued)

(ii) Shared-based compensation

The Group operated an equity-settled, share-based compensation plan, under which the entity received services from Directors, employees and consultants as consideration for equity instruments (Options) of the Company. The fair value of the employee services received in exchange for the grant of the Options was recognised as an expense. The total amount to be expensed was determined by reference to the fair value of the Options granted, excluding the impact of any non-market service and performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period). Non-market vesting conditions were included in assumptions about the number of Options that were expected to vest. At each balance sheet date, the entity revised its estimates of the number of Options that were expected to vest based on the non-marketing vesting conditions. It recognised the impact of the revision of original estimates, if any, in the consolidated income statement with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs were credited to share capital (nominal value) and share premium when the Options were exercised.

(iii) Termination benefits

Termination benefits were payable when employment was terminated by the Group before the normal retirement date, or whenever an employee accepted voluntary redundancy in exchange for these benefits. The Group recognised termination benefits when it was demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than twelve months after balance sheet date were discounted to present value.

(iv) Bonus plan

The Group recognised a liability and an expense for bonuses, based on a formula that took into consideration the profit attributable to the Members after certain adjustments. The Group recognised a provision where contractually obliged or where there was a past practice that had created a constructive obligation.

2 Summary of significant accounting policies (Continued)

(p) Provisions

Provisions for restructuring costs were recognised when: the Group had a present legal or constructive obligation as a result of past events; it was probable that an outflow of resources would be required to settle the obligation; and the amount was reliably estimated. Restructuring provisions comprised employee termination payments. Provisions were not recognised for future operating losses.

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

Provisions were measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax that reflected 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 was recognised as interest expense.

(q) Revenue recognition

Revenue comprised the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the activities of the Group. Revenue was shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognised revenue when the amount of the revenue could be reliably measured, it was probable that future economic benefits would flow to the entity and specific criteria were met for each of the activities of the Group as described below. The amount of revenue was not considered to be reliably measurable until all contingencies relating to the sale were resolved. The Group based its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(i) Design, sale and implementation of data networking systems, provision of related engineering services and sale of networking equipment

Revenue from the design, sale and implementation of data networking systems, provision of related engineering services and sale of networking equipment were recognised upon the satisfactory completion of installation, which generally coincided with the time when the systems were delivered to customers.

The Group sold maintenance services to the end users. These services were provided as a fixed-price contract, with contract terms generally ranging from less than one year to three years.

Revenue from fixed-price contracts for delivering maintenance services was generally recognised in the period the services were provided, using a straight-line basis over the term of the contract.

2 Summary of significant accounting policies (Continued)

(q) Revenue recognition (Continued)

(ii) Provision of multimedia value-added services via IVR, interactive Internet solutions and premium SMS

Revenue from provision of multimedia value-added services via IVR, interactive Internet solutions and premium SMS, commission income and management fee income were recognised when the related services were rendered.

(iii) Sale of mobile phones

Revenue from sale of mobile phones was recognised when a Group entity sold a product to the customer. Sales were usually in cash.

It was the policy of the Group to sell its products to the end customer with a right of return within one week. The Group did not operate any loyalty programme.

(iv) Interest income

Interest income was recognised on a time-proportion basis using the effective interest method. When a receivable was impaired, the Group reduced the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continued unwinding the discount as interest income. Interest income on impaired loans was recognised using the original effective interest rate.

(v) Dividend income

Dividend income was recognised when the right to receive payment was established.

(r) Leases

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

3 Financial risk management

(a) Financial risk factors

The activities of the Group exposed it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The overall risk management programme of the Group focused on the unpredictability of financial markets and sought to minimise potential adverse effects on the financial performance of the Group.

Risk management was carried out by the Directors. The Directors identified and evaluated financial risks in close co-operation with the operating units of the Group.

(i) Market risk

— Foreign exchange risk

The Group operated internationally and was exposed to foreign exchange risk arising from three kinds of currency exposures, primarily with respect to US$, MOP and RMB. Foreign exchange risk arose from recognised assets and liabilities and net investments in foreign operations.

The Group had certain investments in foreign operations, whose net assets were exposed to foreign currency translation risk. Fluctuation in such currencies will be reflected in the movement of the translation reserve.

Management considers that foreign exchange risk related to financial assets denominated in US$, RMB and MOP is minimal, since US$ and MOP are pegged at HK$ and exchange rate fluctuation of RMB was not significant throughout the Year.

— Price risk

The Group was exposed to equity securities price risk because investments held by the Group were classified on the consolidated balance sheet as available-for-sale financial assets. The Group was not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the Group diversified its portfolio. Diversification of the portfolio was done in accordance with the limits set by the Group.

With all other variables held constant, if the market price of equity securities had been 10% higher/lower than the actual closing price as at 31st December, 2008, the loss for the Year would decrease/increase by approximately HK$898,000.

— Cash flow and fair value interest rate risk

As the Group had no significant interest-bearing assets and liabilities, the income and operating cash flows of the Group were substantially independent of changes in market interest rates.

3 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(ii) Credit risk

Credit risk was managed on a group basis. Credit risk arose from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions. Risk control assessed the credit quality of the customer, banks and financial institutions taking into account its financial position, past experience and other factors. Individual risk limits were set based on internal or external ratings in accordance with limits set by the Board. The utilisation of credit limits was regularly monitored. Sales to retail customers were settled in cash.

(iii) Liquidity risk

Prudent liquidity risk management implied maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the Directors maintained flexibility in funding by maintaining availability under committed credit lines.

Management monitored rolling forecasts of the liquidity reserve of the Group (comprised undrawn borrowing facility) and cash and cash equivalents (See note 15) on the basis of expected cash flow. In addition, the liquidity management policy of the Group involved projecting cashflows in major currencies and considering the level of liquid assets necessary to meet these and monitoring balance sheet liquidity ratios against internal requirements.

The table below analysed the financial liabilities of the Group and the Company into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table were the contractual undiscounted cash flows. Balances due within twelve months equaled their carrying balances as the impact of discounting was not significant.

3 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(iii) Liquidity risk (Continued)

	Less than one year HK$'000
Group	
As at 31st December, 2008	
Trade, bills and other payables	64,374
As at 31st December, 2007	
Trade, bills and other payables	103,660
Company	
As at 31st December, 2008	
Amounts due to subsidiaries	9,973
Other payables	132
As at 31st December, 2007	
Amounts due to subsidiaries	5,955
Other payables	1,031

(b) Capital risk management

The objectives of the Group when managing capital were to safeguard the ability of the Group to continue as a going concern in order to provide returns for Members and benefits for other stakeholders to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group might adjust the amount of dividends paid to Members, return capital to Members, issue new Shares or sell assets to reduce debt.

(c) Fair value estimation

The fair value of financial instruments traded in active markets (such as available-for-sale securities) was based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group was the current bid price.

Available-for-sale financial assets that were not quoted in an active market were measured at cost less impairment.

The carrying value less impairment provision of trade receivables and payables was assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes was estimated by discounting the future contractual cash flows at the current market interest rate that was available to the Group for similar financial instruments.

4 Critical accounting estimates and judgements

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

(a) Critical accounting estimates and assumptions

The Group made estimates and assumptions concerning the future. The resulting accounting estimates would, by definition, seldom equal the related actual results. The estimates and assumptions that had a significant risk of causing a material adjustment to the carrying amounts of current income tax liabilities within the next financial year are discussed below.

(i) Income tax

The Group was subject to income taxes in a few jurisdictions. Significant judgement was required in determining the worldwide provision for income taxes. There were many transactions and calculations for which the ultimate tax determination was uncertain. The Group recognised liabilities for anticipated tax audit issues based on estimates of whether additional taxes would be due. Where the final tax outcome of these matters was different from the amounts that were initially recorded, such differences would impact the current and deferred income tax assets and liabilities in the period in which such determination was made.

(ii) Provision for impairment of trade and other receivables

The provisioning policy for trade and other receivables of the Group was based on the evaluation of the collectability of those receivables and on management's judgement. A considerable amount of judgement was required in assessing the ultimate realisation of the receivables, including the current creditworthiness and the past collection history of each customer and the realisation of any repayment pattern promised. If the financial conditions of these customers were to deteriorate, resulting in an impairment of their ability to make payments, additional provision might be required. The carrying amount of trade and other receivables as at 31st December, 2008 was approximately HK$88,708,000 (2007: HK$146,176,000).

(iii) Provision for impairment of inventories

The Group reviewed an ageing analysis of inventories at each balance sheet date, and made allowance for obsolete and slow-moving inventories identified that were no longer recoverable or suitable for use. Management estimated the net realisable value for inventories based primarily on the latest invoice prices and current market conditions. The Group carried out a review of inventories on a product-to-product basis at each balance sheet date and made allowances for obsolete items. The carrying amount of inventories as at 31st December, 2008 was approximately HK$13,620,000 (2007: HK$25,062,000).

4 Critical accounting estimates and judgements (Continued)

(b) Critical judgement in applying the accounting policies of the entity - impairment of available-for-sale financial assets

The Group followed the guidance of HKAS 39, "Financial Instruments: Recognition and Measurement", to determine when an available-for-sale financial asset was impaired. This determination required significant judgement. In making this judgement, the Group evaluated, among other factors, the duration and extent to which the fair value of an investment was less than its cost; and the financial health of and short-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

5 Segment information

(a) Primary reporting format - business segments

As at 31st December, 2007, the Group was organised into two main business segments:

(i) Design, sale and implementation of data networking systems, provision of related engineering services and sale of networking equipment; and

(ii) Sale of mobile phones.

On 30th June, 2008, the Group disposed of the operations relating to the sale of mobile phones.

The segment results for the Year were as follows:

	Continuing operations	Discontinued operations
	Design, sale and implementation of data networking systems, provision of related engineering services and sale of networking equipment HK$'000	**Sale of mobile phones** HK$'000
Revenue	232,395	10,563
Operating (loss)/profit	(22,766)	1,670
Finance income	995	—
Finance costs	(1)	—
Finance income - net (note 23)	994	—
Share of profit of an associate (note 9)	84	—
(Loss)/profit before income tax	(21,688)	1,670
Income tax credit (note 24)	11,696	—
(Loss)/profit for the Year	(9,992)	1,670

5 Segment information (Continued)

(a) Primary reporting format - business segments (Continued)

The segment results for the year ended 31st December, 2007 were as follows:

	Continuing operations	Discontinued operations		
	Design, sale and implementation of data networking systems, provision of related engineering services and sale of networking equipment HK$'000	Sale of mobile phones HK$'000	Provision of multimedia value-added services via IVR, interactive Internet solutions and premium SMS HK$'000	Total HK$'000
Revenue	328,061	58,816	14,346	73,162
Operating profit/(loss)	3,864	(478)	254	(224)
Gain on deregistration of subsidiaries	—	—	39,924	39,924
Finance income	4,497			7
Finance costs	(9)			(261)
Finance income/(costs) - net (note 23)	4,488			(254)
Share of profit of an associate (note 9)	127			—
Profit before income tax	8,479			39,446
Income tax credit/(expense) (note 24)	9,617			(236)
Profit for the year	18,096			39,210

5 Segment information (Continued)

(a) Primary reporting format - business segments (Continued)

Other segment items included in the income statement were as follows:

	Continuing operations	Discontinued operations
	Design, sale and implementation of data networking systems, provision of related engineering services and sale of networking equipment	Sale of mobile phones
	HK$'000	HK$'000
Year		
Depreciation	535	19
Reversal of impairment of trade receivables	(6,674)	(26)
Impairment of inventories	2,419	—
Year ended 31st December, 2007		
Depreciation	1,812	69
Reversal of impairment of trade receivables	(5,628)	—
Reversal of impairment of inventories	(10,111)	—

Inter-segment transfers or transactions were entered into under the normal course of business at terms determined and agreed by both parties.

Segment assets consisted primarily of freehold land, property, plant and equipment, investment in an associate, available-for-sale financial assets, inventories, trade and other receivables, deposits and prepayments, pledged bank deposits, cash and cash equivalents.

Unallocated assets consisted of income tax prepaid.

Segment liabilities comprised operating liabilities.

Capital expenditure comprised additions to property, plant and equipment (note 7).

5 Segment information (Continued)

(a) Primary reporting format - business segments (Continued)

The segment assets and liabilities as at 31st December, 2008 and capital expenditure for the Year were as follows:

	Continuing operations
	Design, sale and implementation of data networking systems, provision of related engineering services and sale of networking equipment HK$'000
Assets	218,669
Investment in an associate	656
Total assets	219,325
Liabilities	113,119
Capital expenditure (note 7)	193

5 Segment information (Continued)

(a) Primary reporting format - business segments (Continued)

The segment assets and liabilities as at 31st December, 2007 and capital expenditure for the year ended 31st December, 2007 were as follows:

	Continuing operations			Discontinued operations
	Design, sale and implementation of data networking systems, provision of related engineering services and sale of networking equipment HK$'000	Unallocated assets HK$'000	Total HK$'000	Sale of mobile phones HK$'000
Assets	271,467	1,034	272,501	5,356
Investment in an associate	572	—	572	—
Total assets	272,039	1,034	273,073	5,356
Liabilities	165,760	—	165,760	1,215
Capital expenditure (note 7)	351	—	351	2

5 Segment information (Continued)

(b) Secondary reporting format - geographical segments

The two business segments of the Group operated in three main geographical areas, even though they were managed on a worldwide basis.

The continuing operations of the Group were mainly in places within Mainland China, Hong Kong and Macao, while the discontinued operations of the Group were in Macao for the Year. The operations are principally design, sale and implementation of data networking systems, provision of related engineering services and sale of networking equipment.

Revenue of the Group was generated mainly within Mainland China, Macao and Hong Kong.

Revenue

	2008 HK$'000	2007 HK$'000
Continuing operations		
Mainland China	**58,468**	105,571
Hong Kong	**30,516**	18,943
Macao	**143,411**	203,547
	232,395	328,061
Discontinued operations		
Macao	**10,563**	58,816
Europe	**—**	14,346
	10,563	73,162

Revenue was allocated based on the regions in which the customers were located.

5 Segment information (Continued)

(b) Secondary reporting format - geographical segments (Continued)

Total assets

	2008 HK$'000	2007 HK$'000
Continuing operations		
Mainland China	**58,377**	82,210
Hong Kong	**11,482**	14,338
Macao	**132,584**	149,986
	202,443	246,534
Investment in an associate (note 9)	**656**	572
Unallocated assets	**16,226**	25,967
	219,325	273,073
Discontinued operations		
Macao	**—**	5,356

Total assets were allocated based on where the assets were located. Unallocated assets comprised available-for-sale financial assets.

Capital expenditure

	2008 HK$'000	2007 HK$'000
Continuing operations		
Mainland China	**111**	210
Hong Kong	**29**	6
Macao	**53**	135
	193	351
Discontinued operations		
Macao	**—**	2

Capital expenditure was allocated based on where the assets were located.

5 Segment information (Continued)

(b) Secondary reporting format - geographical segments (Continued)

Analysis of revenue by category

	2008 HK$'000	2007 HK$'000
Continuing operations		
Revenue from design, sale and implementation of data networking systems, provision of related engineering services and sale of networking equipment	**232,395**	328,061
Discontinued operations		
Sale of mobile phones (note 33(c))	**10,563**	58,816
Revenue from provision of multimedia value-added services via IVR, interactive Internet solutions and premium SMS	**—**	14,346
	10,563	73,162

6 Freehold land - Group

Freehold land was located in Macao and carried at cost, which was reclassified to non-current assets classified as held for sale as at 31st December, 2007 and disposed of on 19th February, 2008 (note 33(a)).

7 Property, plant and equipment - Group

	Buildings HK$'000	Leasehold improvements HK$'000	Furniture, fixtures, office equipment and leased equipment HK$'000	Motor vehicles HK$'000	Demonstration equipment HK$'000	Total HK$'000
As at 1st January, 2007						
Cost	280	2,617	16,193	2,406	281	21,777
Accumulated depreciation	(33)	(2,193)	(14,081)	(2,133)	(281)	(18,721)
Net book amount	247	424	2,112	273	–	3,056
Year ended 31st December, 2007						
Opening net book amount	247	424	2,112	273	–	3,056
Exchange differences	(16)	4	70	6	–	64
Additions	–	2	351	–	–	353
Depreciation for continuing operations (note 20)	–	(310)	(1,414)	(88)	–	(1,812)
Depreciation for discontinued operations - CAOCL	(14)	(20)	(29)	(6)	–	(69)
Transferred to disposal group classified as held for sale	(217)	–	(6)	(11)	–	(234)
Closing net book amount	–	100	1,084	174	–	1,358
As at 31st December, 2007						
Cost	–	2,634	10,730	2,446	279	16,089
Accumulated depreciation	–	(2,534)	(9,646)	(2,272)	(279)	(14,731)
Net book amount	–	100	1,084	174	–	1,358
Year						
Opening net book amount	–	100	1,084	174	–	1,358
Exchange differences	–	2	49	5	–	56
Additions	–	3	190	–	–	193
Disposals	–	–	(26)	–	–	(26)
Depreciation for continuing operations (note 20)	–	(98)	(408)	(29)	–	(535)
Closing net book amount	–	7	889	150	–	1,046
As at 31st December, 2008						
Cost	–	2,649	10,604	2,509	279	16,041
Accumulated depreciation	–	(2,642)	(9,715)	(2,359)	(279)	(14,995)
Net book amount	–	7	889	150	–	1,046

Depreciation expense was charged to "administrative expenses".

8 Investments in and amounts due from/to subsidiaries - Company

(a) Investments in subsidiaries

	2008 HK$'000	2007 HK$'000 (restated)
Investments, at cost, unlisted	**75,670**	75,670

The following was a list of the principal subsidiaries as at 31st December, 2008:

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued/registered share capital	Approximate effective interest held
泰思通軟件（上海）有限公司 ("TSTSH")	PRC, limited liability company	Research and development of software and related software consultancy services in Mainland China	US$510,000	83%
廣州市愛達利發展有限公司 ("GVDL")	PRC, limited liability company	Design, sale and implementation of data networking systems and provision of related engineering services in Mainland China	RMB3,000,000	54%
廣州市圖文資訊有限公司 ("GZIC")	PRC, limited liability company	Provision of Internet related data services in Mainland China	RMB1,000,000	44% (note (i))
廣州愛達利科技有限公司	PRC, limited liability company	Design, sale and implementation of data networking systems and provision of related engineering services in Mainland China	HK$3,000,000	100%
Guangzhou Thinker Vodatel Limited	PRC, limited liability company	Research and development of wireless data communications and Internet related products in Mainland China	US$3,000,000	82%
Multi Asia (HK) Limited	Hong Kong, limited liability company	Dormant	1 ordinary share of HK$1 each	100%
Mega Datatech Limited ("MDL")	Macao, limited liability company	Provision of computer software, hardware and system integration in Macao	MOP100,000	100%
Power Express (Macau) Limited	Macao, limited liability company	Sale of communications equipment in Macao	MOP1,685,400	100%

8 Investments in and amounts due from/to subsidiaries - Company (Continued)

(a) Investments in subsidiaries (Continued)

The following was a list of the principal subsidiaries as at 31st December, 2008: (Continued)

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued/registered share capital	Approximate effective interest held
Tidestone Science and Technology (Hong Kong) Company Limited	Hong Kong, limited liability company	Investment holding in Mainland China and software consultancy services in Hong Kong	1,000 ordinary shares of HK$1 each	83%
Vodatel Holdings Limited ("VHL")	BVI, limited liability company	Investment holding and design, sale and implementation of data networking systems and provision of related engineering services in Macao	10,000 ordinary shares of US$1 each	100% (note(ii))
Vodatel Networks (H.K.) Limited	Hong Kong, limited liability company	Sale of data networking systems and provision of related engineering services in Hong Kong	2 ordinary shares of HK$1 each	100%
Vodatel Systems Inc.	BVI, limited liability company	Design, sale and implementation of data networking systems and provision of related engineering services in Macao	1,000 ordinary shares of US$1 each	100%
Vodatel Systems Inc. - Macao Commercial Offshore	Macao, limited liability company	Dormant	MOP100,000	100%
Vodatel Systems (HK) Limited	BVI, limited liability company	Provision of warehouse services in Hong Kong	1,000 ordinary shares of US$1 each	100%

Notes:

(i) GVDL held 81.82% interest directly in GZIC.

(ii) Shares held directly by the Company.

(b) Amounts due from/to subsidiaries

The amounts due from/to subsidiaries were unsecured, interest free, denominated in HK$ and repayable on demand.

9 Investment in an associate - Group

	2008 HK$'000	2007 HK$'000
As at 1st January	**572**	445
Share of profit	**84**	127
As at 31st December	**656**	572

The share of the results of the Group of its associate, which was unlisted, and its aggregated assets and liabilities, was as follows:

Name	Place of incorporation	Assets HK$'000	Liabilities HK$'000	Revenues HK$'000	Profit HK$'000	Effective Interest held
Year						
Source Tech Limited ("STL")	Macao	1,959	501	2,393	84	45%
Year ended 31st December, 2007						
STL	Macao	1,640	368	2,008	127	45%

10 Financial instruments by category - Group and Company

The accounting policies for financial instruments were applied to the line items below:

Group

	Loans and receivables HK$'000	Available-for-sale financial assets HK$'000	Total HK$'000
Assets as per consolidated balance sheet			
As at 31st December, 2008			
Available-for-sale financial assets (note 12)	—	16,226	16,226
Trade and other receivables, deposits and prepayments (note 14)	88,708	—	88,708
Pledged bank deposits (note 15)	9,108	—	9,108
Cash and cash equivalents (note 15)	89,961	—	89,961
Total	187,777	16,226	204,003
As at 31st December, 2007			
Available-for-sale financial assets (note 12)	—	25,967	25,967
Trade and other receivables, deposits and prepayments (note 14)	146,176	—	146,176
Pledged bank deposits (note 15)	8,475	—	8,475
Cash and cash equivalents (note 15)	64,429	—	64,429
Total	219,080	25,967	245,047

	Other financial liabilities HK$'000
Liabilities as per consolidated balance sheet	
As at 31st December, 2008	
Trade, bills and other payables	64,374
As at 31st December, 2007	
Trade, bills and other payables	103,660

10 Financial instruments by category - Group and Company (Continued)

Company

	Loans and receivables HK$'000
Assets as per balance sheet	
As at 31st December, 2008	
Amounts due from subsidiaries (note 8(b))	125,027
Other receivables, deposits and prepayments (note 14)	242
Cash and cash equivalents (note 15)	82
Total	125,351
As at 31st December, 2007	
Amounts due from subsidiaries (note 8(b))	126,364
Other receivables, deposits and prepayments (note 14)	126
Cash and cash equivalents (note 15)	214
Total	126,704

	Other financial liabilities HK$'000
Liabilities as per balance sheet	
As at 31st December, 2008	
Amounts due to subsidiaries (note 8(b))	9,973
Other payables	132
Total	10,105
As at 31st December, 2007	
Amounts due to subsidiaries (note 8(b))	5,955
Other payables	1,031
Total	6,986

11 Credit quality of financial assets - Group and Company

The credit quality of financial assets that were neither past due nor impaired could be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

(a) Trade receivables

	Group	
	2008 HK$'000	2007 HK$'000
Counterparties with external credit rating (Moody's)		
A2	**—**	5
A3	**12**	10,959
Aa2	**—**	324
Aa3	**14,768**	19,349
B1	**19**	7,913
B2	**3,821**	—
B3	**3,692**	—
Ba2	**—**	7,303
Ba3	**2,474**	3,019
Baa2	**821**	—
Caa3	**196**	—
Counterparties without external credit rating		
New customers (less than six months)	**2,090**	163
Existing customers (more than six months) with no defaults in the past	**42,361**	77,787
Total trade receivables	**70,254**	126,822

(b) Pledged bank deposits

	Group	
	2008 HK$'000	2007 HK$'000
A2	**3,686**	3,543
Bank in Macao without external credit rating	**3,521**	—
Bank in Mainland China without external credit rating	**1,901**	4,932
	9,108	8,475

11 Credit quality of financial assets - Group and Company (Continued)

(c) Cash and bank and short-term bank deposits

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
A1	**22,691**	17,493	**—**	—
A2	**5,099**	4,156	**—**	—
A3	**—**	19	**—**	—
Aa1	**—**	189	**—**	—
Aa2	**—**	971	**—**	—
Aa3	**12,169**	6,411	**82**	205
Baa3	**226**	284	**—**	—
Banks in Macao and Mainland China without external credit rating	**49,263**	34,418	**—**	9
Cash	**513**	488	**—**	—
	89,961	64,429	**82**	214

None of the financial assets that are fully performing were renegotiated in the last year.

12 Available-for-sale financial assets - Group

	2008 HK$'000	2007 HK$'000
As at 1st January	**25,967**	15,502
Disposal	**—**	(175)
Net gains transferred to equity (note 18(a))	**—**	10,640
Reserves transferred to income statement upon impairment of available-for-sale financial assets (note 18(a))	**1,264**	—
Impairment loss transferred to income statement (note 21)	**(11,005)**	—
As at 31st December	**16,226**	25,967

Available-for-sale financial assets included the following:

	2008 HK$'000	2007 HK$'000
Listed equity securities - Hong Kong	**8,985**	18,726
Unlisted securities	**7,241**	7,241
	16,226	25,967
Market value of listed securities	**8,985**	18,726

Available-for-sale financial assets were denominated in the following currencies:

	2008 HK$'000	2007 HK$'000
HK$	**8,985**	18,726
MOP	**1,456**	1,456
US$	**5,785**	5,785
	16,226	25,967

13 Inventories - Group

	2008 HK$'000	2007 HK$'000
Networking equipment	**13,620**	25,062

The cost of inventories recognised as expense and included in "cost of sales" amounted to approximately HK$155,967,000 (2007: approximately HK$223,576,000).

14 Trade and other receivables, deposits and prepayments - Group and Company

	Group		Company	
	2008 **HK$'000**	2007 HK$'000	2008 HK$'000	2007 HK$'000
Trade receivables	**136,560**	199,335	**—**	—
Less: provision for impairment of receivables	**(66,306)**	(72,513)	**—**	—
Trade receivables - net	**70,254**	126,822	**—**	—
Other receivables, deposits and prepayments (excluding amount due from an associate)	**18,268**	19,354	**242**	126
Amount due from an associate	**186**	—	**—**	—
Other receivables, deposits and prepayments	**18,454**	19,354	**242**	126
	88,708	146,176	**242**	126

The carrying amounts of the trade and other receivables approximated their fair value.

The amount due from an associate is unsecured, interest free and repayable on demand.

14 Trade and other receivables, deposits and prepayments - Group and Company (Continued)

Sales of the Group were on receipts in advance, letter of credit documents against payment and open terms credit. The credit terms granted to customers varied and were generally the result of negotiations between the individual customers and the Group. As at 31st December, 2008 and 2007, the ageing analysis of the trade receivables was as follows:

	2008 **HK$'000**	2007 HK$'000
Within three months	**58,226**	93,866
> Three months but ≤ six months	**2,110**	9,068
> Six months but ≤ twelve months	**4,715**	12,124
Over twelve months	**71,509**	84,277
	136,560	199,335

Trade receivables that were less than one year past due were not considered impaired. As at 31st December, 2008, trade receivables of HK$70,254,000 (2007: HK$126,822,000) were past due but not impaired. These related to a number of independent customers for whom there was no recent history of default. The ageing analysis of these trade receivables was as follows:

	2008 **HK$'000**	2007 HK$'000
Within three months	**58,226**	93,866
> Three months but ≤ six months	**2,110**	9,068
> Six months but ≤ twelve months	**4,715**	12,124
Over twelve months	**5,203**	11,764
	70,254	126,822

As at 31st December, 2008, trade receivables of HK$66,306,000 (2007: HK$72,513,000) were impaired and provided for. The amount of the provision was HK$66,306,000 as of 31st December, 2008 (2007: HK$72,513,000). The individually impaired receivables mainly relate to wholesalers, which were in unexpected difficult economic situations. It was assessed that a portion of the receivables was expected to be recovered. The ageing of these receivables was more than twelve months.

14 Trade and other receivables, deposits and prepayments - Group and Company (Continued)

The carrying amounts of the trade and other receivables, deposits and prepayments of the Group were denominated in the following currencies:

	2008 HK$000	2007 HK$000
HK$	**6,083**	18,688
US$	**6,055**	13,938
MOP	**49,567**	76,088
RMB	**27,003**	37,462
	88,708	146,176

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

	2008 HK$000	2007 HK$000
As at 1st January	**72,513**	77,766
Less: included in non-current assets held for sale	**—**	(294)
As restated	**72,513**	77,472
Translation difference	**467**	669
Provision for impairment of receivables for continuing operations (note 20)	**4,504**	1,578
Unused amounts reversed (note 20)	**(11,178)**	(7,206)
As at 31st December	**66,306**	72,513

The creation and release of provision for impaired receivables were included in "administrative expenses" in the consolidated income statement (note 20). Amounts charged to the allowance account were generally written off, when there was no expectation of recovering additional cash.

The other classes within trade and other receivables, deposits and prepayments did not contain impaired assets.

The maximum exposure to credit risk at the reporting date was the fair value of each class of receivable mentioned above. The Group did not hold any collateral as security.

15 Pledged bank deposits, cash and cash equivalents - Group and Company

	Group		Company	
	2008 HK$'000	2007 HK$'000	**2008 HK$'000**	2007 HK$'000
Cash at bank and in hand	**58,354**	40,566	**82**	214
Short-term bank deposits	**40,715**	32,338	**—**	—
	99,069	72,904	**82**	214
Less: Pledged bank deposits	**(9,108)**	(8,475)	**—**	—
Maximum exposure to credit risk	**89,961**	64,429	**82**	214

Cash and cash equivalents included the following for the purposes of the cash flow statement:

	Group	
	2008 HK$'000	2007 HK$'000
Cash and cash equivalents	**89,961**	64,429

16 Trade, bills and other payables and accruals - Group and Company

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade and bills payables	**50,796**	89,839	**—**	—
Other payables and accruals	**45,151**	42,963	**1,798**	3,365
	95,947	132,802	**1,798**	3,365

As at 31st December, 2008, the ageing analysis of the trade and bills payables (including amounts due to related parties of trading in nature) was as follows:

	2008	2007
	HK$'000	HK$'000
Within three months	**25,959**	49,410
> Three months but ≤ six months	**1,137**	2,511
> Six months but ≤ twelve months	**1,709**	13,727
Over twelve months	**21,991**	24,191
	50,796	89,839

17 Shares

	Number of Shares	Ordinary Shares HK$'000	Share premium HK$'000	Total HK$'000
As at 1st January, 2007	613,819,000	61,382	97,676	159,058
Reduction of share premium credited to contributed surplus (note 18)	—	—	(97,676)	(97,676)
As at 31st December, 2007 and 2008	613,819,000	61,382	—	61,382

The total authorised number of Shares was 2,000,000,000 (2007: 2,000,000,000) with a par value of HK$0.10 per Share (2007: HK$0.10 per Share). All issued Shares were fully paid.

Pursuant to the annual general meeting of the Company held on 29th June, 2007, the entire amount standing to the credit of share premium account of the Company with an amount of HK$97,676,000 was reduced and credited to contributed surplus.

Options

Options were granted to certain Directors, employees and consultants. The exercise price of the granted Options was equal to the market price of the Shares on the date of the grant. The Options were exercisable starting on the date of the grant. The Group had no legal or constructive obligation to repurchase or settle the Options in cash.

Movements in the number of Options outstanding were as follows:

	2008	2007
As at 1st January	**23,274,000**	—
Granted	**—**	23,380,000
Cancelled	**—**	(70,000)
Lapsed	**(2,468,000)**	(36,000)
As at 31st December	**20,806,000**	23,274,000

Options outstanding as at 31st December, 2008 had an expiry date on 11th July, 2010 at a Subscription Price of HK$0.32 per Share (2007: HK$0.32 per Share).

The fair value of the Options granted during the year ended 31st December, 2007 using the binomial model was approximately HK$0.10 per Option. The significant inputs into the model were Share price of HK$0.32 at the grant date, Subscription Price shown above, volatility of 94.06%, dividend yield of 0%, and on annual risk-free interest rate of 4.38%. The volatility measured is based on the three-year historical volatility of the price return of the Shares. See note 22 for the total expense recognised in the consolidated income statement for Options granted to the Directors and employees.

18 Other reserves - Group and Company

(a) Group

	Contributed surplus HK$'000	Other reserve HK$'000	Capital redemption reserve HK$'000	Available-for-sale investments reserve HK$'000	Merger reserve HK$'000 (Note (i))	Translation reserve HK$'000	Statutory reserve HK$'000 (Note (ii))	Total HK$'000
As at 1st January, 2007	–	–	702	(11,536)	35,549	(416)	49	24,348
Revaluation (note 12)	–	–	–	10,640	–	–	–	10,640
Reserves transferred to income statement upon disposal of loaned asset	–	–	–	(22)	–	–	–	(22)
Reserves transferred to income statement upon deregistration of TCM	–	–	–	–	–	1,671	–	1,671
Currency translation differences	–	–	–	–	–	116	–	116
Reduction of share premium credited to contributed surplus (note 17)	97,676	–	–	–	–	–	–	97,676
Share-based compensation	–	2,289	–	–	–	–	–	2,289
As at 31st December, 2007	97,676	2,289	702	(918)	35,549	1,371	49	136,718
Reserves transferred to income statement upon impairment of available-for-sale financial assets	–	–	–	1,264	–	–	–	1,264
Currency translation differences	–	–	–	–	–	1,810	–	1,810
As at 31st December, 2008	97,676	2,289	702	346	35,549	3,181	49	139,792

Notes:

(i) The merger reserve of the Group included the difference between the nominal value of the share capital of a subsidiary acquired and the nominal value of the Shares in exchange thereof together with an existing balance on the share premium account of a subsidiary.

(ii) The Macao Decreto-Lei n° 40/99/M Código Comercial (Commercial Code) required a company incorporated in Macao to set aside a minimum of 25% of the profit after income tax expense to the statutory reserve each financial year until the balance of the reserve reached a level equivalent to 50% of the capital of the company. Statutory reserve represented the amount set aside from the income statement and was not distributable to the Members.

18 Other reserves - Group and Company (Continued)

(b) Company

	Contributed surplus HK$'000 (Note (i))	Other reserve HK$'000	Capital redemption reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
As at 1st January, 2007, as previously reported	73,718	—	702	(67,164)	7,256
Reduction of share premium credited to contributed surplus (note 17)	97,676	—	—	—	97,676
Share-based compensation	—	2,289	—	—	2,289
Profit for the year ended 31st December, 2007, as previously reported	—	—	—	22,699	22,699
For the adoption of HK(IFRIC)-Int 11	—	—	—	1,752	1,752
As at 31st December, 2007, as restated	171,394	2,289	702	(42,713)	131,672
As at 1st January, 2008, as previously reported	171,394	2,289	702	(44,465)	129,920
For the adoption of HK(IFRIC)-Int 11	—	—	—	1,752	1,752
As at 1st January, 2008, as restated	171,394	2,289	702	(42,713)	131,672
Loss for the Year	—	—	—	(3,804)	(3,804)
As at 31st December, 2008	171,394	2,289	702	(46,517)	127,868

Note:

(i) The contributed surplus represented the difference between the consolidated shareholders' funds of the subsidiaries and the nominal value of the Shares issued for the acquisition at the time of the group reorganisation and the entire amount standing to the credit of share premium account of the Company reduced and credited to contributed surplus. Under the Companies Act 1981 of Bermuda (as amended), contributed surplus was distributable to the Members, subject to the condition that the Company could not declare or pay a dividend, or make a distribution out of contributed surplus if it was, or would after the payment be, unable to pay its liabilities as they become due, or the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium account.

(ii) Distributable reserves of the Company as at 31st December, 2008 amounted to approximately HK$124,877,000 (2007 (restated): HK$128,681,000).

19 Deferred income tax - Group

Deferred income tax assets were recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits was probable. The Group did not recognise deferred income tax assets of approximately HK$1,443,000 (2007: approximately HK$1,964,000 (including HK$500,000 from discontinued operations)) in respect of losses amounting to approximately HK$8,845,000 (2007: approximately HK$12,784,000 (including HK$4,166,000 from discontinued operations)) that could be carried forward against future taxable income. The tax losses incurred in Hong Kong would not expire. The tax losses incurred in Macao would expire after three years.

There was no other material unprovided deferred income tax as at 31st December, 2008.

20 Expenses by nature

	2008 **HK$'000**	2007 HK$'000
Auditor's remuneration		
- charge for the Year	**1,850**	2,991
- over provision in prior years	**(325)**	(483)
Cost of inventories (note 13)	**155,967**	223,576
Depreciation (note 7)	**535**	1,812
Employee benefit expense		
(including Directors' emoluments) (note 22)	**48,558**	44,111
Impairment/(reversal of impairment) of inventories	**2,419**	(10,111)
Reversal of impairment of trade receivables (note 14)	**(6,674)**	(5,628)
Loss/(gain) on of disposal of property,		
plant and equipment	**26**	(1,250)
Operating lease payments	**2,392**	2,333
Transportation expenses	**607**	1,003
Other expenses	**49,244**	69,014
Total cost of sales, selling and marketing		
costs and administrative expenses	**254,599**	327,368

21 Other (losses)/gains - net

	2008 **HK$'000**	2007 HK$'000
Dividend income on available-for-sale financial assets	**8,228**	2,735
Impairment loss on available-for-sale financial assets	**(11,005)**	—
Other income	**2,215**	436
	(562)	3,171

22 Employee benefit expense

	2008 HK$'000	2007 HK$'000
Wages and salaries	**45,719**	39,361
Directors' fees	**844**	880
Social security costs	**1,641**	1,450
Share-based compensation	**—**	2,289
Pension costs - defined contribution plans	**139**	131
Long service payment	**215**	—
	48,558	44,111

(a) Pensions - defined contribution plans

There were no forfeited contributions. Contributions totaling HK$139,000 (2007: HK$131,000) were payable to the fund as at 31st December, 2008.

(b) Directors' and senior management's emoluments

The remuneration of every Director for the Year was set out below:

Name of Director	Fees HK$'000	Salary HK$'000	Employer's contribution to pension scheme HK$'000	Total HK$'000
José Manuel dos Santos	130	3,964	—	4,094
Yim Hong	130	1,652	19	1,801
Kuan Kin Man	130	780	—	910
Monica Maria Nunes	130	780	13	923
Chui Sai Cheong (note (i))	15	—	—	15
Lo King Chiu Charles	120	—	—	120
Fung Kee Yue Roger	120	—	—	120
Wong Tsu An Patrick (note (ii))	69	—	—	69

Note:

(i) Resigned on 15th February, 2008.

(ii) Appointed on 4th June, 2008

22 Employee benefit expense (Continued)

(b) Directors' and senior management's emoluments (Continued)

The remuneration of every Director for the year ended 31st December, 2007 was set out below:

Name of Director	Fees HK$'000	Salary HK$'000	Option HK$'000	Employer's contribution to pension scheme HK$'000	Total HK$'000
José Manuel dos Santos	130	3,925	79	—	4,134
Yim Hong	130	1,652	79	14	1,875
Kuan Kin Man	130	751	79	—	960
Monica Maria Nunes	130	631	79	13	853
Chui Sai Cheong	120	—	49	—	169
Lo King Chiu Charles	120	—	49	—	169
Fung Kee Yue Roger	120	—	49	—	169

No Director waived or agreed to waive any of their emoluments in respect of the Year and the year ended 31st December, 2007.

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the Year included four (2007: four) Directors whose emoluments were reflected in the analysis presented above. The emoluments payable to the remaining one (2007: one) individual during the Year were as follows:

	2008 HK$'000	2007 HK$'000
Basic salaries and allowances	**795**	730
Bonuses	**—**	40
	795	770

The emoluments fell within the following band:

	Number of individuals	
	2008	2007
Emolument band		
HK$500,001 - HK$1,000,000	**1**	1

23 Finance income and costs

	2008 HK$'000	2007 HK$'000
Interest expense:		
- bank overdrafts - wholly repayable within five years	**(1)**	(9)
Finance costs	**(1)**	(9)
Interest income on short-term bank deposits	**995**	4,497
Net finance income	**994**	4,488

24 Income tax credit

Hong Kong profits tax was provided at the rate of 16.5% (2007: 17.5%) on the estimated assessable profit for the Year. Taxation on overseas profits was calculated on the estimated assessable profit for the Year at the rates of taxation prevailing in the regions in which the Group operated.

	2008 HK$'000	2007 HK$'000
Current tax		
- Hong Kong profits tax	**68**	—
- Macao complementary profits tax	**619**	1,435
- Mainland China profits tax	**850**	3,182
- Over-provision in prior years	**(13,233)**	(14,234)
Income tax credit	**(11,696)**	(9,617)

24 Income tax credit (Continued)

The tax on the (loss)/profit before tax of the Group differed from the theoretical amount that would arise using the weighted average tax rate applicable to (losses)/profits of the consolidated entities as follows:

	2008 HK$'000	2007 HK$'000
(Loss)/profit before income tax	**(21,688)**	8,479
Tax calculated at the domestic tax rates applicable to (losses)/profits in the respective regions	**(1,308)**	2,382
Income not subject to tax	**(1,803)**	(4,519)
Expenses not deductible for tax purposes	**4,533**	6,663
Utilisation of previously unrecognised tax losses	**(270)**	—
Over-provision in prior years	**(13,233)**	(14,234)
Tax losses for which no deferred income tax asset was recognised	**385**	91
Tax credit	**(11,696)**	(9,617)

During the Year, as a result of the change in the Hong Kong corporation tax rate from 17.5% to 16.5% that will be effective from 1st April, 2008, deferred tax balances were remeasured.

The weighted average applicable tax rate was 16.69% (2007: 9.98%). The change was caused by a change in the profitability of the subsidiaries of the Group in the respective regions.

25 Net foreign exchange losses/(gains)

The exchange differences charged/(credited) in the income statement were included as follows:

	2008 HK$'000	2007 HK$'000
Administrative expenses	**1,093**	(2)

26 (Loss)/profit attributable to equity holders of the Company

The loss attributable to equity holders of the Company was dealt with in the financial statements of the Company to the extent of approximately HK$3,804,000 (2007 (restated): profit of HK$24,451,000).

27 (Loss)/earnings per Share

Basic and diluted (loss)/earnings per Share was calculated by dividing the (loss)/profit attributable to equity holders of the Company by the weighted average number of Shares in issue during the Year.

	2008	2007
Continuing operations		
(Loss)/profit attributable to equity holders of the Company (HK$'000)	**(8,557)**	16,855
Weighted average number of Shares in issue (thousands)	**613,819**	613,819
Discontinued operations		
Profit attributable to equity holders of the Company (HK$'000)	**1,670**	39,210
Weighted average number of Shares in issue (thousands)	**613,819**	613,819
Total		
(Loss)/profit attributable to equity holders of the Company (HK$'000)	**(6,887)**	56,065
Weighted average number of Shares in issue (thousands)	**613,819**	613,819

Diluted earnings per Share was calculated by adjusting the weighted average number of Shares outstanding to assume conversion of all dilutive potential Shares. The Company has Options as dilutive potential Shares. A calculation was done to determine the number of Shares that could have been acquired at fair value (determined as the average annual market price of the Shares) based on the monetary value of the subscription rights attached to the outstanding Options. The number of Shares calculated as above was compared with the number of Shares that would have been issued assuming the exercise of the Options. The conversion of all potential Shares arising from the Options would have an anti-dilutive effect on the (loss)/earnings per Share for the Year and the year ended 31st December, 2007. Accordingly, diluted (loss)/earnings per Share was identical to basic (loss)/earnings per Share for the Year and the year ended 31st December, 2007.

28 Dividends

The Board did not recommend the payment of a final dividend for the Year (2007: Nil).

29 Notes to the consolidated cash flow statement

(a) Cash generated from/(used in) operations

	2008 HK$'000	2007 HK$'000
(Loss)/profit before income tax		
- Continuing operations	**(21,688)**	8,479
- Discontinued operations	**1,670**	(478)
- Gain on deregistration of a subsidiary	**—**	39,924
	(20,018)	47,925
Adjustments for:		
- Depreciation	**554**	1,881
- Dividend income on available-for-sale financial assets (note 21)	**(8,228)**	(2,735)
- Gain on deregistration of a subsidiary	**—**	(39,924)
- Loss on disposal of available-for-sale financial assets	**—**	175
- Impairment loss on available-for-sale financial assets (note 21)	**11,005**	—
- Impairment/(reversal of impairment) of inventories	**2,419**	(10,111)
- Share of profit from an associate (note 9)	**(84)**	(127)
- Reversal of impairment of trade receivables	**(6,674)**	(5,628)
- Interest income (note 23)	**(995)**	(4,497)
- Profit on disposal of freehold land, property, plant and equipment	**(2,539)**	(1,250)
- Finance costs (note 23)	**1**	9
	(24,559)	(14,282)
Changes in working capital (excluding the effects of exchange difference on consolidation)		
- Inventories	**10,117**	101
- Trade and other receivables, deposits and prepayments	**65,059**	56,447
- Trade and bills payables	**(39,670)**	(74,685)
- Other payables and accruals	**1,720**	(12,641)
Cash generated from/(used in) operations	**12,667**	(45,060)

29 Notes to the consolidated cash flow statement (Continued)

(a) Cash generated from/(used in) operations (Continued)

In the cash flow statement, proceeds from disposal of freehold land, property, plant and equipment comprised:

	2008 HK$'000	2007 HK$'000
Net book amount	2,261	—
Profit on disposal of freehold land, property, plant and equipment	2,539	1,250
Proceeds from disposal of freehold land, property, plant and equipment	4,800	1,250

(b) Disposal of a subsidiary, net of cash disposed

Analysis of the net cash inflow in respect of the disposal of a subsidiary:

	2008 HK$'000	2007 HK$'000
Net assets disposed		
- Trade receivables	38	—
- Other receivables	237	—
- Other payables and accruals	(120)	—
Assets and liabilities other than cash and cash equivalents in the subsidiary disposed of	155	—
Satisfied by:		
- Cash	155	—
Disposal consideration discharged by means of cash and cash equivalents and net cash inflow in respect of the disposal of a subsidiary	155	—

30 Contingencies

The Group has given guarantees issued by certain banks arising in the ordinary course of business amounting to HK$12,126,000 (2007: HK$19,177,000) to independent third parties.

The Company has given guarantees in the ordinary course of business amounting to approximately HK$99,375,000 (2007: HK$77,738,000) to subsidiaries.

The Company executed guarantees amounting to approximately HK$969,000 (2007: HK$3,782,000) with respect to banking facilities and trade credits made available to its subsidiaries.

It was not anticipated that any material liabilities would arise from the contingent liabilities.

31 Operating lease commitments - Group company as lessee

The Group leased various offices and a warehouse under non-cancellable operating lease agreements. The leases had varying terms and renewal rights.

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

	2008 **HK$'000**	2007 HK$'000
No later than one year	**1,970**	1,215
Later than one year and no later than five years	**1,336**	1,169
	3,306	2,384

32 Related party transactions

During the Year, the Group had significant transactions with related parties which were carried out in the normal course of business at terms determined and agreed by both parties, details of which were as follows:

(a) The Group had transactions with a related company owned by a Director, José Manuel dos Santos, as follows:

	2008 HK$'000	2007 HK$'000
Sales of goods	**324**	40
Purchase of goods	**(37)**	(148)
Operating lease payments	**(54)**	(108)

(b) During the Year, the Group received service fee income of approximately HK$23,000 (2007: Nil) from STL.

(c) During the year ended 31st December, 2007, the Group sold goods of approximately HK$74,000 to Chui Sai Cheong, a Director who resigned on 15th February, 2008.

(d) During the Year, the Group paid occupancy costs of approximately HK$726,000 (2007: HK$767,000) to a Director, José Manuel dos Santos.

(e) Key management included Directors. Management considered remuneration to all key management of the Group were disclosed in note 22 to the financial statements.

(f) As at 31st December, 2008, trade receivables consisted of receivable from a related company owned by a Director, José Manuel dos Santos, of approximately HK$307,000 (2007: Nil). The receivables were unsecured in nature and bore no interest. There were no provisions held against such receivables.

(g) As at 31st December, 2008, other receivables, deposits and prepayment consisted of receivable from a director of a subsidiary of approximately HK$100,000 (2007: HK$100,000). The receivables were unsecured in nature and bore no interest. There were no provisions held against such receivables.

(h) As at 31st December, 2008, other receivables, deposits and prepayment consisted of receivable from STL of approximately HK$186,000 (2007: Nil). The receivables were unsecured in nature and bore no interest. There were no provisions held against such receivables.

(i) As at 31st December, 2008, other payables and accruals consisted of payable to a Director, José Manuel dos Santos, of approximately HK$362,000 (2007: HK$95,000). The payables bore no interest.

(j) As at 31st December, 2008, other payables and accruals consisted of payable to a related company owned by a Director, José Manuel dos Santos, of approximately HK$350,000 (2007: HK$350,000). The payables bore no interest.

(k) On 19th February, 2008, a sale and purchase deed was entered into between CAOCL and a Director, José Manuel dos Santos relating to the sale of the Property for HK$4,800,000. The Group disposed of CAOCL on 30th June, 2008.

33 Assets of disposal entity classified as held for sale and discontinued operations -Group

TCM, which was previously presented as a separate segment for provision of multimedia value-added services via IVR, interactive Internet solutions and premium SMS, was deregistered on 18th September, 2007.

In addition, the Group disposed of CAOCL, which was presented as a separate segment for sale of mobile phones, on 30th June, 2008. The assets and liabilities related to CAOCL as at 31st December, 2007 were presented as held for sale.

	2008 HK$'000	2007 HK$'000
Operating cash flows	**(781)**	4,365
Investing cash flows	**(35)**	2,473
Financing cash flows	—	(8,135)
Total cash flows	**(816)**	(1,297)

(a) Assets of disposal entity classified as held for sale

	2008 HK$'000	2007 HK$'000
- Freehold land	—	2,020
- Property, plant and equipment	—	234
- Inventories	—	1,094
- Trade receivables	—	1,097
- Other receivables, deposits and prepayments	—	95
- Cash and cash equivalents	—	816
Total	—	5,356

(b) Liabilities of disposal entity classified as held for sale

	2008 HK$'000	2007 HK$'000
Trade and bills payables	—	627
Other payables and accruals	—	588
	—	1,215

33 Assets of disposal entity classified as held for sale and discontinued operations -Group (Continued)

(c) Analysis of the result of discontinued operations was as follows:

	2008 HK$'000	2007 HK$'000
Revenue	**10,563**	73,162
Cost of sales	**(10,634)**	(67,996)
Gross (loss)/profit	**(71)**	5,166
Selling and marketing costs	**(41)**	(209)
Administrative expenses	**(930)**	(5,281)
Other gains - net	**2,712**	100
Operating profit/(loss)	**1,670**	(224)
Finance income	**—**	7
Finance costs	**—**	(261)
Profit/(loss) before tax of discontinued operations	**1,670**	(478)
Tax	**—**	(236)
Profit/(loss) after tax of discontinued operations	**1,670**	(714)
Gain on deregistration of subsidiaries	**—**	39,924
Profit for the Year from discontinued operations	**1,670**	39,210

Five Fiscal Periods Financial Summary

Results	2008 HK$'000	2007 HK$'000	2006 HK$'000	2005 HK$'000	2004 HK$'000
	Year ended 31st December,				Eighteen months ended 31st December,
(Loss)/profit attributable to:					
– Equity holders	**(6,887)**	56,065	(84,094)	(37,488)	(173,625)
– Minority interest	**(1,435)**	1,241	(1,564)	(3,060)	(17,277)
Assets and liabilities					
Total assets	**219,325**	278,429	405,825	523,695	585,170
Total liabilities	**(113,119)**	(166,975)	(366,305)	(391,931)	(400,365)
Total equity	**106,206**	111,454	39,520	131,764	184,805

Definitions

In this annual report (excluding the "Independent Auditor's Report to the shareholders of the Company"), unless the context otherwise requires, the following expressions shall have the following meanings:

"AIOUM"	Asia International Open University (Macau)
"Associate"	has the meaning ascribed thereto in the GEM Listing Rules
"Associated Corporation"	corporation: 1. which is a subsidiary or holding company of the Company or a subsidiary of the holding company of the Company; or 2. (not being a subsidiary of the Company) in which the Company has an interest in the shares of a class comprised in its share capital exceeding in nominal value one-fifth of the nominal value of the issued share of that class
"Audit Committee"	the audit committee of the Company
"Auditor"	the auditor of the Company
"Board"	the board of the Directors
"BVI"	the British Virgin Islands
"CAOCL"	Communications Appliances Ou Chung Limited, a company incorporated in Macao with limited liability
"Chief Executive"	a person who either alone or together with one or more other persons is or will be responsible under the immediate authority of the Board for the conduct of the business of the Company
"CNMS"	customer network management system
"Code"	the code provisions of the Code of Corporate Governance Practices set out in Appendix 15 of the GEM Listing Rules
"Company"	Vodatel Networks Holdings Limited
"Company Secretary"	the company secretary of the Company
"Compliance Officer"	the compliance officer of the Company
"Connected Person"	has the meaning ascribed thereto in the GEM Listing Rules
"Directors"	the directors of the Company
"EBITDA"	earnings before interest, tax, depreciation and amortisation

"ERL"	Eve Resources Limited, a company incorporated in BVI with limited liability
"Exchange"	The Stock Exchange of Hong Kong Limited, a company incorporated in Hong Kong with limited liability
"Functional Currency"	the currency of the primary economic environment in which an entity operates
"GEM"	the Growth Enterprise Market operated by the Exchange
"GEM Listing Rules"	the Rules Governing the Listing of Securities on GEM made by the Exchange from time to time
"Grantee"	any Participant who has been offered and has accepted an offer of the grant of an Option made pursuant to the Scheme in accordance with its terms, or (where the context so permits) any person who is entitled to any such Option in consequence of the death of the original Grantee
"Group" or "Vodatel"	the Company and its subsidiaries
"GVDL"	廣州市愛達利發展有限公司， details of which can be referred to in note 8(a) to the financial statements
"GZIC"	廣州市圖文資訊有限公司， details of which can be referred to in note 8(a) to the financial statements
"HK cents"	Hong Kong Cents, where 100 HK cents equal HK$1
"HK$"	Hong Kong Dollar, the lawful currency of Hong Kong
"HKAS"	Hong Kong Accounting Standard(s)
"HKFRS"	standards and interpretations issued by HKICPA. They comprise 1. Hong Kong Financial Reporting Standards, 2. HKAS (formerly Statement of Standard Accounting Practice), and 3. Interpretations
"HKICPA"	the Hong Kong Institute of Certified Public Accountants, established under the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong)
"HK(IFRIC)-Int"	Hong Kong (IFRIC) Interpretation

"Hong Kong"	the Hong Kong Special Administrative Region of PRC (not applicable to Hong Kong Financial Reporting Standards, Hong Kong Accounting Standard, Hong Kong (IFRIC) Interpretation, Hong Kong Interpretation, The Stock Exchange of Hong Kong Limited, the Hong Kong Institute of Certified Public Accountants and Tidestone Science and Technology (Hong Kong) Company Limited)
"IVR"	interactive voice response
"LRL"	Lois Resources Limited, a company incorporated in BVI with limited liability
"Macao"	the Macao Special Administrative Region of PRC (not applicable to the Macao Junior Chamber of Commerce and Vodatel Systems Inc. – Macao Commercial Offshore)
"Main Board"	the stock market operated by the Exchange prior to the establishment of GEM (excluding the options market) and which stock market continues to be operated by the Exchange in parallel with GEM. For the avoidance of doubt, the Main Board excludes GEM
"Mainland China"	PRC, other than the regions of Hong Kong, Macao and Taiwan
"MDL"	Mega Datatech Limited, details of which can be referred to in note 8(a) to the financial statements
"Member(s)"	the holder(s) of the Shares
"MIHL"	AGTech Holdings Limited, a company incorporated in Bermuda with limited liability and shares of HK$0.01 each in the capital of MIHL are listed on GEM
"MOP"	Patacas, the lawful currency of Macao
"MTNHL"	Mobile Telecom Network (Holdings) Limited, a company incorporated in the Cayman Islands with limited liability and the MTNHL Shares are listed on GEM
"MTNHL Shares"	shares of US$0.01 each in the capital of MTNHL
"Nomination Committee"	the nomination committee of the Company
"Offer Date"	the date of which the offer of the grant of an Option made pursuant to the Scheme is made to a Participant

"Option"	a right to subscribe for the Shares granted pursuant to the Scheme
"Participant(s)"	any employee of the Group, including Directors, at the time when the Option is granted to such employee, and certain consultants, suppliers or customers of the Group who, in the sole discretion of the Board, have contributed or will contribute or can contribute to the Group
"PRC"	The People's Republic of China
"Property"	Rua Ribeira do Patane nºs 52A-52D, Edifício Cho Cheong, A r/c, Macao
"QM"	Queen Mary and Westfield College of the University of London
"Remuneration Committee"	the remuneration committee of the Company
"RMB"	Renminbi, the lawful currency of Mainland China
"Scheme"	the share option scheme approved by the Members at a special general meeting on 5th November, 2002
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended from time to time
"Share(s)"	share(s) of HK$0.10 each in the capital of the Company
"STL"	Source Tech Limited, details of which can be referred to in note 9 to the financial statements
"Subscription Price"	the price per Share at which a Grantee may subscribe for the Shares on the exercise of an Option granted pursuant to the Scheme
"Substantial Shareholder"	in relation to a company means a person who is entitled to exercise, or control the exercise of, 10% or more of the voting power at any general meeting of the Company
"TCM"	Teleconcept-Multimedia N.V., a deregistered company incorporated in the Kingdom of the Netherlands with limited liability
"Timor-Leste"	The Democratic Republic of Timor-Leste
"TS-IEMS"	Tidestone Intelligent Environment Monitoring Software
"TSTSH"	泰思通軟件（上海）有限公司， details of which can be referred to in note 8(a) to the financial statements

Definitions

"TTSA"	Timor Telecom S.A., a company incorporated in Timor-Leste with limited liability
"UK"	The United Kingdom of Great Britain and Northern Ireland
"UM"	University of Macau
"US$"	United States Dollar, the lawful currency of USA
"USA"	The United States of America
"VHL"	Vodatel Holdings Limited, details of which can be referred to in note 8(a) to the financial statements
"Year"	the year ended 31st December, 2008
"Zetronic"	Zetronic Communications (Macau) Limited, a company incorporated in Macao with limited liability