VODATEL

(Stock code: 8033)

09 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

Fung Kee Yue Roger
Wong Tsu An Patrick
Tou Kam Fai

Authorised Representatives

Yim Hong
Monica Maria Nunes

Company Secretary

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

Compliance Officer

Monica Maria Nunes

Audit Committee

Fung Kee Yue Roger
Wong Tsu An Patrick
Tou Kam Fai

Auditor

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

Registered Office

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Head Office and Principal Place of Business

74 da Rua da Felicidade
Edifício Vodatel
Taipa
Macao
Tel: (853) 28721182, 28718033
Fax: (853) 28717800, 28752909

Place of Business in Hong Kong

Room 713B, 7th Floor
Block B, Sea View Estate
2-8 Watson Road
North Point
Hong Kong
Tel: (852) 2587 8868
Fax: (852) 2587 8033

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 systems infrastructure and applications, CNMS and customised software solutions.

The Group provides an integrated span of services in network and systems infrastructure and applications and software solutions, ranging from network and systems planning, design, provision of equipment and software, installation and implementation to maintenance and technical support for telecommunications service providers in PRC and enterprises customers in selected vertical markets. 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 .The Group also provides data and environmental controlling solutions that allow users to readily and flexibly access, manage and utilise information/data and to conduct effective and improved environmental monitoring . 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,

I am pleased to present to you the report of Vodatel for 2009.

Results

Revenue achieved during the Year was HK$231,792,000. With continuous effort to improve operating margins via the sale of self-developed products and provision of support services, together with hefty dividend income from TTSA, the Group reported operating profit of HK$22,890,000 and net profit of HK$32,857,000.

Financial strength is essential and our balance sheet is built on a conservative approach with no debt. Our equity base grew to HK$142,668,000 with cash balances (including pledged bank deposits) as at 31st December 2009 standing at HK$102,604,000.

Dividends

I am pleased to announce that Vodatel will resume payment of dividends and the Board proposed a final dividend of HK$0.005 per Share. Sharing the results of Vodatel with our Members is one of the most effective ways to show our appreciation and gratitude to our Members for your long-term support towards the Group, in particular being there with us during our hard times.

Putting our Mission into Actions

With the conventional business elements that once shaped Vodatel being challenged, during 2003, we began to take transformational moves to reshape the Company. Focusing on the mission of Vodatel – to strengthen the financial footing, maintain sustainable growth and enhance value for Members – we realigned our business strategies to strive for reliability and efficiency across our businesses and proactively dealt with issues that wavered our focus on the mission.

Investing is an art as investment discipline should cover those with solid returns yet resilient in different economic scenarios. The investment in TTSA is sure a predominant example. Not only have we fully recovered our investment, we have received another strong dividend income of HK$19,723,000 during the Year.

During the Year, we responded swiftly to market uncertainties and restructure Vodatel to make it leaner, more competitive and more flexible. We completed a cost reduction programme, achieving over HK$6,000,000 in costs savings. We adjusted our staff mix, making our human assets more reliable and productive, yet without diluting the talents that make us strong.

We witnessed improvements to our base operations as we shifted our market focus back to Macao and increased our investment in our products domain by developing our own software and building a prowess support service team. Revenue derived from Macao now attributed over 50% of the sales volume of the Group. We also made major breakthroughs by extending our reach to serving over twenty departments under the Government of Macao, recognising over HK$30,000,000 of maintenance support service income, penetrating deeper into the sector of armed force police in Mainland China, winning our first contract from China Unicom, and doubling the sales of CNMS to over HK$20,000,000.

"Vodatel" nor "Mega Datatech" has never been a household name, yet the landmark projects that we do in Macao, such as the involvement in the one-stop electronic government application system, automatic passenger clearance system and the legislative election, do affect the general public and people from all walks of life. No matter whether you are logging onto the website of the Government of Macao, using the electronic channel at the Macao-Zhuhai border or at the Macao ferry terminal or casting your vote at the legislative election, you will already be using a system that is either built or supported by us.

The Steps Going Forward

Enjoying the results that we have achieved is a luxury as economic uncertainties will continue to grip global attention. Therefore, we will continue to maintain a solid financial stance and adopt a disciplined and prudent management approach to support the long-term growth of Vodatel. We will look for opportunities to grow our business and will focus on discovering business that will bring and enhance the long-term viability of the Group. Going forward, we will have our eyes on expanding our customer base, strengthening the sphere of our products and support service team, reassuring our position as the provider-of-choice when it comes to network solutions, and pressing more value out of the resources, both capital and human, that we deploy in our operations.

Sustainability is the goal, which will take time and a lot of effort to achieve. However, we are far-sighted and will continue to invest in our employees, as by doing so, we are investing in the future of Vodatel, thus creating value that our Members expect in the long term.

A Note of Thanks

Finally, 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 as their ingenuity is the cornerstone of Vodatel for delivering good results. They are a dedicated team. Lastly, I would like to thank our Members for investing in Vodatel.

José Manuel dos Santos
Chairman

Macao, 23rd March 2010

Management Discussion and Analysis

REVIEW OF BUSINESS ACTIVITIES

Gaming and Hospitality Sector in Macao

During the Year, gaming operators remained cautious as they carefully studied the aftermath of the financial turmoil on their own financial standing and on the number of visitors visiting Macao. Consequently, different gaming and hotel operators amended the size and momentum of their capital expenditures when it came to upgrade, development and expansion of premises and integrated resorts. Despite so, the Group successfully completed a handful of contracts for different gaming operators, including a project that involved the installation of a radio trunking system at an urban integrated entertainment resort in the Cotai area and another project that called for the construction of a structured cabling system and a radio trunking system at newly renovated gaming premises of a gaming operator in the Macao peninsula.

With gaming revenue generated from casinos in Macao soaring to new heights during the Year and number of visitors to Macao growing, the Group is confident that, with an upbeat to market sentiments, gaming and hotel operators will gradually resume their development and expansion plans, translating to new business opportunities for the Group.

The work of the Group with the customers does not stop right upon the completion of each project. As an experienced solution provider that involved in the design, installation and commissioning of some of the most sophisticated surveillance systems for casinos, the Group continued to be engaged by the gaming operators to reposition and realign their surveillance systems as they implemented changes to the floor plans of the gaming halls to support different marketing strategies. Capitalising on the foothold as one of the solution providers that gaming and hotel operators engaged when building their flagships, the Group advanced further by taking a proactive role in introducing to gaming and hotel operators additions, upgrades or enhancements to their existing data and office networks, storage and backup systems so that the performance of their networks and systems will always be at their optimal levels.

Public Sector in Macao

In the domestic territory, to drive economic activities, the Government of Macao has been actively investing in infrastructure, creating numerous business opportunities for local enterprises. As a well-established enterprise in Macao with a strong marketing team and a group of professional and experienced engineers, the Group is able to enjoy an advantageous position and successfully secure a number of projects from the Government of Macao. Today, not only is the Group consecutively serving the Government of Macao for over fifteen years, the two operating subsidiaries wholly owned by the Company, namely VHL and MDL, are solution providers to over twenty departments, including but not limited to the Office of the Chief Executive, Identification Bureau, Civic and Municipal Affairs Bureau, Macao Customs Service, Public Security Police Force, Judiciary Police, Health Bureau and Land, Public Works and Transport Bureau, to name a few. Among the projects secured, which covered systems in the areas of structured cabling, surveillance, trunking radio, data and office networks, and storage and backup systems, MDL in particular, completed a series of projects for the Government of

Macao. Landmark projects included enhancements to the one-stop electronic government application system for the Civic and Municipal Affairs Bureau, and installation of a structured cabling and networks switching system for the Macao Science Centre. MDL is also an active participant in the automatic passenger clearance system project that involved the expansion of the number of electronic channels for passengers entering and departing Macao at the Macao ferry terminal and the Macao-Zhuhai border and is proud to be selected as a solution provider to support the legislative election held in Macao on 20th September 2009.

In addition to serving the Government of Macao, MDL is also a key solution provider to the local electricity bureau and a number of educational institutions. During the Year, MDL completed the implementation of an office network and a document management system for the Institute for Tourism Studies and participated in the installation and commissioning of a data networking system for the local electricity bureau.

Telecommunications Sector in Hong Kong and Mainland China

In Hong Kong, the Group is proud to be chosen by a renowned communications and security service provider in the Asia Pacific region to participate in a major project upgrade to their network infrastructure which involved replacement of certain legacy network equipment and migration of data traffic. With the upgrade, the communications and security service provider can now leverage its fully meshed networks, maximise their quality, performance and security, and enable delivery of increased bandwidth capacity in Internet connections.

In Mainland China, although the traditional business of data networking continued to be under pressure, TSTSH and its holding company reported solid performance during the Year with revenue generated from the sale of CNMS reaching HK$21,172,000. In addition to successfully passing the final acceptance tests of its CNMS installed at China Telecom in the provinces of Shaanxi, Hebei and Jiangxi, the municipalities of Chongqing and Shanghai and the autonomous region of Xinjiang, TSTSH continued to secure contracts to install its CNMS at different telecommunications service providers, including China Telecom in the province of Shanxi and China Telecom in the municipality of Chongqing, the latter of which involved deploying the CNMS of TSTSH to manage and monitor five hundred and twenty-five code division multiple access (CDMA) station rooms.

During the Year, TSTSH broke new grounds and successfully sold its CNMS to China Unicom in the province of Shandong. This win is crucial as it marks the first win of TSTSH from China Unicom. In the sector of armed force police, subsequent to receiving positive responses from the implementation of its CNMS at the armed force police in the province of Jiangxi, TSTSH extended its reach during the Year to other provinces and municipalities and secured contracts to sell the Intelligent Data Collection Module and the Information Collection and Analysis module of its CNMS to the armed force police in the province of Zhejiang and the municipality of Shanghai respectively.

Building a Solid Service Support Team

The continuous investment made to the support service team allows the Group to evolve as a trusted partner when it comes to provision of support and maintenance services. As a solution provider that chartered some of the most stringent and mission critical systems, such as data networking systems for telecommunications service providers in Mainland China, surveillance systems for gaming operators, trunking radio systems police force and electronic channels for daily use by the general public of Macao at different entry points, today, the Group has built a team of highly trained and experienced engineers that provides 24/7 support services. 2009 has been a good year as the Group recognised aggregate maintenance service income worth over HK$30,000,000 from the Government of Macao, different gaming and hotel operators and telecommunications service providers. The customers that engage the Group and the kind of systems that the Group is required to monitor reassure the capability and reliability of the Group as a trusted provider of support services.

Investments Holding Activities

With respect to the investment of the Group in MTNHL, which is a mobile data solutions provider that engages in the development and provision of mobile data solutions, the operating performance of MTNHL was adversely affected by the global economic turmoil. Turnover for the nine-month period ended 31st December 2009 stood at HK$13,453,000, representing a decrease of approximately 11.92% over the same corresponding period of last year, with net loss of HK$145,000 reported as compared to net profit of HK$630,000 for the same corresponding period of last year.

As the stock performance of MTNHL during 2008 was undermined by prolonged depressed market conditions, during 2008, the Group recorded an impairment of HK$11,005,000 to the carrying costs of MTNHL. With the stock performance of MTNHL stabilising during the Year, no further impairment is warranted.

Among the investments that the Group made over the years, our equity participation in TTSA is the most outstanding of all. First, with the receipt of the dividend payment during 2008, the Group fully recovered its capital investments in TTSA. Second, during the Year, the Group received another hefty dividend payment of HK$19,723,000. Third, attributable to the strong increase in the number of mobile customers, the operating performance of TTSA remained exceptionally sound during the Year, with revenue and EBITDA edging up by 26.1% and 21.1% on a year-on-year basis to approximately US$49,000,000 (HK$379,857,000) and US$25,000,000 (HK$193,805,000) respectively and EBITDA margin standing at 51.4%. Net additions of mobile customers reached approximately 226,000, bringing total customer base to approximately 351,000 as at the end of December 2009 or an increase of 180.7% over last year. The strong growth was the result of launch of new commercial offers and investment made to extend network coverage. With the strong customer growth, mobile average revenue per user dropped by 31.2% to US$17.9 (approximately HK$139).

With an established foothold, the Group extended its reach to explore other business opportunities in the telecommunications and energy sectors in Timor-Leste. To tap these new challenges, during January 2010, the Group intended to form a partnership with a Portuguese company that principally engages in design, engineering, construction, installation to operation and maintenance of telecommunications and energy networks.

REVIEW OF OPERATING RESULTS

Turnover and Profitability

Despite a strong fourth quarter, with the aftermath of the financial turmoil still at large, revenue of the Group for the Year levelled against 2008 to stand at HK$231,792,000. Revenue derived from markets in Macao and Hong Kong was at similar levels for both years, while weak operating performance of the traditional business in data networking in Mainland China was compensated by higher revenue generated from sale of CNMS. Although undertaking projects still represented a major component of the revenue base of the Group, with increasing focus on the higher margin businesses, that is, sale of self-developed software and provision of support services, the Group is able to enjoy improved gross profit margin. Together with the conclusion of installation and service part of a major structured cabling system during the Year, gross profit margin improved considerably to over 30%.

During 2008, reversal of impairment of trade receivables of HK$6,674,000 was noted. During the Year, impairment of trade receivables of HK$1,616,000 was recognised. Consequently, aggregate selling, marketing and administrative expenses for the Year amounted to HK$70,902,000 as compared to HK$69,072,000 for 2008. Should the impact of provision against trade receivables were excluded, total selling, marketing and administrative expenses for the Year and 2008 will be adjusted to HK$69,286,000 and HK$75,746,000 respectively and an improvement to the overall cost structure of HK$6,460,000 will be noted. This cost improvement stemmed from a series of exercises undertaken during the Year to streamline the operations, reduce redundancy and maximise utilisation of resources, such moves of which became necessary as the Group experienced uncertain market conditions during the first quarter of the Year due to the lagging effects of the financial turmoil.

Nevertheless, a strong fourth quarter, hefty dividend income of HK$19,723,000 received from TTSA and the absence of further impairment to the carrying costs of MTNHL contributed to a noticeable financial improvement of the Group as compared to 2008. During the Year, the Group successfully turned around its operating performance from reporting an operating loss of HK$22,766,000 for 2008 to reporting an operating profit of HK$22,890,000 for the Year.

With nil borrowings, together with overprovided income taxes from prior years being reversed, the Group registered net profit of HK$32,857,000.

Capital Structure and Financial Resources

With net profit of HK$32,857,000 reported during the Year, equity base of the Group strengthened considerably from HK$106,206,000 to HK$142,668,000. The Group continued to maintain a debt-free capital structure with nil bank borrowings. The practice of prudent cash management proved effective as this careful approach weathered the Group against turbulent and uncertain market conditions. Going forward, such approach will continue to be applied when managing the capital structure of the Group.

Management Discussion and Analysis

Level of inventory dropped considerably during the Year from HK$13,620,000 to HK$5,856,000, which was in line with the focus of the Group geared towards business activities involving sale of self-developed software and provision of support services. Special care has also been put to control level of inventory so as to avoid risk of potential stock obsolescence.

A strong fourth quarter in revenue created a hike to the level of trade receivables by over 20.7% as at 31st December 2009 as compared to the level as at 31st December 2008. As at 19th March 2010, over HK$35,000,000 of trade receivables have subsequently been settled. Efforts to ensure timing recovery of trade receivables will remain a top priority.

Employees' Information

As at 31st December 2009, the Group had 323 employees, of which 208, 9 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 2009, the Group did not have any significant capital commitments and significant investments.

Charges on Group Assets

As at 31st December 2009, bank deposits of approximately HK$6,934,000 was pledged for obtaining banking facilities and issuing 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

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 in the Year.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

José Manuel DOS SANTOS, aged 62, 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 52, 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 44, 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 41, 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

FUNG Kee Yue Roger, aged 57, 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.

WONG Tsu An Patrick, aged 36, 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 member of the Young Presidents' Organization and also a certified public accountant in USA (qualified by the State Board of Accountancy of the State of Colorado).

Biographical Details of Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS (Continued)

Tou Kam Fai, aged 52, was first appointed as an independent non-executive Director on 13th May 2009. He first started his own business in seafood processing and trading in 1992 and has since accumulated over fifteen years of experience in the industry with business dealings in the Asia Pacific region and North America. He also liaises business activities between the Bolivarian Republic of Venezuela and PRC and is an investor in both countries.

SENIOR MANAGEMENT (By alphabetical order)

CHAN Chi Pio, aged 40, 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 45, 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.

CHUI Yiu Sui, aged 40, is the assistant general manager of MDL. He graduated from AIOUM, PRC with a degree of Bachelor of Arts. He joined MDL in 1993 as an assistant software manager and was gradually promoted to managerial positions over the past ten years.

FOO Chun Ngai Redford, aged 36, 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 47, 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 networks 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.

KUOK Cheng Ian, aged 62, is the general manger of ZHMDSL in charge of software research and development. He holds a Master Degree in Business Administration from Barrington University, USA. Before joining the Group, he worked for a number of companies including Heng Va Company Limited and Talent Rank Limited as the technical director and general manager respectively.

LIU Lei, aged 34, is the assistant general manager of ZHMDSL in charge of product development with involvement in marketing activities of products and telecommunications projects. He graduated from Harbin Institute of Engineering in accounting related studies in 1999 and from 黑龍江省行政學院 in economic management in 2005. He joined ZHMDSL in 2002.

SENIOR MANAGEMENT (By alphabetical order) (Continued)

LOI Man Keong, aged 39, is the sales manager of MDL. He obtained a degree of Bachelor of Economics from JU, PRC and a degree of Bachelor of Laws from China University of Political Science and Law, PRC. He joined MDL in 1994 as a sales executive and was promoted to sales manager in 2006 responsible for product sales of MDL.

Manouchehr MEHRABI, aged 51, 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.

MOK Chi Va, aged 44, is the sales director of the Group 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 operation manager and Tung Tat E&M Engineering Co. Limited as project manager.

NG Ka Leung, aged 40, 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.

WANG Qing, aged 39, 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 60, 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 45, is the senior regional business director of the Group in Mainland China. He graduated from JU, 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 46, 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.

Corporate Governance Report

1. Corporate governance practices

The Company complied with the Code Provisions of the Code on Corporate Governance Practices as set out in Appendix 15 of the GEM Listing Rules throughout the Year.

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:	Lo King Chiu Charles (resigned on 1st April 2009)
	Fung Kee Yue Roger
	Wong Tsu An Patrick
	Tou Kam Fai (appointed on 13th May 2009)

3. Board (Continued)

Four meetings were held during the Year.

The attendance record of each Director was as follows:

José Manuel dos Santos	4/4
Yim Hong	4/4
Kuan Kin Man	4/4
Monica Maria Nunes	4/4
Lo King Chiu Charles	1/1
Fung Kee Yue Roger	4/4
Wong Tsu An Patrick	4/4
Tou Kam Fai	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 property, plant and equipment.

(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 Lo King Chiu Charles on 1st April 2009 and until the appointment of Tou Kam Fai on 13th May 2009, 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. 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. Tou Kam Fai was appointed for a two-year term expiring on 12th May 2011. 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)
Lo King Chiu Charles	(resigned on 1st April 2009)
Fung Kee Yue Roger	
Wong Tsu An Patrick	
Tou Kam Fai	(appointed on 13th May 2009)

The executive Directors' service contracts only renewed in the year ended 31st December 2008 and expired on 11th February 2010, therefore no meeting was held during the Year.

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)
Lo King Chiu Charles	(resigned on 1st April 2009)
Fung Kee Yue Roger	
Wong Tsu An Patrick	
Tou Kam Fai	(appointed on 13th May 2009)

The chairman of the Nomination Committee nominated a candidate 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
Lo King Chiu Charles	0/0
Fung Kee Yue Roger	1/1
Wong Tsu An Patrick	1/1
Tou Kam Fai	0/0

During the Year, the Nomination Committee nominated Tou Kam Fai to fill in the casual vacancy of independent non-executive Director after the resignation of Lo King Chiu Charles.

8. Auditor's remuneration

Remuneration of audit is HK$1,300,000 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:

Wong Tsu An Patrick	(Chairman)
Lo King Chiu Charles	(resigned on 1st April 2009)
Fung Kee Yue Roger	
Tou Kam Fai	(appointed on 13th May 2009)

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

Lo King Chiu Charles	1/1
Fung Kee Yue Roger	4/4
Wong Tsu An Patrick	4/4
Tou Kam Fai	2/2

During the Year, the Audit Committee reviewed the financial reports for the Year, for the six months ended 30th June 2009 and for the quarters ended 31st March 2009 and 30th September 2009. 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 Lo King Chiu Charles on 1st April 2009 and until the appointment of Tou Kam Fai on 13th May 2009, 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. 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 misstatements, 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 2010

Report of the Directors

The Directors submit their report together with the audited consolidated 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 7 to the consolidated financial statements.

An analysis of the performance of the Group for the Year by operating segment is set out in note 5 to the consolidated 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 Directors recommend the payment of a final dividend of HK$0.005 per Share, totalling HK$3,069,000.

Reserves

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

Property, plant and equipment

Details of the movements in property, plant and equipment of the Group are set out in note 6 to the consolidated financial statements.

Share capital

Details of the movements in share capital of the Company are set out in note 16 to the consolidated financial statements.

Distributable reserves

Distributable reserves of the Company as at 31st December 2009, calculated under the Companies Act 1981 of Bermuda (as amended), amounted to approximately HK$174,754,000 (2008: HK$124,877,000).

Five year financial summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 100.

Report of the Directors

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 purchased or sold any of the Shares during the Year.

Options

Options were granted to Directors, and employees and consultants at the invitation of the Directors 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 2009 was 61,381,900, representing 10% of the issued share capital of the Company as at 31st December 2009.

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 2009 which were granted under the Scheme are as follows:

	Number of Options						
	Held as at 1st January 2009	Lapsed during the Year	Held as at 31st December 2009	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
Lo King Chiu Charles (resigned as Director on 1st April 2009)	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	16,416,000	(2,154,000)	14,262,000	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
	20,806,000	(2,654,000)	18,152,000				

Report of the Directors

Directors

The Directors during the Year and up to the date of this report are:

Executive Directors	
José Manuel dos Santos	(Chairman)
Yim Hong	
Kuan Kin Man	
Monica Maria Nunes	

Independent non-executive Directors	
Lo King Chiu Charles	(resigned on 1st April 2009)
Fung Kee Yue Roger	
Wong Tsu An Patrick	
Tou Kam Fai	(appointed on 13th May 2009)

In accordance with Article 87 of the bye-laws of the Company, Fung Kee Yue Roger retires by rotation at the forthcoming AGM and, being eligible, offers himself for re-election.

Fung Kee Yue Roger, Wong Tsu An Patrick and Tou Kam Fai 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. Tou Kam Fai was appointed for a two-year term expiring on 12th May 2011.

Directors' service contracts

None of the Directors who are proposed for re-election at the forthcoming AGM 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 34 to the consolidated financial statements.

Save as disclosed herein, no contracts of significance in relation to the business of the Group to which the Company or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted as at 31st December 2009 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 2009 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)	301,538,000	—	49.12%
	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%
Fung Kee Yue Roger	Personal (note 6)	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 2009, these Shares were held in the name of ERL. The entire issued share capital in ERL was held by LRL, a company 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 49.12% 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 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.

ERL, José Manuel dos Santos and his nephews (who are Rui Nuno dos Santos, Luis Alberto dos Santos and Antonio dos Santos Robarts, all of whom hold interests in 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 of 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 at 31st December 2009, the parties acting in concert with ERL and José Manuel dos Santos held approximately 59.80% 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 2009, 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)	301,538,000	49.12%
LRL	Corporate interest (note 1)	301,538,000	49.12%
Lei Hon Kin (note 2)	Family interest	302,338,000	49.26%

Notes:

1 As at 31st December 2009, 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.

Report of the Directors

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	18.78%
– five largest suppliers combined	53.63%
Sales	
– the largest customer	32.54%
– five largest customers combined	63.82%

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 these major suppliers or customers.

Connected transactions

Certain related party transactions as disclosed in note 34 to the consolidated financial statements also constituted exempted connected transactions under the GEM Listing Rules.

Sufficiency of public float

Based on the information that was publicly available to the Company 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 22nd March 2010.

Competing business

As at 31st December 2009, 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 consolidated 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 2010

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 99, which comprise the consolidated and Company balance sheets as at 31st December 2009, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these 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 2009 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 23rd March 2010

Consolidated Balance Sheet

	Note	As at 31st December 2009 HK$'000	2008 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	**759**	1,046
Investment in an associate	8	**661**	656
Available-for-sale financial assets	9(a),11	**19,820**	16,226
		21,240	17,928
Current assets			
Inventories	12	**5,856**	13,620
Current income tax prepaid		**251**	—
Trade receivables	9(a),10,13	**84,801**	70,254
Other receivables, deposits and prepayments	9(a),13	**11,131**	18,454
Pledged bank deposits	9(a),10,14	**6,934**	9,108
Cash and cash equivalents	9(a),10,14	**95,670**	89,961
		204,643	201,397
LIABILITIES			
Current liabilities			
Trade and bills payables	15	**35,035**	50,796
Other payables and accruals	15	**42,358**	45,151
Current income tax liabilities		**5,822**	17,172
		83,215	113,119
Net current assets		**121,428**	88,278
Total assets less current liabilities		**142,668**	106,206

	Note	As at 31st December 2009 HK$'000	 2008 HK$'000
Financed by:			
EQUITY			
Equity attributable to owners of the parent			
Shares	16	**61,382**	61,382
Other reserves	18(a)	**143,393**	139,792
Accumulated losses			
– Proposed final dividends	28	**3,069**	—
– Other		**(69,160)**	(100,264)
		138,684	100,910
Minority interest		**3,984**	5,296
Total equity		**142,668**	106,206

The notes on pages 40 to 99 are an integral part of these consolidated financial statements.

The consolidated financial statements on pages 32 to 99 were approved by the Board on 23rd March 2010 and were signed on its behalf.

José Manuel dos Santos
Director

Monica Maria Nunes
Director

Balance Sheet

	Note	2009 HK$'000	2008 HK$'000
		As at 31st December	
ASSETS			
Non-current assets			
Investments in subsidiaries	7(a)	**75,605**	75,670
Current assets			
Amounts due from subsidiaries	7(b),9(b)	**177,942**	125,027
Other receivables and prepayments	9(b),13	**100**	242
Cash and cash equivalents	9(b),10,14	**679**	82
		178,721	125,351
LIABILITIES			
Current liabilities			
Amounts due to subsidiaries	7(b),9(b)	**14,161**	9,973
Other payables and accruals	15	**1,038**	1,798
		15,199	11,771
Net current assets		**163,522**	113,580
Total assets less current liabilities		**239,127**	189,250
Financed by:			
EQUITY			
Equity attributable to owners of the parent			
Shares	16	**61,382**	61,382
Other reserves	18(b)	**174,385**	174,385
Retained earnings/(accumulated losses)			
– Proposed final dividends	28	**3,069**	—
– Other	18(b)	**291**	(46,517)
Total equity		**239,127**	189,250

The notes on pages 40 to 99 are an integral part of these consolidated financial statements.

The consolidated financial statements on pages 32 to 99 were approved by the Board on 23rd March 2010 and were signed on its behalf.

José Manuel dos Santos
Director

Monica Maria Nunes
Director

Consolidated Income Statement

		Year ended 31st December	
	Note	**2009 HK$'000**	2008 HK$'000
Continuing operations			
Revenue	5	**231,792**	232,395
Cost of sales	20	**(160,241)**	(185,527)
Gross profit		**71,551**	46,868
Selling and marketing costs	20	**(5,810)**	(5,690)
Administrative expenses	20	**(65,092)**	(63,382)
Other gains/(losses) - net	21	**22,241**	(562)
Operating profit/(loss)		**22,890**	(22,766)
Finance income	23	**394**	995
Finance costs	23	**—**	(1)
Finance income - net	23	**394**	994
Share of profit of an associate	8	**5**	84
Profit/(loss) before income tax		**23,289**	(21,688)
Income tax credit	24	**9,568**	11,696
Profit/(loss) for the Year from continuing operations		**32,857**	(9,992)
Discontinued operations			
Profit for the Year from discontinued operations	33	**—**	1,670
Profit/(loss) for the Year		**32,857**	(8,322)
Attributable to:			
Equity holders of the Company		**34,173**	(6,887)
Minority interest		**(1,316)**	(1,435)
		32,857	(8,322)

Consolidated Income Statement

	Note	Year ended 31st December **2009**	2008
Earnings per Share from continuing and discontinued operations attributable to the equity holders of the Company during the Year (expressed in HK cents per Share)			
Basic and diluted earnings/(loss) per Share			
From continuing operations	27	**5.57**	(1.39)
From discontinued operations	27	**Not applicable**	0.27
		5.57	(1.12)
Dividends (expressed in HK$'000)	28	**3,069**	—

The notes on pages 40 to 99 are an integral part of these consolidated financial statements

Consolidated Statement of Comprehensive Income

		Year ended 31st December	
	Note	**2009 HK$'000**	2008 HK$'000
Profit/(loss) for the Year		**32,857**	(8,322)
Other comprehensive income:			
Fair value gains on available-for-sale financial assets	11	**3,594**	—
Reserves transferred to income statement upon impairment of available-for-sale financial assets	11	**—**	1,264
Currency translation differences		**11**	1,810
Other comprehensive income for the Year, net of tax		**3,605**	3,074
Total comprehensive income/(loss) for the Year		**36,462**	(5,248)
Attributable to:			
Equity holders of the Company		**37,774**	(3,813)
Minority interest		**(1,312)**	(1,435)
Total comprehensive income/(loss) for the Year		**36,462**	(5,248)

The notes on pages 40 to 99 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

	Note	Attributable to the equity holders of the Company					
		Shares	Other reserves	Accumulated losses	Total	Minority interest	Total equity
	Note	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Balance as at 1st January 2008		61,382	136,718	(93,377)	104,723	6,731	111,454
Comprehensive income							
Loss of the year ended 31st December 2008		—	—	(6,887)	(6,887)	(1,435)	(8,322)
Other comprehensive income							
Reserves transferred to income statement upon impairment of available-for-sale financial assets	11	—	1,264	—	1,264	—	1,264
Currency translation differences		—	1,810	—	1,810	—	1,810
Total other comprehensive income		—	3,074	—	3,074	—	3,074
Total comprehensive income/(loss)		—	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
Balance as at 1st January 2009		61,382	139,792	(100,264)	100,910	5,296	106,206
Comprehensive income							
Profit for the Year		—	—	34,173	34,173	(1,316)	32,857
Other comprehensive income							
Fair value gains on available-for-sale financial assets	11	—	3,594	—	3,594	—	3,594
Currency translation differences		—	7	—	7	4	11
Total other comprehensive income		—	3,601	—	3,601	4	3,605
Total comprehensive income		—	3,601	34,173	37,774	(1,312)	36,462
Balance as at 31st December 2009		61,382	143,393	(66,091)	138,684	3,984	142,668
Representing:							
Shares, reserves and minority interest							139,599
Proposed final dividend	28						3,069
Balance as at 31st December 2009							142,668

The notes on pages 40 to 99 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

	Note	2009 HK$'000	2008 HK$'000
		Year ended 31st December	
Cash flows from operating activities			
Cash (used in)/generated from operations	29	**(15,252)**	12,667
Interest paid		**—**	(1)
Income tax refund		**—**	987
Income tax paid		**(2,033)**	(4,088)
Net cash (used in)/generated from operating activities		**(17,285)**	9,565
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash acquired	32	**817**	—
Disposal of a subsidiary, net of cash disposed		**—**	155
Purchases of property, plant and equipment	6	**(125)**	(193)
Proceeds from sale of freehold land, property, plant and equipment	29	**—**	4,800
Interest received		**394**	995
Dividends received	21	**19,723**	8,228
Net cash generated from investing activities		**20,809**	13,985
Cash flows from financing activities			
Pledged bank deposits		**2,174**	(633)
Net cash generated from/(used in) financing activities		**2,174**	(633)
Net increase in cash and cash equivalents		**5,698**	22,917
Cash and cash equivalents at beginning of Year		**89,961**	65,245
Exchange gains on cash and cash equivalents		**11**	1,799
Cash and cash equivalents at end of Year		**95,670**	89,961

The notes on pages 40 to 99 are an integral part of these consolidated financial statements.

Notes to the Consolidated 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 systems infrastructure and applications, CNMS and customised software solutions.

The Group provides an integrated span of services in network and systems infrastructure and applications and software solutions, ranging from network and systems planning, design, provision of equipment and software, installation and implementation to maintenance and technical support for telecommunications service providers in PRC and enterprises customers in selected vertical markets. 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 the various operators to effectively and efficiently manage the performance of and traffic over the networks. The Group also provides data and environmental controlling solutions that allows users to readily and flexibly access, manage and utilise information/data and to conduct effective and improved environmental monitoring. The Group also designs and builds customised software 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 has its listing 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 2010.

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. The consolidated financial statements 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) New and amended standards adopted by the Group

The Group adopted the following new and amended HKFRS as at 1st January 2009:

- HKFRS 7 (Amendment) "Financial Instruments - Disclosures" - effective 1st January 2009. The amendment required enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment required disclosure of fair value measurements by level of a fair value measurement hierarchy. As the change in accounting policy only resulted in additional disclosures, there was no impact on earnings per Share.

- HKAS 1 (Revised) "Presentation of Financial Statements" - effective 1st January 2009. The revised standard prohibited the presentation of items of income and expenses (that was, "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 in a statement of comprehensive income. As a result the Group presented in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity were presented in the consolidated statement of comprehensive income. Comparative information was re-presented so that it also was in conformity with the revised standard. Since the change in accounting policy only impacted presentation aspects, there was no impact on earnings per Share.

- HKFRS 8 "Operating Segments" - effective 1st January 2009. HKFRS 8 replaced HKAS 14 "Segment Reporting". It required a "management approach", under which segment information was presented on the same basis as that used for internal reporting purposes. This resulted in an increase in the number of reportable segments presented. In addition, the segments were reported in a manner that was more consistent with the internal reporting provided to the chief operating decision-maker. Comparatives for 2008 in note 5 were restated. However, such restatement in note disclosure did not have any impact on the consolidated balance sheets.

2 Summary of significant accounting policies (Continued)

(a) Basis of preparation (Continued)

(ii) Amendments to existing standards and interpretations effective in the Year but not relevant to the operations of the Group

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

- HKFRS 1 (Amendment) "First-time Adoption of HKFRS" and HKAS 27 "Consolidated and Separate Financial Statements"
- HKFRS 2 (Amendment) "Share-based Payment"
- HK(IFRIC)-Int 9 "Reassessment of Embedded Derivatives" and HKAS 39 (Amendment) "Financial Instruments: Recognition and Measurement"
- HK(IFRIC)-Int 13 "Customer Loyalty Programmes"
- HK(IFRIC)-Int 15 "Agreements for the Construction of Real Estate"
- HK(IFRIC)-Int 16 "Hedges of a Net Investment in a Foreign Operation"
- HK(IFRIC)-Int 18 "Transfer of Assets from Customers"
- HKAS 16 (Amendment) "Property, Plant and Equipment" (and consequential amendment to HKAS 7 "Statements of Cash Flows")
- HKAS 19 (Amendment) "Employment Benefits"
- HKAS 20 (Amendment) "Accounting for Government Grants and Disclosure of Government Assistance"
- HKAS 23 (Amendment) "Borrowing Costs"
- HKAS 23 (Revised)
- HKAS 28 (Amendment) "Investments in Associates" (and consequential amendments to HKAS 32 and HKFRS 7)
- HKAS 29 (Amendment) "Financial Reporting in Hyperinflationary Economies"
- HKAS 31 (Amendment) "Interests in Joint Ventures" (and consequential amendments to HKAS 32 and HKFRS 7)

2 Summary of significant accounting policies (Continued)

(a) Basis of preparation (Continued)

(ii) Amendments to existing standards and interpretations effective in the Year but not relevant to the operations of the Group (Continued)

- HKAS 32 (Amendment) "Financial Instruments: Presentation" and HKAS 1 (Amendment)

- HKAS 38 (Amendment) "Intangible Assets"

- HKAS 39 (Amendment)

- HKAS 40 (Amendment) "Investment Property" (and consequential amendments to HKAS 16)

- HKAS 41 (Amendment) "Agriculture"

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

- HK(IFRIC) - Int 17 "Distributions of Non-cash Assets to Owners" - effective for accounting periods on or after 1st July 2009. This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. HKFRS 5 "Non Current Assets Held for Sale and Discontinued Operations" has also been amended to require that assets are classified as held for distribution only when they are available for distribution in their present condition and the distribution is highly probable.

- HKFRS 1 (Amendment), "Additional Exemptions for First-time Adopters" - effective for accounting periods on or after 1st January 2010. The amendments address the retrospective application of HKFRS to particular situations and aims to ensure that entities applying HKFRS will not face undue cost or effort in the transition process.

- HKAS 27 (Revised) - effective for accounting periods on or after 1st July 2009. The amendment requires the effects of all transactions with non-controlling interests, to be recorded in equity if there is no change in control (economic entity model). These transactions will no longer result in goodwill or gains and losses. When control over a previous subsidiary is lost, any remaining interest in the entity is re-measured to fair value, and the resulting gain or loss is recognised in the consolidated income statement. It also provides additional guidance given on linked transactions.

2 Summary of significant accounting policies (Continued)

(a) Basis of preparation (Continued)

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

- HKFRS 3 (Revised) "Business Combinations" - effective for accounting periods on or after 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 interest of the net assets of the acquiree. When a business combination achieved in stages, the acquirer should remeasure its previously held interest in the acquiree at its fair value at the date when control is obtained, recognising a gain/loss in the consolidated income statement. All acquisition-related costs should be expensed.

- HKAS 39 (Amendment), "Eligible Hedged Items" - effective for accounting periods on or after 1st July 2009. It prohibits designating inflation as a hedgeable component of a fixed rate debt. It prohibits including time value in a one-sided hedged risk when designating options as hedges. An entity may only designate the change in the intrinsic value of an option as the hedging instrument of a one-sided risk arising from a forecast transaction in a hedging relationship. A one-sided risk is that changes in cash flows or fair value of a hedged item is above or below a specified price or other variable.

- HKFRS 2 (Amendments), "Group Cash-settled Share-based Payment Transactions" - effective for accounting periods on or after 1st January 2010. In addition to incorporating HK(IFRIC) - Int 8 "Scope of HKFRS 2" and HK(IFRIC) - Int 11 "HKFRS 2 - Group and Treasury Share Transactions", the amendments expand on the guidance in HK(IFRIC) - Int 11 to address the classification of group arrangements that were not covered by the interpretation.

- HKAS 32 (Amendment), "Classification of Rights Issues" - effective for accounting periods on or after 1st February 2010. Rights issues are now required to be classified as equity if they are issued for a fixed amount of cash regardless of the currency in which the exercise price is denominated, provided they are offered on a pro rata basis to all owners of the same class of equity. Entities will no longer classify rights issues, for which the exercise price is denominated in a foreign currency, as derivative liabilities with fair value changes being recorded in profit or loss. Rather, entities will be able to classify these rights in equity with no re-measurement. The scope of the amendment does not extend to foreign currency-denominated convertible bonds.

2 Summary of significant accounting policies (Continued)

(a) Basis of preparation (Continued)

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

- HK(IFRIC) - Int 19 "Extinguishing Financial Liabilities with Equity Instruments" - effective for accounting periods on or after 1st July 2010. The interpretation clarifies the accounting by the debtor when the debtor renegotiates the terms of its debt with the result that the liability is extinguished through issuing its own equity instruments to the creditor (that is a "debt for equity swap"). A gain or loss recognised in profit or loss is the difference between the fair value of the equity instruments issued and the carrying amount of the financial liability. The amount of the gain or loss should be separately disclosed on the face of the statement of comprehensive income or in the notes. This interpretation applies to all debtors that enter into debt for equity swap transactions in full or partial settlement of a financial liability.

- HKAS 24 (Revised) "Related Party Disclosures" - effective for accounting periods on or after 1st January 2011. The amendment introduces an exemption from all of the disclosure requirements of HKAS 24 for transactions among government-related entities and the government. It also clarifies and simplifies the definition of a related party.

- HK(IFRIC) - Int 14 (Amendment) "HKAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction", "Prepayments of a Minimum Funding Requirement" - effective for accounting periods on or after 1st January 2011. Some entities that are subject to a minimum funding requirement have elected to prepay their pension contributions. The amendment requires that an asset is recognised in these circumstances.

- HKFRS 9 "Financial Instruments" - effective for accounting periods on or after 1st January 2013. Financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently at amortised cost. The decision is to be made at initial recognition. The classification depends on the business model of the entity for managing its financial instruments and the contractual cash flow characteristics of the instrument.

  An instrument is subsequently measured at amortised cost only if it is a debt instrument and both the objective of the business model of the entity is to hold the asset to collect the contractual cash flows, and the contractual cash flows of the asset represent only payments of principal and interest (that is, it has only "basic loan features"). All other debt instruments are to be measured at fair value through profit or loss.

  All equity instruments are to be measured subsequently at fair value. Equity instruments that are held for trading will be measured at fair value through profit or loss. For all other equity investments, an irrevocable election can be made at initial recognition, to recognise unrealised and realised fair value gains and losses through other comprehensive income rather than profit or loss. There is to be no recycling of fair value gains and losses to profit or loss. This election may be made on an instrument-by-instrument basis. Dividends are to be presented in profit or loss, as long as they represent a return on investment.

2 Summary of significant accounting policies (Continued)

(a) Basis of preparation (Continued)

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

- Improvements to HKFRS published by HKICPA in October 2008

  - HKFRS 5 (Amendment) (and consequential amendment to HKFRS 1) - effective for accounting periods on or after 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.

- Improvements to HKFRS published by HKICPA in May 2009

  - HKFRS 5 (Amendment), "Disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations" - effective for accounting periods on or after 1st January 2010. This amendment clarifies that HKFRS 5 specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations.

  - HKAS 36 (Amendment), "Unit of accounting for goodwill impairment test" - effective for accounting periods on or after 1st January 2010. This amendment clarifies that the largest cash-generating unit (or group of units) to which goodwill should be allocated for the purposes of impairment testing is an operating segment as defined by HKFRS 8.

  - HKAS 38 (Amendment), "Additional consequential amendments arising from HKFRS 3 (Revised) and measuring the fair value of an intangible asset acquired in business combination" - effective for accounting periods on or after 1st July 2009. This clarifies the description of the valuation techniques commonly used to measure intangible assets acquired in a business combination when they are not traded in an active market. In addition, an intangible asset acquired in a business combination might be separable but only together with a related contract, identifiable asset or liability. In such cases, the intangible asset is recognised separately from goodwill but together with the related item.

  - HKAS 39 (Amendment), "Treating loan prepayment penalties as closely related derivatives" - effective for accounting periods on or after 1st January 2010. This amendment clarifies that loan prepayment penalties are only treated as closely related embedded derivatives, if the penalties are payments that compensate the lender for loss of interest by reducing the economic loss from reinvestment risk. A specific formula is given to calculate the lost interest.

2 Summary of significant accounting policies (Continued)

(a) Basis of preparation (Continued)

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

- Improvements to HKFRS published by HKICPA in May 2009 (Continued)

  - HKAS 39 (Amendment), "Cash flow hedge accounting" - effective for accounting periods on or after 1st January 2010. This amendment clarifies when to recognise gains or losses on hedging instruments as a reclassification adjustment in a cash flow hedge of a forecast transaction that results subsequently in the recognition of a financial instrument. The amendment clarifies that gains or losses should be reclassified from equity to profit or loss in the period in which the hedged forecast cash flow affects profit or loss.

  - HK(IFRIC) - Int 16 (Amendment) - effective for accounting periods on or after 1st July 2009. The amendment states that, in a hedge of a net investment in a foreign operation, qualifying hedging instruments may be held by any entity or entities within the group, including the foreign operation itself, as long as the designation, documentation and effectiveness requirements of HKAS 39 that relate to a net investment hedge are satisfied.

  - HKFRS 2 (Amendment), "Scope of HKFRS 2 and HKFRS 3 (Revised)" - effective for accounting periods on or after 1st July 2009. This amendment confirms that, in addition to business combinations as defined by HKFRS 3 (Revised), contributions of a business on formation of a joint venture and common control transactions are excluded from the scope of HKFRS 2.

  - HKAS 39 (Amendment), "Scope exemption for business combination contracts" - effective for accounting periods on or after 1st January 2010. These amendments clarify that: (i) it only applies to binding (forward) contracts between an acquirer and a vendor in a business combination to buy an acquiree at a future date; (ii) the term of the forward contract should not exceed a reasonable period normally necessary to obtain any required approvals and to complete the transaction; and (iii) the exemption should not be applied to option contracts (whether or not currently exercisable) that on exercise will result in control of an entity, nor by analogy to investments in associates and similar transactions.

  - HK(IFRIC) - Int 9 and HKFRS 3 (Revised) - effective for accounting periods on or after 1st July 2009. The amendment clarifies that it does not apply to possible reassessment, at the date of acquisition, to embedded derivatives in contracts acquired in a combination between entities or businesses under common control or the formation of a joint venture.

  - HKFRS 8 (Amendment), "Disclosure of information about segment assets" - effective for accounting periods on or after 1st January 2010. This amendment clarifies that an entity is required to disclose a measure of segment assets only if that measure is regularly reported to the chief operating decision-maker.

2 Summary of significant accounting policies (Continued)

(a) Basis of preparation (Continued)

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

- Improvements to HKFRS published by HKICPA in May 2009 (Continued)

    - HKAS 1 (Amendment), "Current/non-current classification of convertible instruments" - effective for accounting periods on or after 1st January 2010. Regarding the liability component of convertible instruments, it clarifies that the holder's option which will result in the settlement by the issue of equity instruments is not relevant to its classification as current or non-current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least twelve months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time.

    - HKAS 7 (Amendment), "Classification of expenditures on unrecognised assets" - effective for accounting periods on or after 1st January 2010. This amendment requires that only expenditures that result in a recognised asset in the statement of financial position can be classified as investing activities.

    - HKAS 17 (Amendment) "Leases", "Classification of leases of land and buildings" - effective for accounting periods on or after 1st January 2010. This amendment deletes specific guidance regarding classification of leases of land, so as to eliminate inconsistency with the general guidance on lease classification. As a result, leases of land should be classified as either finance or operating using the general principles of HKAS 17.

The Group has already commenced an assessment of the impact of these new or amended HKFRS but is not yet in a position to state whether these new or amended HKFRS would have a significant impact on its results of operations and financial position.

2 Summary of significant accounting policies (Continued)

(b) Consolidation

(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 realised gains on transactions between Group companies were eliminated. Unrealised losses were also eliminated. Accounting policies of subsidiaries were changed where necessary 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 interest 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) Associate

An associate was an entity over which the Group had significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investment in an associate was accounted for using the equity method of accounting and was 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 equalled 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.

(c) Segment reporting

Operating segments were reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who was responsible for allocating resources and assessing performance of the operating segments, was identified as the executive Directors that made strategic decisions.

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 re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies were recognised in the consolidated income statement.

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

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale financial assets 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 profit or loss, and other changes in carrying amount were recognised in equity.

(iii) Group companies

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

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

(II) income and expenses for each 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

(III) all resulting exchange differences were recognised as a separate component of equity.

2 Summary of significant accounting policies (Continued)

(d) Foreign currency translation (Continued)

On consolidation, exchange differences arising from the translation of the net investment in foreign operations were 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.

(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 to 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 cost to their residual values over their estimated useful lives, as follows:

Leasehold improvements	Five years or over the lease terms, whichever is shorter
Furniture, fixtures and office equipment	Two to five years
Motor vehicles	Five years
Demonstration equipment	Three years

The useful lives of the assets were reviewed, and adjusted if appropriate, at the end of each reporting period.

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.

2 Summary of significant accounting policies (Continued)

(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 (cash-generating units). Non-financial assets other than goodwill that suffered an impairment were reviewed for possible reversal of the impairment at each reporting date.

Impairment testing of the investments in subsidiaries or associates was required upon receiving dividends from these investments if the dividend exceeded the total comprehensive income of the subsidiary or associate in the period the dividend was declared or if the carrying amount of the investment in the separate financial statements exceeded the carrying amount of the net assets of the subsidiaries or associates in their financial statements.

(g) 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 end of the reporting period. These were classified as non-current assets. The loans and receivables of the Group comprised "trade receivables", "other receivable, deposits and prepayments", "pledged bank deposits" and "cash and cash equivalents" in the consolidated 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 it within twelve months of the end of the reporting period.

2 Summary of significant accounting policies (Continued)

(g) Financial assets (Continued)

(ii) Recognition and measurement

Regular purchases and sales of financial assets were recognised on the 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 expired or were transferred and the Group transferred substantially all risks and rewards of ownership. Available-for-sale financial assets were subsequently carried at fair value. Loans and receivables were initially recognised at fair value plus transaction costs and were subsequently 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 financial assets 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 other comprehensive income. Changes in the fair value of monetary and non-monetary securities classified as available-for-sale financial assets were recognised in other comprehensive income.

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 "other gains/(losses) - net".

Dividends on available-for-sale equity instruments were recognised in the consolidated income statement as part of "other gains/(losses) - net" 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.

(h) Impairment of financial assets classified as available-for-sale financial assets

The Group assessed at the end of each reporting period whether there was objective evidence that a financial asset or a group of financial assets was impaired. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost was also evidence that the assets 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 the consolidated income statement - was removed from equity and recognised in the separate consolidated income statement. Impairment losses recognised in the separate consolidated income statement on equity instruments were not reversed through the separate consolidated income statement.

2 Summary of significant accounting policies (Continued)

(i) Inventories

Inventories were stated at the lower of cost and net realisable value. Cost was determined using the weighted average basis. The cost 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 receivables were amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables was expected in one year or less (or in the normal operating cycle of the business if longer), they were classified as current assets. If not, they were presented as non-current assets.

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 and deposits held at call with banks and highly liquid investments with original maturities of three months or less.

(l) Share capital

Shares were classified as equity.

2 Summary of significant accounting policies (Continued)

(m) Trade payables

Trade payables were obligations to pay for goods or services that were acquired in the ordinary course of business from suppliers. Accounts payable were classified as current liabilities if payment was due within one year or less (or in the normal operating cycle of the business if longer). If not, they were presented as non-current liabilities.

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

(n) Current and deferred income tax

The tax expense for the period comprised current tax. Tax was recognised in the consolidated income statement, except to the extent that it related to items recognised in other comprehensive income or directly in equity. In this case the tax was also recognised in other comprehensive income or directly in equity, respectively.

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 associate 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 an associate, 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.

2 Summary of significant accounting policies (Continued)

(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.

(ii) 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 the end of the reporting period were discounted to their present value.

(iii) 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.

Liabilities for bonus were expected to be settled within twelve months and were measured at the amounts expected to be paid when they were settled.

2 Summary of significant accounting policies (Continued)

(o) Employee benefits (Continued)

(iv) Share-based payment

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:

(I) including any market performance conditions;

(II) excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and

(III) excluding the impact of any non-vesting conditions (for example, the requirement for employees to save).

Non-market vesting conditions were included in assumptions about the number of Options that were expected to vest. At the end of each reporting period, 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 to original estimates, if any, in the consolidated income statement, with a corresponding adjustment to equity.

The cash subscribed for the shares issued when the Options were exercised was credited to share capital (nominal value) and share premium, net of any directly attributable transaction costs.

(p) Provisions

Provisions 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 rate 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.

2 Summary of significant accounting policies (Continued)

(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 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 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 network and systems infrastructure; customer data automation, customisation and integration; and provision of technical support services

Revenue from the design, sale and implementation of network and systems infrastructure; customer data automation, customisation and integration; and provision of technical support services was recognised upon the satisfactory completion of installation, which generally coincided with the time when the systems were delivered to customer.

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.

Revenue from software implementation was recognised when such implementation was accepted by the customer.

Revenue from the provision of digital image processing management solutions was recognised upon the transfer of risks and rewards of ownership, which generally coincided with the time when the goods were delivered to the customer and the title had passed.

(ii) Interest income

Interest income was recognised using the effective interest method. When a loan and receivable were impaired, the Group reduced the carrying amount to their 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 loan and receivable was recognised using the original effective interest rate.

(iii) Dividend income

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

2 Summary of significant accounting policies (Continued)

(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.

(s) Dividend distribution

Dividend distribution to the Members was recognised as a liability in the consolidated financial statements of the Group and the financial statements of the Company in the period in which the dividends were approved by the Members.

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

(I) Foreign exchange risk

The Group operated internationally and was exposed to foreign exchange risk arising from various currency exposures, primarily with respect to US$, MOP and RMB. Foreign exchange risk arose from future commercial transactions, 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 considered that foreign exchange risk related to financial assets denominated in US$ and MOP was minimal, since these currencies were pegged to HK$ and exchange rate fluctuation was minimal throughout the Year.

As at 31st December 2009, if HK$ had weakened/strengthened by 5% against RMB with all other variables held constant, post-tax profit for the Year would have been HK$973,000 higher/lower (2008: post tax loss would have been HK$1,357,000 lower/higher), mainly as a result of foreign exchange gains/losses on translation of RMB denominated financial assets and liabilities.

3 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(i) *Market risk* (Continued)

(II) 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 2009, the equity as at 31st December 2009 would increase/decrease by approximately HK$1,258,000 (year ended 31st December 2008: post tax loss would decrease/increase by approximately HK$898,000).

(III) 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.

(ii) *Credit risk*

Credit risk was managed on a group basis. Credit risk arose from cash and cash equivalents, pledged bank deposits and outstanding receivables. Risk control assessed the credit quality of the customers, 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.

(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 14) 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.

3 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(iii) Liquidity risk (Continued)

Surplus cash held by the operating entities over and above balance required for working capital management were transferred to interest bearing bank accounts, with appropriate maturities to manage its overall liquidity position. As at 31st December 2009, the Group maintained cash and cash equivalents of approximately HK$95,670,000 (2008: HK$89,961,000) that were expected to be readily available to meet the cash outflows of its financial liabilities.

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 dates to the contractual maturity date. The amounts disclosed in the table were the contractual undiscounted cash flows.

	Less than one year HK$'000
Group	
As at 31st December 2009	
Trade, bills and other payables	38,189
As at 31st December 2008	
Trade, bills and other payables	64,374
Company	
As at 31st December 2009	
Amounts due to subsidiaries	14,161
Other payables	14
As at 31st December 2008	
Amounts due to subsidiaries	9,973
Other payables	132

(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.

3 Financial risk management (Continued)

(c) Fair value estimation

Effective 1st January 2009, the Group adopted the amendment to HKFRS 7 (amendment) for financial instruments that were measured in the balance sheet at fair value, this required disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level one).
- Inputs other than quoted prices included within level one that were observable for the asset or liability, either directly (that was, as prices) or indirectly (that was, derived from prices) (level two).
- Inputs for the asset or liability that were not based on observable market data (that is, unobservable inputs) (level three).

The following table presents the assets of the Group that were measured at fair value as at 31st December 2009.

	2009 HK$000 Level one	2008 HK$000 Level one
Assets		
Available-for-sale financial assets		
- Listed equity securities	**12,579**	8,985

The fair value of financial instruments traded in active markets was based on quoted market prices at the balance sheet date. A market was regarded as active if quoted prices were readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represented actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group was the current bid price. These instruments were included in level one. Instruments included in level one comprised primarily equity investments classified as available-for-sale financial assets.

Available-for-sale financial assets that were not quoted in an active market were measured at cost less impairment (note 11).

The carrying amounts of the financial assets and liabilities of the Group, including cash and cash equivalents, pledged bank deposits, trade receivables, other receivables and deposits, trade and other payables and amounts due from/to subsidiaries, approximated their fair values due to their short maturities.

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 assets and liabilities within the next financial year are addressed 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 2009 was approximately HK$95,932,000 (2008: HK$88,708,000).

(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 2009 was approximately HK$5,856,000 (2008: HK$13,620,000).

4 Critical accounting estimates and judgements (Continued)

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

The Group followed the guidance of HKAS 39 to determine when an available-for-sale equity investment 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

Management determined the operating segments based on the reports reviewed by the executive Directors that were used to make strategic decisions.

The executive Directors considered the business from both a geographic and product perspective. From a product perspective, management assessed the performance of the segment of design, sale and implementation of network and systems infrastructure; customer data automation, customisation and integration; and provision of technical support services and the segment of CNMS. The first segment was further evaluated on a geographic basis (Mainland China, and Hong Kong and Macao).

The executive Directors assessed the performance of the operating segments based on a measure of adjusted EBITDA. This measurement basis excluded the effects of non-recurring expenditure from the operating segments such as impairment loss on available-for-sale- financial assets. Interest income and expenditure were not allocated to segments, as this type of activity is driven by the executive Directors, who managed the cash position of the Group. Since the executive Directors reviewed adjusted EBITDA, the results of discontinued operations were not included in the measure of adjusted EBITDA.

5 Segment information (Continued)

The segment information provided to the executive Directors for the reportable segments for the Year is as follows:

	Design, sale and implementation of network and systems infrastructure; customer data automation, customisation and integration; and provision of technical support services			
	Mainland China	Hong Kong and Macao	CNMS	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Revenue from external customers	**36,647**	**173,973**	**21,172**	**231,792**
Adjusted EBITDA	(9,146)	23,322	9,139	23,315
Depreciation	(112)	(158)	(150)	(420)
Finance income - net	172	207	15	394
Share of profit of an associate	—	5	—	5
Total assets (exclude available-for-sale financial assets)	**39,410**	**150,657**	**15,996**	**206,063**
Total assets included:				
Investment in an associate	—	661	—	661
Additions to non-current assets (other than financial instruments)	47	54	57	158
Total liabilities	**(30,386)**	**(31,801)**	**(21,028)**	**(83,215)**

5 Segment information (Continued)

The segment information for the year ended 31st December 2008 was as follows:

	Design, sale and implementation of network and systems infrastructure; customer data automation, customisation and integration; and provision of technical support services					
	Mainland China HK$'000	Hong Kong and Macao HK$'000	CNMS HK$'000	Total continuing operations HK$'000	Total discontinued operations HK$'000	Total HK$'000
Revenue from external customers	**49,527**	**172,183**	**10,685**	**232,395**	**10,563**	**242,958**
Adjusted EBITDA	7,442	(17,841)	(743)	(11,142)	1,689	(9,453)
Depreciation	(107)	(256)	(172)	(535)	(19)	(554)
Finance income - net	208	750	36	994	—	994
Share of profit of an associate	—	84	—	84	—	84
Total assets (exclude available-for-sale financial assets)	**47,330**	**144,339**	**11,430**	**203,099**	**—**	**203,099**
Total assets included:						
Investment in an associate	—	656	—	656	—	656
Additions to non-current assets (other than financial instruments)	32	82	79	193	—	193
Total liabilities	**(32,822)**	**(55,612)**	**(24,685)**	**(113,119)**	**—**	**(113,119)**

The revenue from external customers reported to the executive Directors was measured in a manner consistent with that in the consolidated income statement. There were no inter-segment sales during the Year (2008: Nil).

A reconciliation of adjusted EBITDA to profit before tax and discontinued operations is provided as follows:

	2009 HK$'000	2008 HK$'000
Adjusted EBITDA for reportable segments	**23,315**	(11,142)
Depreciation	**(420)**	(535)
Finance income - net	**394**	994
Impairment loss on available-for-sale financial assets	**—**	(11,005)
Profit/(loss) before income tax and discontinued operations	**23,289**	(21,688)

5 Segment information (Continued)

The amounts provided to the executive Directors with respect to total assets were measured in a manner consistent with that of the consolidated financial statements. These assets were allocated based on the operations of the segment or the physical location of the asset.

Investment in shares (classified as available-for-sale financial assets) held by the Group was not considered to be segment assets but rather was managed centrally.

Assets of reportable segments are reconciled to total assets as follows:

	2009 HK$'000	2008 HK$'000
Segment assets for reportable segments	**206,063**	203,099
Unallocated:		
Available-for-sale financial assets	**19,820**	16,226
Total assets per balance sheet	**225,883**	219,325

The amounts provided to the executive Directors with respect to total liabilities were measured in a manner consistent with that of the consolidated financial statements. These liabilities were allocated based on the operations of the segment.

Revenues from external customers were derived from design, sale and implementation of network and systems infrastructure; customer data automation, customisation and integration; and provision of technical support services and CNMS.

5 Segment information (Continued)

Breakdown of the revenue from all services is as follows:

Analysis of revenue by category

	2009 HK$'000	2008 HK$'000
Continuing operations		
Revenue from design, sale and implementation of network and systems infrastructure; customer data automation, customisation and integration; and provision of technical support services	**210,620**	221,710
Revenue from CNMS	**21,172**	10,685
	231,792	232,395
Discontinued operations		
Sale of mobile phones (note 33)	**—**	10,563

The entity is domiciled in Bermuda. There was no revenue from external customers in Bermuda for the Year and the year ended 31st December 2008, and the total of its revenue from external customers from other regions was HK$231,792,000 (2008: HK$232,395,000). The breakdown of the total revenue from external customers from other regions is disclosed as above.

As at 31st December 2009 and 2008, there was no non-current assets other than financial instruments located in Bermuda, and the total of these non-current assets located in other regions was HK$1,420,000 (2008: HK$1,702,000).

Revenues of approximately HK$67,370,000 (2008: HK$43,186,000) were derived from a single external customer. These revenues were attributable to the segment of design, sale and implementation of network and systems infrastructure; customer data automation, customisation and integration; and provision of technical support services in Hong Kong and Macao.

6 Property, plant and equipment - Group

	Leasehold improvements HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Demon-stration equipment HK$'000	Total HK$'000
As at 1st January 2008					
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 ended 31st December 2008					
Opening net book amount	100	1,084	174	—	1,358
Exchange differences	2	49	5	—	56
Additions	3	190	—	—	193
Disposals	—	(26)	—	—	(26)
Depreciation charge (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
Year					
Opening net book amount	7	889	150	—	1,046
Acquisition of subsidiaries (note 32)	11	22	—	—	33
Additions	70	55	—	—	125
Disposals	(1)	(24)	—	—	(25)
Depreciation charge (note 20)	(34)	(314)	(72)	—	(420)
Closing net book amount	53	628	78	—	759
As at 31st December 2009					
Cost	1,763	8,934	2,290	279	13,266
Accumulated depreciation	(1,710)	(8,306)	(2,212)	(279)	(12,507)
Net book amount	53	628	78	—	759

Depreciation expense was charged to "administrative expenses".

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

(a) Investments in subsidiaries

	2009 HK$'000	2008 HK$'000
Investments, at cost, unlisted shares	**75,605**	75,670

The following is a list of the principal subsidiaries as at 31st December 2009:

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%
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%
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%

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

(a) Investments in subsidiaries (Continued)

The following is a list of the principal subsidiaries as at 31st December2009: (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
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	Document scanning services in Hong Kong	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%
Zhuhai MegaSoft Software Development Co., Ltd. ("ZHMDSL")	PRC, limited liability company	Research and development of software and related software consultancy services in Mainland China	HK$3,200,000	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.

8 Investment in an associate - Group

	2009 HK$'000	2008 HK$'000
As at 1st January	**656**	572
Share of profit	**5**	84
As at 31st December	**661**	656

The share of the results of the Group of its principal associate, which was unlisted, and its aggregated assets and liabilities, is 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	1,690	221	2,153	5	45%
Year ended 31st December 2008						
STL	Macao	1,959	501	2,393	84	45%

9 Financial instruments by category - Group and Company

(a) Group

	Loans and receivables HK$'000	Available-for-sale financial assets HK$'000	Total HK$'000
As at 31st December 2009			
Assets as per balance sheet			
Available-for-sale financial assets (note 11)	—	**19,820**	**19,820**
Trade and other receivables, deposits and prepayments (note 13)	**95,932**	—	**95,932**
Pledged bank deposits (note 14)	**6,934**	—	**6,934**
Cash and cash equivalents (note 14)	**95,670**	—	**95,670**
Total	**198,536**	**19,820**	**218,356**

	Other financial liabilities HK$'000
Liabilities as per balance sheet	
Trade, bills and other payables (note 15)	**38,189**

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

(a) Group (Continued)

	Loans and receivables HK$'000	Available-for-sale financial assets HK$'000	Total HK$'000
As at 31st December 2008			
Assets as per balance sheet			
Available-for-sale financial assets (note 11)	—	16,226	16,226
Trade and other receivables, deposits and prepayments (note 13)	88,708	—	88,708
Pledged bank deposits (note 14)	9,108	—	9,108
Cash and cash equivalents (note 14)	89,961	—	89,961
Total	187,777	16,226	204,003

	Other financial liabilities HK$'000
Liabilities as per balance sheet	
Trade, bills and other payables (note 15)	64,374

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

(b) Company

	Loans and receivables	
	2009	2008
	HK$'000	HK$'000
Assets as per balance sheet		
Amounts due from subsidiaries (note 7(b))	**177,942**	125,027
Other receivables and prepayments (note 13)	**100**	242
Cash and cash equivalents (note 14)	**679**	82
Total	**178,721**	125,351

	Other financial liabilities	
	2009	2008
	HK$'000	HK$'000
Liabilities as per balance sheet		
Amounts due to subsidiaries (note 7(b))	**14,161**	9,973
Other payables	**14**	132
Total	**14,175**	10,105

10 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:

Trade receivables

	Group	
	2009 HK$'000	2008 HK$'000
Counterparties with external credit rating (Moody's)		
A1	**465**	—
A3	**—**	12
Aa1	**16**	—
Aa2	**1**	—
Aa3	**23,588**	14,768
B1	**—**	19
B2	**—**	3,821
B3	**531**	3,692
Ba1	**13,523**	—
Ba3	**646**	2,474
Baa1	**52**	—
Baa2	**3,634**	821
Caa3	**—**	196
	42,456	25,803
Counterparties without external credit rating		
New customers (less than six months)	**957**	2,090
Existing customers (more than six months) with no defaults in the past	**41,388**	42,361
	42,345	44,451
Total trade receivables	**84,801**	70,254

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

Pledged bank deposits

	Group	
	2009 **HK$'000**	2008 HK$'000
Banks with external credit rating (Moody's)		
A1	**943**	—
A2	**1,143**	3,686
A3	**4,848**	—
Bank in Macao without external credit rating	**—**	3,521
Bank in Mainland China without external credit rating	**—**	1,901
	6,934	9,108

Cash and cash equivalents

	Group		Company	
	2009 **HK$'000**	2008 HK$'000	**2009** **HK$'000**	2008 HK$'000
Banks with external credit rating (Moody's)				
A1	**33,011**	22,691	**—**	—
A2	**12,537**	5,099	**—**	—
A3	**11,034**	—	**—**	—
Aa2	**28,736**	—	**—**	—
Aa3	**8,827**	12,169	**679**	82
Ba2	**670**	—	**—**	—
Baa3	**362**	226	**—**	—
Banks in Macao and Mainland China without external credit rating	**—**	49,263	**—**	—
Cash	**493**	513	**—**	—
	95,670	89,961	**679**	82

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

11 Available-for-sale financial assets - Group

	2009 HK$'000	2008 HK$'000
As at 1st January	**16,226**	25,967
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)
Fair value gains of available-for-sale financial assets transferred to equity (note 18(a))	**3,594**	—
As at 31st December	**19,820**	16,226

Available-for-sale financial assets included the following:

	2009 HK$'000	2008 HK$'000
Listed equity securities - Hong Kong	**12,579**	8,985
Unlisted securities	**7,241**	7,241
	19,820	16,226
Market value of listed securities	**12,579**	8,985

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

	2009 HK$'000	2008 HK$'000
HK$	**12,579**	8,985
MOP	**1,456**	1,456
US$	**5,785**	5,785
	19,820	16,226

12 Inventories - Group

	2009 HK$'000	2008 HK$'000
Networking equipment	**5,856**	13,620

The cost of inventories recognised as expense and included in "cost of sales" amounted to approximately HK$126,462,000 (2008: approximately HK$155,967,000).

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

	Group		Company	
	2009 HK$'000	2008 HK$'000	**2009 HK$'000**	2008 HK$'000
Trade receivables	**152,732**	136,560	**—**	—
Less: provision for impairment of receivables	**(67,931)**	(66,306)	**—**	—
Trade receivables - net	**84,801**	70,254	**—**	—
Other receivables, deposits and prepayments (excluding amount due from an associate)	**11,107**	18,268	**100**	242
Amount due from an associate	**24**	186	**—**	—
Other receivables, deposits and prepayments	**11,131**	18,454	**100**	242
	95,932	88,708	**100**	242

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

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

13 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 individual customers and the Group. As at 31st December 2009 and 2008, the ageing analysis of the trade receivables was as follows:

	2009 **HK$'000**	2008 HK$'000
Within three months	**73,804**	58,226
> Three months but ≤ six months	**3,545**	2,110
> Six months but ≤ twelve months	**4,759**	4,715
Over twelve months	**70,624**	71,509
Gross trade receivables	**152,732**	136,560

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

	2009 **HK$'000**	2008 HK$'000
HK$	**2,760**	6,083
US$	**17,177**	6,055
MOP	**46,502**	49,567
RMB	**29,493**	27,003
	95,932	88,708

As at 31st December 2009, trade receivables of HK$84,801,000 (2008: HK$70,254,000) 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:

	2009 **HK$'000**	2008 HK$'000
Within three months	**73,804**	58,226
> Three months but ≤ six months	**3,545**	2,110
> Six months but ≤ twelve months	**4,759**	4,715
Over twelve months	**2,693**	5,203
	84,801	70,254

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

As at 31st December 2009, trade receivables of HK$67,931,000 (2008: HK$66,306,000) were impaired and provided for. The amount of the provision was HK$67,931,000 as of 31st December 2009 (2008: HK$66,306,000). The individually impaired receivables mainly related to wholesalers, which were in 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.

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

	2009 HK$'000	2008 HK$'000
As at 1st January	**66,306**	72,513
Translation difference	**9**	467
Provision for impairment of receivables from continuing operations (note 20)	**5,035**	4,504
Unused amounts reversed (note 20)	**(3,419)**	(11,178)
As at 31st December	**67,931**	66,306

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 carrying value of each class of receivable mentioned above. The Group did not hold any collateral as security.

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

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash at bank and on hand	**62,378**	58,354	**679**	82
Short-term bank deposits	**40,226**	40,715	**—**	—
	102,604	99,069	**679**	82
Less: Pledged bank deposits	**(6,934)**	(9,108)	**—**	—
	95,670	89,961	**679**	82

Bank deposits were pledged for obtaining banking facilities and for issuing performance bonds against certain projects.

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

	Group	
	2009	2008
	HK$'000	HK$'000
Cash and cash equivalents	**95,670**	89,961

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

	Group		Company	
	2009 **HK$'000**	2008 HK$'000	**2009** **HK$'000**	2008 HK$'000
Trade and bills payables	**35,035**	50,796	**—**	—
Other payables and accruals	**42,358**	45,151	**1,038**	1,798
	77,393	95,947	**1,038**	1,798

As at 31st December 2009 and 2008, the ageing analysis of the trade and bills payables (including amounts due to related parties of trading in nature (note 34) was as follows:

	2009 **HK$'000**	2008 HK$'000
Within three months	**22,118**	25,959
> Three months but ≤ six months	**213**	1,137
> Six months but ≤ twelve months	**1,680**	1,709
Over twelve months	**11,024**	21,991
	35,035	50,796

16 Shares

	Number of Shares	Ordinary Shares HK$'000	Total HK$'000
As at 1st January 2008, 31st December 2008 and 2009	613,819,000	61,382	61,382

The total authorised number of Shares was 2,000,000,000 (2008: 2,000,000,000) with a par value of HK$0.10 per Share (2008: HK$0.10 per Share). All issued Shares were fully paid.

17 Share-based payment - Group

Options were granted to Directors, certain consultants and employees. 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 three years from the grant date. 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:

	2009	2008
As at 1st January	**20,806,000**	23,274,000
Lapsed	**(2,654,000)**	(2,468,000)
As at 31st December	**18,152,000**	20,806,000

Options outstanding as at 31st December 2009 had an expiry date on 11th July 2010 at a Subscription Price of HK$0.32 per Share.

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$'000 (note (i))	Statutory reserve HK$'000 (note (ii))	Exchange reserve HK$'000	Total HK$'000
As at 1st January 2008	97,676	2,289	702	(918)	35,549	49	1,371	136,718
Reserves transferred to income statement upon impairment of available-for-sale financial assets (note 11)	–	–	–	1,264	–	–	–	1,264
Currency translation differences	–	–	–	–	–	–	1,810	1,810
As at 31st December 2008	97,676	2,289	702	346	35,549	49	3,181	139,792
Fair value gains on available-for-sale financial assets (note 11)	–	–	–	3,594	–	–	–	3,594
Currency translation differences	–	–	–	–	–	–	7	7
As at 31st December 2009	97,676	2,289	702	3,940	35,549	49	3,188	143,393

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 consolidated income statement and was not distributable to the Members.

18 Other reserves - Group and Company (Continued)

(b) Company

	Contributed surplus HK$'000 (note)	Other reserve HK$'000	Capital redemption reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
As at 1st January 2008	171,394	2,289	702	(42,713)	131,672
Loss for the year ended 31st December 2008	—	—	—	(3,804)	(3,804)
As at 31st December 2008	171,394	2,289	702	(46,517)	127,868
Profit for the Year	—	—	—	49,877	49,877
As at 31st December 2009	171,394	2,289	702	3,360	177,745

Note:

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.

Distributable reserves of the Company as at 31st December 2009 amounted to approximately HK$174,754,000 (2008: HK$124,877,000).

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$4,170,000 (2008: approximately HK$1,443,000) in respect of losses amounting to approximately HK$19,404,000 (2008: approximately HK$8,845,000) that could be carried forward against future taxable income. Tax losses amounting to HK$2,516,000 (2008: HK$332,000), HK$2,163,000 (2008: HK$24,000), HK$254,000 (2008: Nil), HK$2,792,000 (2008: Nil) and HK$3,844,000 (2008: Nil) in the years ending 31st December 2010, 2011, 2012, 2013 and 2014 respectively, and the remaining tax losses of HK$7,835,000 (2008: HK$8,489,000) would not expire.

There was no other material unprovided deferred income tax as at 31st December 2009.

20 Expenses by nature

	2009 HK$'000	2008 HK$'000
Auditor's remuneration		
- charge for the Year	**1,300**	1,850
- over provision in prior years	**—**	(325)
Cost of inventories (note 12)	**126,462**	155,967
Depreciation (note 6)	**420**	535
Employee benefit expense (including Directors' emoluments) (note 22)	**46,183**	48,558
(Reversal of impairment)/impairment of inventories	**(1,326)**	2,419
Impairment/(reversal of impairment) of trade receivables, net (note 13)	**1,616**	(6,674)
Loss/(profit) on of disposal of freehold land, property, plant and equipment (note 29)	**25**	(2,539)
Operating lease payments	**2,373**	2,392
Transportation expenses	**642**	607
Other expenses	**53,448**	51,809
Total cost of sales, selling and marketing costs and administrative expenses	**231,143**	254,599

21 Other gains/(losses) - net

	2009 HK$'000	2008 HK$'000
Dividend income on an available-for-sale financial asset	**19,723**	8,228
Impairment loss on an available-for-sale financial asset	**—**	(11,005)
Other income	**2,518**	2,215
	22,241	(562)

22 Employee benefit expense

	2009 HK$'000	2008 HK$'000
Wages and salaries	**42,672**	45,719
Directors' fees	**866**	844
Social security costs	**1,700**	1,641
Pension costs - defined contribution plans	**117**	139
Other benefits	**828**	215
	46,183	48,558

(a) Pensions - defined contribution plans

There were no forfeited contributions. Contributions totalling HK$117,000 (2008: HK$139,000) were payable to the fund as at 31st December 2009.

(b) Directors' and senior management's emoluments

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

Name of Director	Fees HK$'000	Salaries HK$'000	Contribution of the employer 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
Lo King Chiu Charles (note (i))	30	—	—	30
Fung Kee Yue Roger	120	—	—	120
Wong Tsu An Patrick	120	—	—	120
Tou Kam Fai (note (ii))	76	—	—	76

Note:

(i) Resigned on 1st April 2009

(ii) Appointed on 13th May 2009

22 Employee benefit expense (Continued)

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

The remuneration of every Director for the year ended 31st December 2008 is set out below:

Name of Director	Fees	Salaries	Contribution of the employer to pension scheme	Total
	HK$'000	HK$'000	HK$'000	HK$'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	15	—	—	15
Lo King Chiu Charles	120	—	—	120
Fung Kee Yue Roger	120	—	—	120
Wong Tsu An Patrick	69	—	—	69

No Director waived or agreed to waive any of their emoluments in respect of the Year (2008: Nil).

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the Year included four (2008: four) Directors whose emoluments were reflected in the analysis presented above. The emoluments payable to the remaining one (2008: one) individual during the Year were as follows:

	2009	2008
	HK$'000	HK$'000
Basic salaries and allowances	**868**	795

The emoluments fell within the following band:

	Number of individual	
	2009	2008
Emolument band		
HK$500,001 - HK$1,000,000	**1**	1

23 Finance income and costs

	2009 HK$'000	2008 HK$'000
Interest expense:		
- bank overdrafts - wholly repayable within five years	—	(1)
Finance costs	—	(1)
Interest income on short-term bank deposits	**394**	995
Finance income - net	**394**	994

24 Income tax credit

Hong Kong profits tax was provided at the rate of 16.5% (2008: 16.5%) 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.

	2009 HK$'000	2008 HK$'000
Current tax:		
Current tax on profits for the Year		
- Hong Kong profits tax	**87**	68
- Macao complementary profits tax	**959**	619
- Mainland China enterprise income tax	**959**	850
- Over-provision in prior years	**(11,573)**	(13,233)
Income tax credit	**(9,568)**	(11,696)

24 Income tax credit (Continued)

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

	2009 HK$'000	2008 HK$'000
Profit/(loss) before income tax	**23,289**	(21,688)
Tax calculated at the domestic tax rates applicable to profits/(losses) in the respective regions	**8,162**	(1,308)
Tax effects of:		
Income not subject to tax	**(9,413)**	(1,803)
Expenses not deductible for tax purposes	**2,800**	4,533
Utilisation of previously unrecognised tax losses	**(657)**	(270)
Tax losses for which no deferred income tax asset was recognised	**1,113**	385
Over-provision in prior years	**(11,573)**	(13,233)
Tax credit	**(9,568)**	(11,696)

The weighted average applicable tax rate was 12.14% (2008: 16.69%). The change was caused by a change in the profitability of the subsidiaries of the Group in the respective regions.

There was no taxation impact relating to components of other comprehensive income during the Year (2008: Nil).

25 Net foreign exchange losses

The exchange differences charged to the consolidated income statement are included as follows:

	2009 HK$'000	2008 HK$'000
Administrative expenses	**79**	1,093

26 Profit/(loss) attributable to the equity holders of the Company

The profit/(loss) attributable to the equity holders of the Company was dealt with in the financial statements of the Company to the extent of approximately HK$49,877,000 (2008: loss of approximately HK$3,804,000).

27 Earnings per Share

(a) Basic

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

	2009 HK$'000	2008 HK$'000
Profit/(loss) from continuing operations attributable to the equity holders of the Company	34,173	(8,557)
Profit from discontinued operations attributable to the equity holders of the Company	Not applicable	1,670
	34,173	(6,887)
Weighted average number of Shares in issue (thousands)	613,819	613,819

(b) Diluted

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 earnings/(loss) per Share for the Year and the year ended 31st December 2008. Accordingly, diluted earnings/(loss) per Share was identical to basic earnings/(loss) per Share for the Year and the year ended 31st December 2008.

28 Dividends

The Directors recommend the payment of a final dividend of HK$0.005 per Share, totalling HK$3,069,000. Such dividend is to be approved by the Members at the annual general meeting. These financial statements do not reflect this dividend payable.

	2009 HK$'000	2008 HK$'000
Proposed final dividend of HK$0.005 (2008: Nil) per Share	3,069	—

29 Cash generated from operations

	2009 HK$'000	2008 HK$'000
Profit/(loss) before income tax		
- Continuing operations	**23,289**	(21,688)
- Discontinued operations	**—**	1,670
	23,289	(20,018)
Adjustments for:		
- Depreciation	**420**	554
- Negative goodwill (note 32)	**(202)**	—
- Profit/(loss) on disposal of freehold land, property, plant and equipment (note 20)	**25**	(2,539)
- Impairment loss on an available-for-sale financial asset (note 21)	**—**	11,005
- Dividend income on an available-for-sale financial asset (note 21)	**(19,723)**	(8,228)
- Finance income - net (note 23)	**(394)**	(994)
- Share of profit from an associate (note 8)	**(5)**	(84)
- (Reversal of impairment)/impairment of inventories	**(1,326)**	2,419
- Impairment/(reversal of impairment) of trade receivables, net (note 20)	**1,616**	(6,674)
	3,700	(24,559)
Changes in working capital (excluding the effects of acquisition and exchange differences on consolidation)		
- Inventories	**9,090**	10,117
- Trade and other receivables, deposits and prepayments	**(8,279)**	65,059
- Trade and bills payables	**(15,761)**	(39,670)
- Other payables and accruals	**(4,002)**	1,720
Cash (used in)/generated from operations	**(15,252)**	12,667

29 Cash generated from operations (Continued)

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

	2009 HK$'000	2008 HK$'000
Net book amount	**25**	2,261
(Loss)/profit on disposal of freehold land, property, plant and equipment (note 20)	**(25)**	2,539
Proceeds from sales of freehold land, property, plant and equipment (note 34)	**—**	4,800

30 Contingencies

The Company gave guarantees in the ordinary course of business amounting to approximately HK$89,729,000 (2008: HK$99,375,000) to subsidiaries.

The Company executed guarantees amounting to approximately HK$2,893,000 (2008: HK$969,000) 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 are as follows:

	2009 HK$'000	2008 HK$'000
No later than one year	**1,304**	1,970
Later than one year and no later than five years	**1,065**	1,336
	2,369	3,306

32 Business combinations

On 1st November 2009, the Group acquired 100% of the equity interest of MegaInfo Limited (a company incorporated in BVI with limited liability and after acquisition, an indirect wholly-owned subsidiary of the Company) for HK$1. Since the cost of acquisition was less than the fair value of the net assets of the subsidiary acquired, the difference of HK$202,000 was recognised directly in the consolidated income statement.

The acquired business contributed revenues of approximately HK$691,000 and net profit of HK$200,000 to the Group for the period from 1st November 2009 to 31st December 2009. If the acquisition had occurred on 1st January 2009, contributed revenues would have been HK$3,513,000, and net loss would have been HK$959,000. These amounts were calculated using the accounting policies of the Group and by adjusting the results of the subsidiaries to reflect the additional depreciation that would have been charged assuming the fair value adjustments to property, plant and equipment had applied from 1st January 2009, together with the consequential tax effects.

Details of net assets acquired and goodwill are as follows:

Total purchase consideration:	HK$
- Cash paid	1

The assets and liabilities as at 1st November 2009 arising from the acquisition are as follows:

	Fair value HK$'000	Carrying amount of the acquiree HK$'000
Cash and cash equivalents	817	817
Property, plant and equipment (note 6)	33	33
Trade receivables	191	191
Other receivables, deposits and prepayment	370	370
Trade and other payables	(1,209)	(1,209)
Fair value of net assets	202	202
Excess of fair value of net assets acquired over consideration paid	(202)	(202)
	—	—

	HK$'000
Purchase consideration settled in cash	—
Cash and cash equivalents in subsidiaries acquired	817
Cash inflow on acquisition	817

There were no acquisitions in the year ended 31st December 2008.

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

The Group disposed of CAOCL, which was presented as a separate segment for sale of mobile phones, on 30th June 2008.

	2008 HK$'000
Operating cash flows	(781)
Investing cash flows	(35)
Total cash flows	(816)

Analysis of the results of discontinued operations is as follows:

	2008 HK$'000
Revenue	10,563
Cost of sales	(10,634)
Gross loss	(71)
Selling and marketing costs	(41)
Administrative expenses	(930)
Other gains - net	2,712
Profit for the year ended 31st December 2008 from discontinued operations	1,670

There were no discontinued operations in the Year.

34 Related-party transactions

The following transactions were carried out with related parties:

(a) Sale of goods and services

	2009 HK$'000	2008 HK$'000
Sale of goods:		
- An entity controlled by key management personnel	**52**	324
Sale of services:		
- STL	**23**	23

Goods were sold based on the price lists in force and terms that would be available to third parties. Goods were sold to an entity controlled by key management personnel on normal commercial terms and conditions. The entity controlled by key management personnel is a firm belonging to José Manuel dos Santos, a Director. Sales of services were negotiated with related parties at terms determined and agreed by both parties and carried out in the normal course of business.

(b) Purchase of goods

	2009 HK$'000	2008 HK$'000
- An entity controlled by key management personnel	**26**	37

Goods were bought from an entity controlled by key management personnel on normal commercial terms and conditions. The entity controlled by a key management personnel is a firm belonging to José Manuel dos Santos, a Director.

(c) Operating lease payments

	2009 HK$'000	2008 HK$'000
- An entity controlled by key management personnel	**—**	54
- A Director	**744**	726

Operating lease payments were paid to an entity controlled by key management personnel and a Director, José Manuel dos Santos, on normal commercial terms and conditions. The entity controlled by key management personnel is a firm belonging to José Manuel dos Santos, a Director.

34 Related-party transactions (Continued)

(d) Key management compensation

Management considered remuneration to all key management of the Group is disclosed in note 22(b) to the consolidated financial statements.

(e) Year-end balances

	2009 HK$'000	2008 HK$'000
Receivables from related parties:		
- STL	**24**	186
- An entity controlled by key management personnel	**—**	307
- A director of a subsidiary	**100**	100
Payables to related parties:		
- An entity controlled by key management personnel	**354**	350
- A Director	**480**	362

These balances were denominated in MOP, unsecured, interest free and repayable on demand. There were no provisions held against receivables from related parties (2008: Nil).

The payables bore no interest.

(f) Sale of Property

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.

Five Fiscal Periods Financial Summary

Results	Year ended 31st December				
	2009	2008	2007	2006	2005
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Profit/(loss) attributable to:					
– Equity holders	**34,173**	(6,887)	56,065	(84,094)	(37,488)
– Minority interest	**(1,316)**	(1,435)	1,241	(1,564)	(3,060)
Assets and liabilities					
Total assets	**225,883**	219,325	278,429	405,825	523,695
Total liabilities	**(83,215)**	(113,119)	(166,975)	(366,305)	(391,931)
Total equity	**142,668**	106,206	111,454	39,520	131,764

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:

"AGM"	the annual general meeting of the Company
"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 shares of that class
"Audit Committee"	the audit committee of the Company
"Auditor"	the auditor of the Company
"Board"	the board of the Directors
"Business Day"	any day on which the Exchange is open for the business of dealing in securities
"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
"Company"	Vodatel Networks Holdings Limited
"Company Secretary"	the company secretary of the Company
"Compliance Officer"	the compliance officer of the Company
"Director"	the director 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

Definitions

"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 (not applicable to Edifício Vodatel)
"GVDL"	廣州市愛達利發展有限公司, details of which can be referred to in note 7(a) to the consolidated financial statements
"GZIC"	廣州市圖文資訊有限公司, details of which can be referred to in note 7(a) to the consolidated 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
"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 Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited, the Hong Kong Institute of Certified Public Accountants and Tidestone Science and Technology (Hong Kong) Company Limited)
"JU"	Jinan University
"LRL"	Lois Resources Limited, a company incorporated in BVI with limited liability
"Macao"	the Macao Special Administrative Region of PRC (not applicable to Macao Science Centre 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 7(a) to the consolidated financial statements
"Member"	the holder of 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 shares of US$0.01 each in the capital of MTNHL are listed on GEM
"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"	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"	share of HK$0.10 each in the capital of the Company
"STL"	Source Tech Limited, details of which can be referred to in note 8 to

Definitions

	the consolidated financial statements
"Subscription Price"	the price per Share at which a Grantee may subscribe for Shares on the exercise of an Option
"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
"Timor-Leste"	The Democratic Republic of Timor-Leste
"TSTSH"	泰思通軟件（上海）有限公司, details of which can be referred to in note 7(a) to the consolidated financial statements
"TTSA"	Timor Telecom, SA, 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 7(a) in the consolidated financial statements
"Year"	the year ended 31st December 2009
"Zetronic"	Zetronic Communications (Macau) Limited, a company incorporated in Macao with limited liability
"ZHMDSL"	Zhuhai MegaSoft Software Development Co., Ltd., details of which can be referred to in note 7(a) in the consolidated financial statements