VODATEL

(Stock code: 8033)

2010

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

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2 Church Street
Hamilton HM11
Bermuda

Head Office and Principal Place of Business

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Taipa
Macao
Tel: (853) 28721182, 28718033
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Place of Business in Hong Kong

Room 713B, 7th Floor
Block B, Sea View Estate
2-8 Watson Road
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Website

http://www.vodatelsys.com

Bankers

Banco Comercial de Macau, S.A.
Banco Nacional Ultramarino, S.A.
Industrial and Commercial Bank of China (Asia) Limited

Share Registrars

HSBC Securities Services (Bermuda) Limited
6 Front Street
Hamilton HM11
Bermuda

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 2010.

Results

During 2010, Vodatel reported revenue of HK$215,341,000. Although revenue fell short of 7.10% over 2009 due to a slow start for the Year, robust operating performance at TTSA edged up the net profit of the Group to HK$23,944,000, translating to return on equity employed of 16.40%. With business activities gaining momentum, we finished 2010 with an order book exceeding HK$80,000,000.

Ensuring financial stability and building a sound balance sheet are crucial as they govern future prospects and weather us through downturns and against the unexpected. Vodatel continues to run a debt-free balance sheet and ended the Year with an equity base reaching HK$173,668,000 - the strongest balance sheet ever over the past five years. This certainly lays a solid foundation that allows Vodatel to enter 2011 with financial strengths.

We continue to improve our cash holdings with cash and cash equivalents (including pledged deposits) hitting HK$124,789,000 as at 31st December 2010 - again, the highest level over the past five years.

Dividends

Sharing the positive results of Vodatel with our Members, the Board proposed a final dividend of HK$0.005 per Share for the Year.

Our Achievements

In Macao, the momentum of business activities continues to ride on the gaming industry as it flourishes. As a company with deep roots, Vodatel certainly accelerates as a trusted and preferred partner for the Government of Macao and gaming and hospitality operators. During the Year, we moved in as the solution provider of a surveillance system with over 3,500 cameras at a mega gaming and hospitality resort at the Cotai Strip and selected by the Government of Macao to act as the solution provider of wireless and networking systems to the two Macao exhibition halls in the Expo 2010 Shanghai China.

To further strengthen our product offerings, we improve the capability of the research and development teams in Shanghai and Zhuhai, allowing them to unleash their conventional development expertise into new commercially viable solutions. TSTSH adds the food production quality control and trace module to their inventory of proprietary systems, whereas the Zhuhai team develops and commercialises a human resources tracking and management application.

The sustained performance at TTSA, which brought in HK$23,617,000 of dividend income to Vodatel during the Year, has excelled into reliable cash inflow, allowing us to unfold development and growth prospects. Timor-Leste, a small developing country yet with rich natural resources, offers ground breaking opportunities for pursuit. With a strategic move to further strengthen the presence of Vodatel in Timor-Leste, during the Year, we made an equity participation in Vodacabo, putting us in the energy frontier. Evaluation of different investment opportunities continues.

Moving Ahead

The strategic drivers at Vodatel stem from our mission - to strengthen financial footing, maintain sustainable growth and enhance value for Members. Operating within our own constraints, we continue to build a more flexible entity and realign our team to become leaner, more focused, effective and versatile. The mandates of our teams are sound and clear - our sales team to charter business opportunities; our service support team to deliver reliable and quality service performance; and our research and development team to pioneer commercially viable solutions.

At Vodatel, we continue to evaluate opportunities to improve efficiency of the assets and resources employed. We will continue to look for opportunities to acquire assets or operations, in particular those in Mainland China and Timor-Leste that complement and reshape the assets base to yield long-term financial values.

Appreciation

Successfully turning around Vodatel back to profitability and restoring the strength of our balance sheet aren't about doing one thing right, but doing many things right at the same time. I'm very proud that the management team and all employees have put in their hard work and dedication in helping Vodatel to be back on track and to fully realise the synergies of our resources. In an ever-changing world, we face new challenges every day. I'm confident that the team at Vodatel is up for the next challenge.

And to our Members, thank you for investing in Vodatel.

José Manuel dos Santos
Chairman

Macao, 22nd March 2011

Management Discussion and Analysis

REVIEW OF BUSINESS ACTIVITIES

Gaming and Hospitality Sector in Macao

During 2010, with the aftermath of the financial turmoil fading away, number of tourists visiting Macao reaching new heights and gaming industry generating record-high gross revenue from games of fortunes of MOP188,300,000,000 (HK$182,800,000,000) for the Government of Macao, gaming operators carefully define new strategic plans to capture bigger market share. Consequently, the Group witnessed different gaming operators rolling out new plans and incentives, including applying new land concession in the Cotai Strip, building new flagships, expanding gaming areas and bringing in additional slot and gaming excitements. All of these developments have translated to new business opportunities for the Group during the Year.

Among the business opportunities capitalised included a major contract to build and install a large-scale and sophisticated surveillance system that supports over 3,500 surveillance cameras at a mega gaming and hospitality resort at the Cotai Strip. Of the major systems deployed at gaming premises, the surveillance system is among one of the more important systems. Therefore, being selected as a solution provider in this area signifies the strengths and capabilities of the Group in design, installation, commissioning and project management of surveillance systems, which are nurtured by years of experience and hard work.

Other major contracts secured during the Year included a contract to replace and upgrade the back-end system that supports the surveillance system, a contract to expand the infrastructure and server system thus allowing the gaming operator to roll out additional slot and gaming excitements, and a contract that involved the expansion of gaming areas at existing premises. All the above-mentioned projects totalled over HK$75,000,000 worth of contracts, of which over HK$50,000,000 works are expected to be completed during 2011.

Public Sector in Macao

Business activities in the public sector in Macao experienced a slow start as the enclave ventured into a new five-year term under the leadership of the new Chief Executive of Macao. Despite a slow start, business activities began to gradually build its momentum as evidenced by the Government of Macao issuing increasing number of tenders, covering improvements to existing public services and introduction of new ones. As at 31st December 2010, confirmed orders from the Government of Macao added to over HK$20,000,000.

The Group not only gains its reputation as a trusted and experienced partner in the area of surveillance systems among gaming operators, such reputation is also well recognised by the Government of Macao. During the Year, contracts that involved the deployment of surveillance systems were awarded to the Group by the Macao Customs Bureau and Macao Prison. In the same year, among the various contracts won in the areas of data networking, trunking radio and private automatic branch exchange (PABX) systems, the Group is proud to be again selected as a solution provider by the Government of Macao to participate in another landmark project – the Expo 2010 Shanghai China – and was awarded the contract to build and install the wireless and networking systems at the two exhibition halls of Macao at the Expo.

MDL continues to be one of the core solution providers to the Government of Macao, in particular in the areas of data and office networks, and storage and backup systems. Governmental bodies awarding contracts in these areas to MDL included Judiciary Police, Civic and Municipal Affairs Bureau, Public Security Police Force, Transport Bureau, Legislative Assembly and Commission Against Corruption, to name a few.

The strong market positioning of MDL in Macao also stems from its ability to proactively identify, introduce and deliver customised solutions to suit the specific needs of individual bureau, whether it targets solutions to support the roll-out of new services or to improve existing operational flow. This encompasses delivery of both third-party solutions and proprietary solutions. The customisation of the self-developed queuing system for use by the Government of Macao is an example of the latter.

Building a Solid Service Support Team

The ability to provide timely and quality maintenance and support services remains one of the key performance indicators that differentiates the Group from its market peers. Over the years, the Group has invested in the development of a team of highly trained and experienced engineers and technicians, such investment of which is made with the belief that a strong maintenance and support services team will be appreciated by the customers of the Group. This belief has certainly translated into recurring revenue, as the Group secured, for two consecutive years, over HK$30,000,000 of maintenance and service support orders from the Government of Macao, gaming operators in Macao and telecommunications service providers in Mainland China.

Building a Strong and Innovative Research and Development Team

During the Year, in addition to marking another contract win to install the CNMS at China Unicom in the province of Shanxi, TSTSH also successfully secured contracts to install its intelligent environmental monitoring application at prisons in different cities in the province of Jiangxi. Although TSTSH continued to secure new or expansion orders to install its CNMS for different telecommunications service providers in the province of Jiangxi and the municipalities of Shanghai and Chongqing, understanding the importance to own an expanded portfolio of proprietary applications, TSTSH geared its efforts to develop new applications from the core architecture of its CNMS and in combination with its intelligent environmental monitoring module. During the Year, TSTSH successfully developed a food production quality control and trace application. This module, which follows the trace of raw materials used in production processes and helps to monitor and detect variances in production environment, allows food manufacturers to avoid potential mishaps that could possibly hamper food quality and safety. Such application has been commercialised and successfully sold to different food manufacturers, securing over HK$2,000,000 worth of orders.

In addition to TSTSH, the Group has also set up a new research and development team in Zhuhai to develop a human resources tracking and management application. This tracking system, which calls for positioning of individuals or objects, has been successfully commercialised during the Year too. Discussions to promote this application through collaborations with telecommunications service providers in different provinces are in progress.

Investments Holding Activities

TTSA continued to deliver exceptional results, paying out HK$23,617,000 of dividend income to the Group. For 2010, TTSA reported revenues and EBITDA of HK$444,732,000 and HK$250,880,000 respectively, representing an increase of 17.76% and 29.12% over the preceding year. EBITDA margin stood at 56.41%, or an improvement of 4.97% over 2009. Number of mobile users approaching the 470,000 mark, with such strong customer growth, which translated to strong financial results, achieved through expansion and improvement of network coverage, introduction of commercial plans, launch of 3G services and stronger revenue generated from provision of data services.

In line with the strategic move to expand its footing in Timor-Leste so as to capture the growth potential of this developing country, the Group partnered with Telcabo, Telecomunicações e Electricidade Lda. (a company incorporated in the Portuguese Republic with limited liability) and some local Timorese to form Vodacabo to engage in the design, engineering, construction, installation, operation and maintenance of telecommunications and energy networks. During the Year, Vodacabo secured over HK$70,000,000 worth of orders, covering works to 1. build and erect over fifty telecommunications towers infrastructure; 2. construct over forty-five energy structures involving either traditional generators or solar panels; and 3. lay optic fibers rings. With most of the works still in progress, it is expected that the benefits yielded from these orders will surface during 2011.

With PAEHL buying out the single largest shareholder in MTNHL, capitalising on the hike in share price, the Group disposed 16,864,000 MTNHL Shares in the open market to generate a profit on disposal of HK$6,170,000. As at 31st December 2010, the shareholding of the Group was 77,709,696 MTNHL Shares.

REVIEW OF OPERATING RESULTS

Turnover and Profitability

Due to a slow start with business activities generated from the Macao/Hong Kong markets dropping from HK$173,973,000 to HK$156,310,000, the Group registered total revenue of HK$215,341,000 for the Year, or a drop of 7.10% over the preceding year. Revenue generated from business activities in Mainland China reported an increase from HK$36,647,000 to HK$46,119,000, which was partly attributable to the appreciation of RMB. Nevertheless, such improvement was offset by a drop in revenue generated by TSTSH as installation and commissioning works of a handful of contracts were still underway.

The business generated by TSTSH carries high margin, therefore, lower revenue from TSTSH will adversely affect the overall gross profit margin of the Group. During the Year, the successful negotiations with the import and export company (engaged to handle trading matters in Mainland China for the Group) to realign the US$/RMB exchange rate originally used in contracts between 2008 to 2010 against market rates brought in over HK$6,000,000 of exchange gain to the Group. Consequently, gross profit margin for the Year levelled the preceding year to hike at approximately 30.89% and with gross profit amounting to HK$66,519,000.

Total selling and marketing costs and administrative expenses added to HK$72,344,000 for the Year, representing an increase of HK$1,442,000 over 2009. However, should the costs associated with the issue of Options of HK$1,889,000 were excluded, total selling and marketing costs and administrative expenses stood at HK$70,455,000, or a decrease of HK$447,000 over the preceding year. Going forward, the ability to control costs will be challenged as the Group faces inflationary pressure and competition for talents from different gaming operators as they resume their growth mode.

Similar to 2009, TTSA continued to bring hefty dividend income to the Group. During the Year, HK$23,617,000 of dividend income was received. In addition, taking advantage of the hike in share price as the single largest shareholder of MTNHL changed hands, the Group disposed 16,864,000 MTNHL Shares in the open market, yielding a profit on disposal of HK$6,170,000. Therefore, despite business activities generated from Mainland China reported an operating loss, such loss was compensated by the dividend income from TTSA and the profit from the disposal of MTNHL Shares. Consequently, an operating profit of HK$25,683,000 for the Year was noted.

At Vodacabo, as most of the works were still in progress, therefore, net loss for the Year was reported. With nil borrowing, hence nil finance cost, the Group registered net profit of HK$23,944,000 for the Year. Although such net profit fell short of the net profit of the preceding year of HK$32,857,000 by HK$8,913,000, the net profit of 2009 included a reversal of tax over-provided in previous years of HK$11,573,000. Therefore, should such reversal was excluded, net profit for the Year of HK$23,944,000 would in fact, exceed the bottom-line of 2009 by HK$2,660,000.

Capital Structure and Financial Resources

Attributable to another profitable year, equity base of the Group improved considerably from HK$142,668,000 as at 31st December 2009 to HK$173,668,000 as at 31st December 2010. Return on equity employed stood at 16.40%.

The capital structure of the Group remains debt-free with nil external borrowing, save for normal trade payables. Cash and cash equivalents (including pledged deposits) as at 31st December 2010 amounted to HK$124,789,000, the strongest cash balances over the past five years.

In line with a strong order book of over HK$80,000,000 to start the Year, the Group piled up its inventories to support its order book. As at 31st December 2010, net receivables amounted to HK$73,928,000. Tight controls to avoid stock obsolescence and ensure timely recovery of receivables continue.

Employees' Information

As at 31st December 2010, the Group had 316 employees, of which 203, 9 and 104 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 2010, the Group had significant investments of which the details are set out in note 11 to the consolidated financial statements. Save as disclosed, the Group did not have any significant capital commitments and significant investments.

Charges on Group Assets

As at 31st December 2010, bank deposit of approximately HK$543,000 was pledged for tendering for certain projects in Mainland China. 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 disposed 16,864,000 MTNHL Shares to generate a profit on disposal of HK$6,170,000. Save as disclosed, the Group had no other 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 Group incurred net foreign exchange losses of HK$540,000 during the Year.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

José Manuel DOS SANTOS, aged 63, 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, which is a Substantial Shareholder.

YIM Hong, aged 53, 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 45, 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 42, 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 58, 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 37, 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).

TOU Kam Fai, aged 53, 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 41, 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 46, 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 41, 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.

SENIOR MANAGEMENT (By alphabetical order) (Continued)

FOO Chun Ngai Redford, aged 37, 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 48, 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 Cheong Ian, aged 63, 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 35, 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.

LOI Man Keong, aged 40, 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 52, is the senior network consultant of the Group. He obtained his Bachelor of Computer Science degree from Concordia University, Canada in Montreal and his Master of Science degree in Telecommunications from QM, UK. He is also a Project Management Professional. Over the years, he has filled a number of IT positions, including programmer, database administrator, field engineer, system manager, and network consultant. He joined the Group in June 2000.

SENIOR MANAGEMENT (By alphabetical order) (Continued)

MOK Chi Va, aged 45, 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 worked for Charter Kingdom Limited as operation manager and Tung Tat E&M Engineering Co. Limited as project manager.

NG Ka Leung, aged 41, 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 40, 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 61, 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 46, 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 47, is currently the chief executive officer of TSTSH in charge of overall operations, overseeing the sales and marketing, technical development and management of TSTSH. With a doctoral degree from the University of Waterloo, Canada, he has previously worked for international software development corporations, where he has accumulated over thirteen years of product development experience, in particular, development of network management systems for telecommunications service providers. He has established good connections with different telecommunications service providers in PRC.

1. Corporate governance practices

The Company complied with the Code Provisions of the Code on Corporate Governance Practices as set out in Appendix 15 of the GEM Listing Rules throughout the Year, except that the Chairman of the Board did not attend the AGM held in the Year.

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

2. Directors' securities transactions

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

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

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

3. Board

The members of the Board were:

Chairman:	José Manuel dos Santos
Executive Directors:	Yim Hong
	Kuan Kin Man
	Monica Maria Nunes
Independent non-executive Directors:	Fung Kee Yue Roger
	Wong Tsu An Patrick
	Tou Kam Fai

3. Board (Continued)

Five meetings were held during the Year.

The attendance record of each Director was as follows:

José Manuel dos Santos	4/5
Yim Hong	5/5
Kuan Kin Man	5/5
Monica Maria Nunes	5/5
Fung Kee Yue Roger	5/5
Wong Tsu An Patrick	5/5
Tou Kam Fai	5/5

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, other executive Directors and Chief Executive.

(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 contracts, either by reason of size or strategy, 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.

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

Chairman:	José Manuel dos Santos
Chief Executive:	Yim Hong

The roles of the Chairman and the Chief Executive are segregated and are not exercised by the same individual.

5. Non-executive Directors

Tou Kam Fai was appointed for a two-year term expiring on 12th May 2011. Wong Tsu An Patrick was re-appointed for a two-year term expiring on 3rd June 2012. Fung Kee Yue Roger was re-appointed for a two-year term expiring on 29th September 2012. 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)
Fung Kee Yue Roger	
Wong Tsu An Patrick	
Tou Kam Fai	

6. Remuneration of Directors (Continued)

One meeting was held during the Year.

The attendance record of each Director was as follows:

José Manuel dos Santos	1/1
Fung Kee Yue Roger	1/1
Wong Tsu An Patrick	1/1
Tou Kam Fai	1/1

During the Year, the Remuneration Committee determined the policy and structure for the remuneration of the Directors; evaluated their performance and approved the terms of all the executive Directors' service contracts which were renewed with an expiry date of 11th August 2011.

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)
Fung Kee Yue Roger	
Wong Tsu An Patrick	
Tou Kam Fai	

There was no selection and recommendation of candidates for directorship, and no meeting was held during the Year.

8. Auditor's remuneration

Remuneration of audit is HK$1,380,000 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)
Fung Kee Yue Roger	
Tou Kam Fai	

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

Fung Kee Yue Roger	4/4
Wong Tsu An Patrick	4/4
Tou Kam Fai	4/4

During the Year, the Audit Committee reviewed the financial reports for the Year, for the six months ended 30th June 2010 and for the quarters ended 31st March 2010 and 30th September 2010. 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.

10. Other specific disclosures

The Directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with HKFRS and the disclosure requirements of CO, and for such internal control as the Directors detemine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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, 22nd March 2011

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 37.

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 19 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 2010, calculated under the Companies Act 1981 of Bermuda (as amended), amounted to approximately HK$177,840,000 (2009 : HK$174,754,000).

Five years 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 104 of the annual report.

Purchase, sale or redemption of listed 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 2010 was 61,381,900, representing 10% of the issued share capital of the Company as at 31st December 2010.

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.

Pursuant to the Scheme, the Grantee shall pay HK$1 to the Company by way of consideration for the grant. During the Year, the Company received HK$147 as consideration for the Options granted.

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 2010 which were granted under the Scheme are as follows:

	Number of Options						
	held as at 1st January 2010	(expired)/ granted during the Year	held as at 31st December 2010	Exercise 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
	—	800,000	800,000	0.38	14th June 2010	15th June 2010	14th June 2013
Yim Hong	800,000	(800,000)	—	0.32	11th July 2007	12th July 2007	11th July 2010
	—	800,000	800,000	0.38	14th June 2010	15th June 2010	14th June 2013
Kuan Kin Man	800,000	(800,000)	—	0.32	11th July 2007	12th July 2007	11th July 2010
	—	800,000	800,000	0.38	14th June 2010	15th June 2010	14th June 2013
Monica Maria Nunes	800,000	(800,000)	—	0.32	11th July 2007	12th July 2007	11th July 2010
	—	800,000	800,000	0.38	14th June 2010	15th June 2010	14th June 2013
Fung Kee Yue Roger	500,000	(500,000)	—	0.32	11th July 2007	12th July 2007	11th July 2010
	—	500,000	500,000	0.38	14th June 2010	15th June 2010	14th June 2013
Wong Tsu An Patrick	—	500,000	500,000	0.38	14th June 2010	15th June 2010	14th June 2013
Tou Kam Fai	—	500,000	500,000	0.38	14th June 2010	15th June 2010	14th June 2013
Continuous contract employees	14,262,000	(14,262,000)	—	0.32	11th July 2007	12th July 2007	11th July 2010
	—	12,110,000	12,110,000	0.38	14th June 2010	15th June 2010	14th June 2013
Consultants	190,000	(190,000)	—	0.32	11th July 2007	12th July 2007	11th July 2010
	—	120,000	120,000	0.38	14th June 2010	15th June 2010	14th June 2013
	18,152,000	(1,222,000)	16,930,000				

The value of the Options granted during the Year was HK$1,889,000, based on the binomial model. The significant inputs into the model were Share price of HK$0.38 at the grant date, exercise price shown above, volatility of 81.56%, dividend yield of 1.34% and on annual risk-free interest rate of 1.18%. The volatility measured was based on the three-year historical volatility of the price return of the Shares. The fair values calculated were inherently subjective and uncertain due to the assumptions made and the limitations of the model used. The value of an option varies with different variables of certain subjective assumptions. Any change in variables so adopted may materially affect the estimation of the fair value of an option.

Directors

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

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

Independent non-executive Directors
Fung Kee Yue Roger
Wong Tsu An Patrick
Tou Kam Fai

In accordance with Article 87 of the bye-laws of the Company, Monica Maria Nunes and Wong Tsu An Patrick retire by rotation at the forthcoming AGM and, being eligible, offer themselves for re-election.

Fung Kee Yue Roger, Wong Tsu An Patrick and Tou Kam Fai are independent non-executive Directors. Tou Kam Fai was appointed for a two-year term expiring on 12th May 2011. Wong Tsu An Patrick was re-appointed for a two-year term expiring on 3rd June 2012. Fung Kee Yue Roger was re-appointed for a two-year term expiring on 29th September 2012.

Directors' service contracts

None of the Directors who were 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 for contracts amongst group companies and the aforementioned transaction, no other contracts of significance 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 2010 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 12 to 15.

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

As at 31st December 2010, 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 or 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	Settlor 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%
Wong Tsu An Patrick	Personal (note 7)	—	500,000	0.08%
Tou Kam Fai	Personal (note 8)	—	500,000	0.08%

Directors' and Chief Executive's 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 2010, these Shares were held in the name of ERL. The entire issued share capital in ERL was held by OHHL, a company wholly-owned by HSBCITL, which is a trustee of the existing trust whereby the family members of José Manuel dos Santos (the settlor of the trust) 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.

7. The personal interest of Wong Tsu An Patrick comprised 500,000 underlying Shares in respect of Options granted to him by the Company. The aforesaid interest was held by Wong Tsu An Patrick as beneficial owner.

8. The personal interest of Tou Kam Fai comprised 500,000 underlying Shares in respect of Options granted to him by the Company. The aforesaid interest was held by Tou Kam Fai as beneficial owner.

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 2010, 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%
OHHL	Corporate interest (note 1)	301,538,000	49.12%
HSBCITL	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 2010, these Shares were held in the name of ERL. The entire issued share capital in ERL was held by OHHL, a company wholly-owned by HSBCITL, being the trustee of the existing trust.

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

Management contracts

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

Major suppliers and customers

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

Purchases	
– the largest supplier	37.79%
– five largest suppliers in aggregate	82.74%
Sales	
– the largest customer	26.79%
– five largest customers in aggregate	63.98%

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 Chapter 20 of 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 as at 21st March 2011.

Competing business

As at 31st December 2010, 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 16 to 22.

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, 22nd March 2011

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 34 to 103, which comprise the consolidated and Company balance sheets as at 31st December 2010, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

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

Auditor's responsibility

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

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

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

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 2010, 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, 22nd March 2011

Consolidated Balance Sheet

		As at 31st December	
	Note	**2010**	2009
		HK$'000	HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	**1,054**	759
Investments in associates	8	**609**	661
Available-for-sale financial assets	9(a),11	**26,047**	19,820
		27,710	21,240
Current assets			
Inventories	12	**30,055**	5,856
Current income tax prepaid		**87**	251
Trade receivables	9(a),13	**73,928**	84,801
Other receivables, deposits and prepayments	9(a),13	**12,271**	11,131
Pledged bank deposits	9(a),10,14	**543**	6,934
Cash and cash equivalents	9(a),10,14	**124,246**	95,670
		241,130	204,643
LIABILITIES			
Current liabilities			
Trade and bills payables	9(a),15	**51,235**	35,035
Other payables and accruals	9(a),15	**39,118**	42,358
Current income tax liabilities		**4,819**	5,822
		95,172	83,215
Net current assets		**145,958**	121,428
Total assets less current liabilities		**173,668**	142,668

	Note	As at 31st December 2010 HK$'000	2009 HK$'000
Financed by:			
EQUITY			
Equity attributable to owners of the parent			
Shares	16	**61,382**	61,382
Other reserves	19(a)	**153,330**	143,393
Accumulated losses			
– Proposed final dividends	29	**3,069**	3,069
– Others		**(46,296)**	(69,160)
		171,485	138,684
Non-controlling interests		**2,183**	3,984
Total equity		**173,668**	142,668

The notes on pages 41 to 103 are an integral part of these consolidated financial statements.

The consolidated financial statements on pages 34 to 103 were approved by the Board on 22nd March 2011 and were signed on its behalf.

José Manuel dos Santos
Director

Monica Maria Nunes
Director

Balance Sheet

	Note	2010 HK$'000	2009 HK$'000
		As at 31st December	
ASSETS			
Non-current assets			
Investments in subsidiaries	7(a)	**76,937**	75,605
Current assets			
Amounts due from subsidiaries	7(b),9(b)	**182,859**	177,942
Other receivables and deposits	9(b),13	**119**	100
Cash and cash equivalents	9(b),10,14	**2,358**	679
		185,336	178,721
LIABILITIES			
Current liabilities			
Amounts due to subsidiaries	7(b),9(b)	**17,011**	14,161
Other payables and accruals	9(b),15	**1,160**	1,038
		18,171	15,199
Net current assets		**167,165**	163,522
Total assets less current liabilities		**244,102**	239,127
Financed by:			
EQUITY			
Equity attributable to owners of the parent			
Shares	16	**61,382**	61,382
Other reserves	19(b)	**176,274**	174,385
Retained earnings			
– Proposed final dividends	29	**3,069**	3,069
– Others		**3,377**	291
Total equity		**244,102**	239,127

The notes on pages 41 to 103 are an integral part of these consolidated financial statements.

The consolidated financial statements on pages 34 to 103 were approved by the Board on 22nd March 2011 and were signed on its behalf.

José Manuel dos Santos
Director

Monica Maria Nunes
Director

Consolidated Income Statement

		Year ended 31st December	
	Note	**2010**	2009
		HK$'000	HK$'000
Revenue	5	**215,341**	231,792
Cost of sales	21	**(148,822)**	(160,241)
Gross profit		**66,519**	71,551
Selling and marketing costs	21	**(5,470)**	(5,810)
Administrative expenses	21	**(66,874)**	(65,092)
Other gains - net	22	**31,508**	22,241
Operating profit		**25,683**	22,890
Finance income	24	**449**	394
Share of (loss)/profit of associates	8	**(1,341)**	5
Profit before income tax		**24,791**	23,289
Income tax (expense)/credit	25	**(847)**	9,568
Profit for the Year		**23,944**	32,857
Profit/(loss) attributable to:			
Owners of the parent		**25,933**	34,173
Non-controlling interests		**(1,989)**	(1,316)
		23,944	32,857
Earnings per Share attributable to equity holders of the Company during the Year (expressed in HK cents per Share)			
Basic and diluted earnings per Share	28	**4.22**	5.57

The notes on pages 41 to 103 are an integral part of these consolidated financial statements

		Year ended 31st December	
	Note	**2010**	2009
		HK$'000	HK$'000
Dividends	29	**3,069**	3,069

Consolidated Statement of Comprehensive Income

	Note	Year ended 31st December 2010 HK$'000	2009 HK$'000
Profit for the Year		**23,944**	32,857
Other comprehensive income:			
Available-for-sale financial assets	19(a)	**7,828**	3,594
Currency translation differences		**408**	11
Other comprehensive income for the Year, net of tax		**8,236**	3,605
Total comprehensive income for the Year		**32,180**	36,462
Attributable to:			
– Equity holders of the Company		**33,981**	37,774
– Non-controlling interests		**(1,801)**	(1,312)
Total comprehensive income for the Year		**32,180**	36,462

The notes on pages 41 to 103 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

	Note	Attributable to owners of the parent					
		Share capital HK$'000	Other reserves HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance as at 1st January 2009		**61,382**	**139,792**	**(100,264)**	**100,910**	**5,296**	**106,206**
Comprehensive income							
Profit for the year ended 31st December 2009		—	—	34,173	34,173	(1,316)	32,857
Other comprehensive income							
Available-for-sale financial assets	19(a)	—	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**
Comprehensive income							
Profit for the Year		—	—	25,933	25,933	(1,989)	23,944
Other comprehensive income							
Available-for-sale financial assets	19(a)	—	7,828	—	7,828	—	7,828
Currency translation differences		—	220	—	220	188	408
Total other comprehensive income		—	8,048	—	8,048	188	8,236
Total comprehensive income		**—**	**8,048**	**25,933**	**33,981**	**(1,801)**	**32,180**
Transactions with owners							
Scheme: value of services		—	1,889	—	1,889	—	1,889
Dividends relating to 2009	29	—	—	(3,069)	(3,069)	—	(3,069)
Total transactions with owners		**—**	**1,889**	**(3,069)**	**(1,180)**	**—**	**(1,180)**
Balance as at 31st December 2010		**61,382**	**153,330**	**(43,227)**	**171,485**	**2,183**	**173,668**
Representing:							
Shares, reserves and non-controlling interests							170,599
Proposed final dividends	29						3,069
Balance as at 31st December 2010							173,668

The notes on pages 41 to 103 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

		Year ended 31st December	
	Note	**2010** **HK$'000**	2009 HK$'000
Cash flows from operating activities			
Cash used in operations	30	**(3,723)**	(15,252)
Income tax paid		**(1,686)**	(2,033)
Net cash used in operating activities		**(5,409)**	(17,285)
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash acquired	33	**—**	817
Proceeds from disposal of an available-for-sale financial asset		**7,771**	—
Purchases of property, plant and equipment	6	**(762)**	(125)
Set-up of an associate		**(1,289)**	—
Interest received		**449**	394
Dividends received	22	**23,617**	19,723
Net cash generated from investing activities		**29,786**	20,809
Cash flows from financing activities			
Pledged bank deposits		**6,391**	2,174
Dividends paid to Members	29	**(3,069)**	—
Net cash generated from financing activities		**3,322**	2,174
Net increase in cash and cash equivalents		**27,699**	5,698
Cash and cash equivalents at beginning of Year		**95,670**	89,961
Exchange gains on cash and cash equivalents		**877**	11
Cash and cash equivalents at end of Year		**124,246**	95,670

The notes on pages 41 to 103 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 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 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 22nd March 2011.

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 are disclosed in note 4.

2 Summary of significant accounting policies (Continued)

(a) Basis of preparation (Continued)

(i) Changes in accounting policy and disclosures – Amended standards adopted by the Group

- HKAS 27 (Revised) "Consolidated and Separate Financial Statements" required the effects of all transactions with non-controlling interests to be recorded in equity if there was no change in control and these transactions would no longer result in goodwill or gains and losses. The standard also specified the accounting when control was lost. Any remaining interest in the entity was re-measured to fair value, and a gain or loss was recognised in profit or loss.

  The revised standard also specified that total comprehensive income was attributed to the owners of the parent and to the non-controlling interests even if this resulted in the non-controlling interests having a deficit balance. Prior to this revision, non-controlling interests would only share losses up to the non-controlling interests in the equity of the subsidiary, except when the non-controlling interests had a binding obligation and was able to make an additional investment to cover the losses.

  HKAS 27 (Revised) was applied prospectively for annual periods beginning on or after 1st January 2010 in accordance with the effective date and transitional provisions of the revision.

  The effect of the adoption of this revision for the Year is as below:

	HK$'000
Increase in loss attributable to non-controlling interests	599
Decrease in non-controlling interests	(599)
Increase in basic and diluted earnings per Share (expressed in HK cents per Share)	0.10

2 Summary of significant accounting policies (Continued)

(a) Basis of preparation (Continued)

(ii) Changes in accounting policy and disclosures – New and amended standards, and interpretations mandatory for the first time for the financial year beginning 1st January 2010 but not currently relevant to the Group (although they may affect the accounting for future transactions and events)

- HKFRS 1 (Amendment) "First-time Adoption of HKFRS", "Additional exemptions for first-time adopters" (effective for accounting periods beginning on or after 1st January 2010). The amendments addressed the retrospective application of HKFRS to particular situations and aimed to ensure that entities applying HKFRS would not face undue cost or effort in the transition process.

- HKFRS 2 (Amendment) "Share-based Payment", "Group cash-settled share-based payment transactions" (effective for accounting periods beginning 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 expanded on the guidance in HK(IFRIC)-Int 11 to address the classification of group arrangements that were not covered by that interpretation.

- HKFRS 3 (Revised) "Business Combinations" and consequential amendments to HKAS 28 "Investments in Associates" and HKAS 31 "Interests in Joint Ventures" were effective prospectively to business combinations for which the acquisition date was on or after the beginning of the first annual reporting period beginning on or after 1st July 2009.

  The revised standard continued to apply the acquisition method to business combinations but with some significant changes compared with HKFRS 3. For example, all payments to purchase a business were recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the statement of comprehensive income. There was a choice on an acquisition-by-acquisition basis to measure the non-controlling interests in the acquiree either at fair value or at the proportionate share of the non-controlling interests of the net assets of the acquiree. All acquisition-related costs were expensed.

- HKAS 39 (Amendment) "Financial Instruments: Recognition and Measurement", "Eligible hedged items" (effective for accounting periods beginning on or after 1st July 2009). It prohibited designating inflation as a hedgeable component of a fixed rate debt. It prohibited including time value in a one-sided hedged risk when designating options as hedges. An entity might 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 was that changes in cash flows or fair value of a hedged item was above or below a specified price or other variable.

2 Summary of significant accounting policies (Continued)

(a) Basis of preparation (Continued)

(ii) Changes in accounting policy and disclosures – New and amended standards, and interpretations mandatory for the first time for the financial year beginning 1st January 2010 but not currently relevant to the Group (although they may affect the accounting for future transactions and events) (Continued)

- HK(IFRIC)-Int 17 "Distributions of Non-cash Assets to Owners" (effective for accounting periods beginning on or after 1st July 2009). The interpretation was published in November 2008. This interpretation provided guidance on accounting for arrangements whereby an entity distributed 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" was also amended to require that assets were classified as held for distribution only when they were available for distribution in their present condition and the distribution was highly probable.

- HK(IFRIC)-Int 18 "Transfers of Assets from Customers" (effective for transfer of assets received on or after 1st July 2009). This interpretation clarified the requirements of HKFRS for agreements in which an entity received from a customer an item of property, plant and equipment that the entity had to then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services (such as a supply of electricity, gas or water). In some cases, the entity received cash from a customer that had to be used only to acquire or construct the item of property, plant and equipment in order to connect the customer to a network or provide the customer with ongoing access to a supply of goods or services (or to do both).

- HK Interpretation 5 "Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause". This interpretation addressed the issue as to whether a term loan that contained a repayment on demand clause shall be classified as a current or non-current liability in the consolidated balance sheet of the borrower in accordance with paragraph 69 of HKAS 1 "Presentation of Financial Statements".

2 Summary of significant accounting policies (Continued)

(a) Basis of preparation (Continued)

(ii) Changes in accounting policy and disclosures – New and amended standards, and interpretations mandatory for the first time for the financial year beginning 1st January 2010 but not currently relevant to the Group (although they may affect the accounting for future transactions and events) (Continued)

- Improvements to HKFRS published by HKICPA in May 2009

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

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

  - HKAS 1 (Amendment), "Current/non-current classification of convertible instruments" (effective for accounting periods beginning on or after 1st January 2010). The amendment clarified that the potential settlement of a liability by the issue of equity was not relevant to its classification as current or non-current. By amending the definition of current liability, the amendment permitted a liability to be classified as non-current (provided that the entity had 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) "Statement of Cash Flows", "Classification of expenditures on unrecognised assets" (effective for accounting periods beginning on or after 1st January 2010). This amendment required that only expenditures that resulted in a recognised asset in the consolidated balance sheet could be classified as investing activities.

2 Summary of significant accounting policies (Continued)

(a) Basis of preparation (Continued)

(ii) Changes in accounting policy and disclosures – New and amended standards, and interpretations mandatory for the first time for the financial year beginning 1st January 2010 but not currently relevant to the Group (although they may affect the accounting for future transactions and events) (Continued)

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

  - HKAS 17 (Amendment) "Leases", "Classification of leases of land and buildings" (effective for accounting periods beginning on or after 1st January 2010). This amendment deleted 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 lease using the general principles of HKAS 17, i.e. whether the lease transferred substantially all the risks and rewards incidental to ownership of an asset to the lessee.

  - HKAS 36 (Amendment) "Impairment of Assets", "Unit of accounting for goodwill impairment test" (effective for accounting periods beginning on or after 1st January 2010). The amendment clarified that the largest cash-generating unit (or group of units) to which goodwill should be allocated for the purposes of impairment testing was an operating segment, as defined by HKFRS 8 (that is, before the aggregation of segments with similar economic characteristics).

  - HKAS 38 (Amendment) "Intangible Assets", "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 beginning on or after 1st July 2009). This amendment clarified the description of the valuation techniques commonly used to measure intangible assets acquired in a business combination when they were 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 was recognised separately from goodwill but together with the related item.

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

2 Summary of significant accounting policies (Continued)

(a) Basis of preparation (Continued)

(ii) Changes in accounting policy and disclosures – New and amended standards, and interpretations mandatory for the first time for the financial year beginning 1st January 2010 but not currently relevant to the Group (although they may affect the accounting for future transactions and events) (Continued)

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

  - HKAS 39 (Amendment), "Scope exemption for business combination contracts" (effective for accounting periods beginning on or after 1st January 2010). These amendments clarified that: (I) it only applied 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 would result in control of an entity, nor by analogy to investments in associates and similar transactions.

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

  - HK(IFRIC)-Int 9 "Reassessment of Embedded Derivatives", "Scope of HK(IFRIC)-Int 9 and HKFRS 3 (Revised)" (effective for accounting periods beginning on or after 1st July 2009). This amendment to HK(IFRIC)-Int 9 required an entity to assess whether an embedded derivative should be separated from a host contract when the entity reclassified a hybrid financial asset out of the "fair value through profit or loss" category. This assessment was to be made based on circumstances that existed on the later of the date the entity first became a party to the contract and the date of any contract amendments that significantly changed the cash flows of the contract.

2 Summary of significant accounting policies (Continued)

(a) Basis of preparation (Continued)

(ii) Changes in accounting policy and disclosures – New and amended standards, and interpretations mandatory for the first time for the financial year beginning 1st January 2010 but not currently relevant to the Group (although they may affect the accounting for future transactions and events) (Continued)

- Improvements to HKFRS published by HKICPA in May 2009 (Continued)
  - HK(IFRIC)-Int 16 (Amendment) "Hedges of a Net Investment in a Foreign Operation", "Amendment to the restriction on the entity that can hold hedging instruments" (effective for accounting periods beginning on or after 1st July 2009). This amendment stated that, in a hedge of a net investment in a foreign operation, qualifying hedging instruments might 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 related to a net investment hedge were satisfied.

(iii) Changes in accounting policy and disclosures - New and amended standards, and interpretations were issued but were not effective for the financial year beginning 1st January 2010 and were not early adopted

- HKFRS 1 (Amendment), "Limited exemption from comparative HKFRS 7 disclosures for first-time adopters" provides first-time adopters with the same transition provisions as included in the amendment to HKFRS 7 "Financial Instruments: Disclosures" in relation to relief from presenting comparative information that ended before 31st December 2010 for new fair value disclosures requirements. This is required to be applied for annual periods beginning on or after 1st July 2010. Early adoption is permitted.

- HKFRS 7 (Amendment), "Disclosures — transfers of financial assets" (effective for accounting periods beginning on or after 1st July 2011) helps users of financial statements to evaluate the risk exposures relating to transfers of financial assets and the effect of those risks on the financial position of an entity and will promote transparency in the reporting of transfer transactions, particularly those that involve securitisation of financial assets.

- HKFRS 9 "Financial Instruments", issued in November 2009. This standard is the first step in the process to replace HKAS 39. HKFRS 9 introduces new requirements for classifying and measuring financial assets and is likely to affect the accounting of the Group for its financial assets. The standard is not applicable until 1st January 2013 but is available for early adoption.

2 Summary of significant accounting policies (Continued)

(a) Basis of preparation (Continued)

(iii) Changes in accounting policy and disclosures - New and amended standards, and interpretations were issued but were not effective for the financial year beginning 1st January 2010 and were not early adopted (Continued)

- HKAS 12 (Amendment) "Income Taxes", "Deferred tax: recovery of underlying assets". The amendment introduces an exception to the principle for the measurement of deferred tax assets or liabilities arising on an investment property measured at fair value. It is effective for accounting periods beginning on or after 1st January 2012. Early adoption is permitted.

  Prior to the amendment, HKAS 12 requires an entity to measure the deferred tax relating to an asset/liability depending on whether the entity expects to recover/settle the carrying amount of the asset/liability through use or sale. The amendment introduces a rebuttable presumption that an investment property measured at fair value is recovered entirely by sale. This presumption is rebutted if the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

- HKAS 24 (Revised) "Related Party Disclosures", issued in November 2009. It superseded HKAS 24 issued in 2003. HKAS 24 (Revised) is mandatory for accounting periods beginning on or after 1st January 2011. Earlier application, in whole or in part, is permitted.

- HKAS 32 (Amendment) "Financial Instruments: Presentation", "Classification of rights issues" (effective for accounting periods beginning on or after 1st February 2010), issued in October 2009. The amendment applies to annual periods beginning on or after 1st February 2010. Earlier application is permitted. The amendment addresses the accounting for rights issues that are denominated in a currency other than the Functional Currency. Provided certain conditions are met, such rights issues are classified as equity regardless of the currency in which the exercise price is denominated. Previously, these issues have to be accounted for as derivative liabilities. The amendment applies retrospectively in accordance with HKAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors".

- 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 beginning on or after 1st January 2011). The amendments correct an unintended consequence of HK(IFRIC)-Int 14. Without the amendments, entities are not permitted to recognise some voluntary prepayments for minimum funding contributions as an asset. This was not intended when HK(IFRIC)-Int 14 was issued, and the amendments correct this. Earlier application is permitted. The amendments should be applied retrospectively to the earliest comparative period presented.

2 Summary of significant accounting policies (Continued)

(a) Basis of preparation (Continued)

(iii) Changes in accounting policy and disclosures - New and amended standards, and interpretations were issued but were not effective for the financial year beginning 1st January 2010 and were not early adopted (Continued)

- HK(IFRIC)-Int 19 "Extinguishing Financial Liabilities with Equity Instruments" (effective for accounting periods beginning on or after 1st July 2010). The interpretation clarifies the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability (debt for equity swap). It requires a gain or loss to be recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments should be measured to reflect the fair value of the financial liability extinguished.

- Improvements to HKFRS published by HKICPA in May 2010

  - HKFRS 1 (Amendment), "Accounting policy changes in the year of adoption" (effective for accounting periods beginning on or after 1st January 2011). This amendment amends HKFRS 1 to state that HKAS 8 does not apply both to the selection of accounting policies of the entity at the date of transition to HKFRS and to any changes to those policies made to the first annual HKFRS financial statements. Further, the reconciliations required in HKFRS 1 must be updated for changes the entity makes during the year of first time adoption in accounting policies and in transitional choices made in accordance with HKFRS.

  - HKFRS 1 (Amendment), "Revaluation basis as deemed cost" (effective for accounting periods beginning on or after 1st January 2011). It allows first-time adopters to use an event-driven fair value as deemed cost, even if the event occurs after the date of transition, but before the first HKFRS financial statements are issued. When such remeasurement occurs after the date of transition to HKFRS but during the period covered by its first HKFRS financial statements, any subsequent adjustment to that event-driven fair value is recognised in equity.

  - HKFRS 1 (Amendment), "Use of deemed cost for operations subject to rate regulation" (effective for accounting periods beginning on or after 1st January 2011). It amends HKFRS 1 to provide exemption for entities with operations subject to rate regulation such that the entity could elect to use the carrying amount of items of property, plant and equipment or intangible assets determined under the previous generally accepted accounting principles of the entity, even if the amount is not qualified for capitalisation under HKFRS, as their deemed cost at the date of transition to HKFRS. Entities that use this exemption are required to test each item for impairment under HKAS 36 at the date of transition.

2 Summary of significant accounting policies (Continued)

(a) Basis of preparation (Continued)

(iii) Changes in accounting policy and disclosures - New and amended standards, and interpretations were issued but were not effective for the financial year beginning 1st January 2010 and were not early adopted (Continued)

- Improvements to HKFRS published by HKICPA in May 2010 (Continued)
  - HKFRS 3 (Amendment), "Transition requirements for contingent consideration from a business combination that occurred before the effective date of the revised HKFRS" (effective for accounting periods beginning on or after 1st July 2010). This amendment clarifies that entities should apply the rules in HKFRS 3 (not HKFRS 7, HKAS 32 or HKAS 39) to contingent consideration that arises from a business combination with acquisition dates that precede the application of HKFRS 3 (Revised).
  - HKFRS 3 (Amendment), "Measurement of non-controlling interests" (effective for accounting periods beginning on or after 1st July 2010). This amendment clarifies that only entities with present ownership instruments that entitle their holders to a pro rata share of the net assets of the entity in the event of liquidation can choose to measure the non-controlling interests at fair value or the proportionate share of the non-controlling interests of the identifiable net assets of the acquiree.
  - HKFRS 3 (Amendment), "Un-replaced and voluntarily replaced share-based payment awards" (effective for accounting periods beginning on or after 1st July 2010). This amendment clarifies that the application guidance in HKFRS 3 (Revised) applies to all unexpired share-based payment awards that form part of a business combination, regardless of whether the acquirer is obliged to replace the award.
  - HKFRS 7 (Amendment), "Clarifications of disclosures" (effective for accounting periods beginning on or after 1st January 2011). It clarifies seven disclosure requirements for financial instruments, with a particular focus on the qualitative disclosures and credit risk disclosures.
  - HKAS 1 (Amendment), "Clarification of statement of changes in equity" (effective for accounting periods beginning on or after 1st January 2011). It confirms that entities may present either in the statement of changes in equity or within the notes an analysis of the components of other comprehensive income by item.
  - HKAS 27 (Amendment), "Transition requirements for amendments made as a result of HKAS 27 (as amended in 2008) to HKAS 21 "The Effects of Changes in Foreign Exchange Rates", HKAS 28 and HKAS 31" (effective for accounting periods beginning on or after 1st July 2010). It clarifies that the consequential amendments from HKAS 27 made to HKAS 21, HKAS 28 and HKAS 31 apply retrospectively since the date that the entity applies HKAS 27.

2 Summary of significant accounting policies (Continued)

(a) Basis of preparation (Continued)

(iii) Changes in accounting policy and disclosures - New and amended standards, and interpretations were issued but were not effective for the financial year beginning 1st January 2010 and were not early adopted (Continued)

- Improvements to HKFRS published by HKICPA in May 2010 (Continued)
    - HKAS 34 (Amendment) "Interim Financial Reporting", "Significant events and transactions" (effective for accounting periods beginning on or after 1st January 2011). It provides guidance to illustrate how to apply disclosure principles in HKAS 34 and adds disclosure requirements around the circumstances likely to affect fair values of financial instruments and their classification, transfers of financial instruments between different levels of the fair value hierarchy, changes in classification of financial assets, and changes in contingent liabilities and assets.
    - HK(IFRIC)-Int 13 (Amendment) "Customer Loyalty Programmes", "Fair value of award credits" (effective for accounting periods beginning on or after 1st January 2011). It clarifies that when measuring the fair value of an award credit, entities should take into account both the value of the award that would be offered to customers and the proportion of the award credit that is not expected to be redeemed by customers.

(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 Group used the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subisidary was the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred included the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs were expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination were measured initially at their fair values at the acquisition date. On an acquisition-by-acqusition basis, the Group recognised any non-controlling interest in the acquiree either at fair value or at the proportionate share of the non-controlling interests of the net assets of the acquiree.

Investments in subsidiaries were accounted for at cost less impairment. Cost was adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also included direct attributable costs of investment. The results of subsidiaries were accounted for by the Company on the basis of dividend and receivable.

2 Summary of significant accounting policies (Continued)

(b) Consolidation (Continued)

(i) Subsidiaries (Continued)

The excess of the consideration transferred, the amount of any non-controlling interests in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired was recorded as goodwill. If this was less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference was recognised directly in the statement of comprehensive income.

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

(ii) Transactions with non-controlling interests

The Group treated transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary was recorded in equity. Gains or losses on disposals to non-controlling interests were also recorded in equity.

When the Group ceased to have control or significant influence, any retained interest in the entity was remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity were accounted for as if the Group had directly disposed of the related assets or liabilities. This might mean that amounts previously recognised in other comprehensive income were reclassified to profit or loss.

If the ownership interest in an associate was reduced but significant influence was retained, only a proportionate share of the amounts previously recognised in other comprehensive income were reclassified to profit or loss where appropriate.

2 Summary of significant accounting policies (Continued)

(b) Consolidation (Continued)

(iii) *Associates*

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

The share of post-acquisition profits or losses of the associates of the Group was recognised in the consolidated income statement, and its share of post-acquisition movements in other comprehensive income was recognised in other comprehensive income. 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.

(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.

2 Summary of significant accounting policies (Continued)

(d) Foreign currency translation (Continued)

(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 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 other comprehensive income.

Translation differences on non-monetary financial assets, such as equities classified as available for sale, were included in other comprehensive income.

(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 rate on the dates of the transactions); and

(III) all resulting exchange differences were recognised in other comprehensive income.

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

2 Summary of significant accounting policies (Continued)

(e) Property, plant and equipment

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

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

(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 an 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.

2 Summary of significant accounting policies (Continued)

(g) Financial assets

(i) Classification

The Group classified its financial assets in loans and receivables and available for sale. 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 receivables and deposits", "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.

(ii) Recognition and measurement

Regular way 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 or at cost less impairment if they were not quoted in an active market and whose fair valve could not be measured reliably. Loans and receivables were subsequently carried at amortised cost using the effective interest method.

Changes in the fair value of monetary and non-monetary securities classified as available for sale 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 - net".

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

2 Summary of significant accounting policies (Continued)

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

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 profit or loss - 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.

Impairment testing of trade and other receivables is described in note 2(j).

Impairment testing of the investments in subsidiaries or assoiciates 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 of if the carrying amount of the investment in the separate financial statements exceeded the carrying amount in the consolidated financial statements of the net assets of the investee including goodwill.

(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.

2 Summary of significant accounting policies (Continued)

(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

In the consolidated statement of cash flows, cash and cash equivalents included cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

(l) Share capital

Shares were classified as equity.

(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.

2 Summary of significant accounting policies (Continued)

(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 subsidiaries and associates of the Company operated and generated taxable income. Management periodically evaluated positions taken in tax returns with respect to situations in which applicable tax regulation was subject to interpretation. It established provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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

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

Deferred income tax was provided on temporary differences arising on investments in subsidiaries and associates, except for deferred income tax liability 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 a termination when the entity had a detailed formal plan to terminate the employment of current employees without possibility of withdrawal. 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)

(p) 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 (for example, share price of an entity);

(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) including 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.

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

The grant by the Company of Options over its equity instruments to the employees of subsidiary undertakings in the Group was treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, was recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity.

2 Summary of significant accounting policies (Continued)

(q) 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.

(r) 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 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.

2 Summary of significant accounting policies (Continued)

(r) Revenue recognition (Continued)

(i) Design, sale and implementation of network and systems infrastructure; customer data automation, customisation and integration; and provision of technical support services (Continued)

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) Dividend income

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

(s) 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.

(t) Dividend distribution

Dividend distribution to the Members was recognised as a liability in the consolidated financial statements of the Group 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.

3 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(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 2010, 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$554,000 higher/lower (2009: HK$973,000 lower/higher), mainly as a result of foreign exchange gains/losses (2009: losses/gains) on translation of RMB denominated financial assets and liabilities.

(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. 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 2010, the equity as at 31st December 2010 would increase/decrease by approximately HK$1,881,000 (2009: HK$1,258,000).

(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.

3 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(ii) Credit risk

Credit risk was managed on a group basis. Credit risk arose from cash and cash equivalents, pledged bank deposits, as well as credit exposures to customers, including 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. Deposits are mainly placed with reputable banks. 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 requirements of the Group to ensure it had sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group did not breach borrowing covenants (where applicable) on any of its borrowing facilities. Such forecasting took into consideration the debt financing plans of the Group, covenant compliance, compliance with internal balance sheet ratio targets and, if applicable external regulatory or legal requirements – for example, currency restrictions.

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 2010, the Group held cash and cash equivalents of HK$124,246,000 (2009: HK$95,670,000) (note 14).

3 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(iii) Liquidity risk (Continued)

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 2010	
Trade and bills payables	**51,235**
Other payables	**2,951**
As at 31st December 2009	
Trade and bills payables	35,035
Other payables	3,154
Company	
As at 31st December 2010	
Amounts due to subsidiaries	**17,011**
Other payables	**162**
As at 31st December 2009	
Amounts due to subsidiaries	14,161
Other payables	14

(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 and 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

The table below analysed financial instruments carried at fair value, by valuation method. The different levels were defined as follows:

- 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 was, unobservable inputs) (level three).

The following table presents the assets of the Group that were measured at fair value as at 31st December 2010.

	2010 **HK$000** **Level one**	2009 HK$000 Level one
Assets		
Available-for-sale financial assets		
– Equity securities	**18,806**	12,579

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.

Available-for-sale financial assets that were not quoted in an active market and whose fair value could not be measured reliably were measured at cost less impairment (note 11).

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 taxes

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.

(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.

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 income and expenditure from the operating segments such as profit on disposal of an available-for-sale financial asset. Interest income was not allocated to segments, as this type of activity was driven by the executive Directors, who managed the cash position of the Group.

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 HK$'000	Hong Kong and Macao HK$'000	CNMS HK$'000	Total HK$'000
Revenue from external customers	**46,119**	**156,310**	**12,912**	**215,341**
Adjusted EBITDA	(5,309)	24,819	(862)	18,648
Depreciation	(108)	(203)	(165)	(476)
Finance income	92	341	16	449
Share of loss of associates	—	(1,341)	—	(1,341)
Total assets (exclude available-for-sale financial assets)	**38,437**	**190,926**	**13,430**	**242,793**
Total assets included:				
Investments in associates	—	609	—	609
Additions to non-current assets (other than financial instruments)	53	535	174	762
Total liabilities	**(30,310)**	**(44,567)**	**(20,295)**	**(95,172)**

5 Segment information (Continued)

The segment information for the year ended 31st December 2009 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$'000	Total HK$'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)**

Revenue from external parties reported to the executive Directors was measured in a manner consistent with that in the consolidated income statement.

5 Segment information (Continued)

A reconciliation of adjusted EBITDA to profit before income tax is provided as follows:

	2010 **HK$'000**	2009 HK$'000
Adjusted EBITDA for reportable segments	**18,648**	23,315
Depreciation	**(476)**	(420)
Finance income	**449**	394
Profit on disposal of an available-for-sale financial asset	**6,170**	—
Profit before income tax	**24,791**	23,289

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 and the physical location of the asset.

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

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

	2010 **HK$'000**	2009 HK$'000
Segment assets for reportable segments	**242,793**	206,063
Unallocated:		
Available-for-sale financial assets	**26,047**	19,820
Total assets per consolidated balance sheet	**268,840**	225,883

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 revenue from all services is as follows:

Analysis of revenue by category	2010 HK$'000	2009 HK$'000
Revenue from design, sale and implementation of network and systems infrastructure; customer data automation, customisation and integration; and provision of technical support services	**202,429**	210,620
Revenue from CNMS	**12,912**	21,172
	215,341	231,792

The entity is domiciled in Bermuda. There was no revenue from external customers in Bermuda for the Year and the year ended 31st December 2009, and the total of revenue from external customers from other regions was HK$215,341,000 (2009: HK$231,792,000). The breakdown of the total of revenue from external customers from other regions is disclosed above.

As at 31st December 2010 and 2009, there was no non-current assets located in Bermuda, and the total of non-current assets other than financial instruments located in other regions was HK$1,663,000 (2009: HK$1,420,000).

Revenues of approximately HK$51,315,000 (2009: HK$67,370,000) 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 2009					
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 ended 31st December 2009					
Opening net book amount	7	889	150	—	1,046
Acquisition of subsidiaries (note 33)	11	22	—	—	33
Additions	70	55	—	—	125
Disposals	(1)	(24)	—	—	(25)
Depreciation charge (note 21)	(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
Year					
Opening net book amount	53	628	78	—	759
Exchange differences	—	18	3	—	21
Additions	—	649	113	—	762
Disposals	—	(12)	—	—	(12)
Depreciation charge (note 21)	(22)	(445)	(9)	—	(476)
Closing net book amount	**31**	**838**	**185**	**—**	**1,054**
As at 31st December 2010					
Cost	1,763	9,378	2,445	251	13,837
Accumulated depreciation	(1,732)	(8,540)	(2,260)	(251)	(12,783)
Net book amount	**31**	**838**	**185**	**—**	**1,054**

Depreciation expense was charged in "administrative expenses".

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

(a) Investments in subsidiaries

	2010 HK$'000	2009 HK$'000
Investments, at cost, unlisted shares	**76,937**	75,605

The following is a list of the principal subsidiaries as at 31st December 2010:

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$1,510,000	83%
廣州市愛達利發展有限公司 ("GVDL")	PRC, limited liability company	Design, sale and implementation of network and systems infrastructure; customer data automation, customisation and integration; and provision of technical support 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 network and systems infrastructure; customer data automation, customisation and integration; and provision of technical support services in Mainland China	HK$3,000,000	100%

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 December 2010: (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
Guangzhou Thinker Vodatel Limited	PRC, limited liability company	Research and development of wireless data communications and Internet related products in Mainland China	US$1,505,000	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%
Vodatel Holdings Limited ("VHL")	BVI, limited liability company	Investment holding and design, sale and implementation of network and systems infrastructure; customer data automation, customisation and integration; and provision of technical support 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%

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 December 2010: (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 Systems Inc.	BVI, limited liability company	Design, sale and implementation of network and systems infrastructure; customer data automation, customisation and integration; and provision of technical support 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. ("ZHMSDL")	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 Investments in associates – Group

	2010 HK$'000	2009 HK$'000
As at 1st January	**661**	656
Set-up of an associate	**1,289**	—
Share of (loss)/profit	**(1,341)**	5
As at 31st December	**609**	661

The share of the results of the Group of its associates, all of which were unlisted, and their aggregated assets and liabilities, are as follows:

Name	Place of incorporation	Assets HK$'000	Liabilities HK$'000	Revenues HK$'000	Profit / (loss) HK$'000	Effective interest held
2009						
Source Tech Limited ("STL")	Macao	760	99	969	5	45%
2010						
STL	Macao	625	17	894	(52)	45%
Vodacabo, S A ("Vodacabo")	Timor-Leste	8,126	9,312	9,216	(1,289)	30%
		8,751	**9,329**	**10,110**	**(1,341)**	

9 Financial instruments by category - Group and Company

(a) Group

	Loans and receivables HK$'000	Available-for-sale HK$'000	Total HK$'000
As at 31st December 2010			
Assets as per consolidated balance sheet			
Available-for-sale financial assets (note 11)	—	26,047	26,047
Trade and other receivables and deposits (note 13)	86,199	—	86,199
Pledged bank deposits (note 14)	543	—	543
Cash and cash equivalents (note 14)	124,246	—	124,246
Total	**210,988**	**26,047**	**237,035**

	Financial liabilities at amortised cost HK$'000
Liabilities as per consolidated balance sheet	
Trade and bills payables (note 15)	51,235
Other payables (note 15)	2,951
Total	**54,186**

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

(a) Group (Continued)

	Loans and receivables HK$'000	Available-for-sale HK$'000	Total HK$'000
As at 31st December 2009			
Assets as per consolidated balance sheet			
Available-for-sale financial assets (note 11)	—	19,820	19,820
Trade and other receivables and deposits (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**

	Financial liabilities at amortised cost HK$'000
Liabilities as per consolidated balance sheet	
Trade and bills payables (note 15)	35,035
Other payables (note 15)	3,154
Total	**38,189**

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

(b) Company

	Loans and receivables	
	2010	2009
	HK$'000	HK$'000
Assets as per balance sheet		
Amounts due from subsidiaries (note 7(b))	**182,859**	177,942
Other receivables and deposits (note 13)	**119**	100
Cash and cash equivalents (note 14)	**2,358**	679
Total	**185,336**	178,721

	Financial liabilities at amortised cost	
	2010	2009
	HK$'000	HK$'000
Liabilities as per balance sheet		
Amounts due to subsidiaries (note 7(b))	**17,011**	14,161
Other payables (note 15)	**162**	14
Total	**17,173**	14,175

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:

	Group	
Pledged bank deposits	**2010 HK$'000**	2009 HK$'000
Banks with external credit rating (Moody's)		
A1	**—**	943
A2	**—**	1,143
A3	**—**	4,848
Aa3	**543**	—
	543	6,934

	Group		Company	
Cash and cash equivalents	**2010 HK$'000**	2009 HK$'000	**2010 HK$'000**	2009 HK$'000
Banks with external credit rating (Moody's)				
A1	**54,002**	33,011	**—**	—
A2	**13,145**	12,537	**—**	—
A3	**45,477**	11,034	**—**	—
Aa1	**2,428**	—	**—**	—
Aa2	**—**	28,736	**—**	—
Aa3	**6,977**	8,827	**2,358**	679
Ba2	**1,094**	670	**—**	—
Baa3	**251**	362	**—**	—
Cash	**872**	493	**—**	—
	124,246	95,670	**2,358**	679

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

11 Available-for-sale financial assets - Group

	2010 HK$'000	2009 HK$'000
As at 1st January	**19,820**	16,226
Disposals	**(2,933)**	—
Gains transfer to equity (note 19(a))	**9,160**	3,594
As at 31st December	**26,047**	19,820

Available-for-sale financial assets included the following:

	2010 HK$'000	2009 HK$'000
Listed equity securities - Hong Kong	**18,806**	12,579
Unlisted securities	**7,241**	7,241
	26,047	19,820
Market value of listed securities	**18,806**	12,579

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

	2010 HK$'000	2009 HK$'000
HK$	**18,806**	12,579
MOP	**1,456**	1,456
US$	**5,785**	5,785
	26,047	19,820

None of these financial assets was either past due or impaired.

12 Inventories - Group

	2010 HK$'000	2009 HK$'000
Networking equipment	**30,055**	5,856

The cost of inventories recognised as expense and included in "cost of sales" amounted to HK$121,415,000 (2009: HK$126,462,000).

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

	Group		Company	
	2010 **HK$'000**	2009 HK$'000	**2010** **HK$'000**	2009 HK$'000
Trade receivables	**143,777**	152,732	**—**	—
Less: provision for impairment of trade receivables	**(69,849)**	(67,931)	**—**	—
Trade receivables - net	**73,928**	84,801	**—**	—
Other receivables, deposits and prepayments (excluding amount due from an associate)	**12,271**	11,107	**119**	100
Amount due from an associate	**—**	24	**—**	—
Other receivables, deposits and prepayments	**12,271**	11,131	**119**	100
	86,199	95,932	**119**	100

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

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

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 the individual customers and the Group. As at 31st December 2010 and 2009, the ageing analysis of the trade receivables was as follows:

	2010 HK$'000	2009 HK$'000
Within three months	59,375	73,804
> Three months but ≤ six months	6,291	3,545
> Six months but ≤ twelve months	559	4,759
Over twelve months	77,552	70,624
	143,777	152,732

As at 31st December 2010, trade receivables of HK$73,928,000 (2009: HK$84,801,000) 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:

	2010 HK$'000	2009 HK$'000
Within three months	59,375	73,804
> Three months but ≤ six months	6,291	3,545
> Six months but ≤ twelve months	559	4,759
Over twelve months	7,703	2,693
	73,928	84,801

As at 31st December 2010, trade receivables of HK$69,849,000 (2009: HK$67,931,000) were impaired and provided for. The amount of the provision was HK$69,849,000 as of 31st December 2010 (2009: HK$67,931,000). The individually impaired receivables mainly relate 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.

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

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

	2010 **HK$'000**	2009 HK$'000
HK$	**2,432**	2,760
US$	**8,910**	17,177
MOP	**44,924**	46,502
RMB	**29,933**	29,493
	86,199	95,932

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

	2010 **HK$'000**	2009 HK$'000
As at 1st January	**67,931**	66,306
Exchange differences	**490**	9
Provision for receivables impairment (note 21)	**2,025**	5,035
Unused amounts reversed (note 21)	**(597)**	(3,419)
As at 31st December	**69,849**	67,931

The creation and release of provision for impaired receivables were included in "administrative expenses" in the consolidated income statement (note 21). 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	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash at bank and on hand	**82,950**	62,378	**2,358**	679
Short-term bank deposits	**41,839**	40,226	**—**	—
	124,789	102,604	**2,358**	679
Less: Pledged bank deposits	**(543)**	(6,934)	**—**	—
	124,246	95,670	**2,358**	679

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

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

	Group	
	2010	2009
	HK$'000	HK$'000
Cash and cash equivalents	**124,246**	95,670

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

	Group		Company	
	2010 HK$'000	2009 HK$'000	**2010 HK$'000**	2009 HK$'000
Trade and bills payables	**51,235**	35,035	**—**	—
Other payables and accruals	**39,118**	42,358	**1,160**	1,038
	90,353	77,393	**1,160**	1,038

As at 31st December 2010 and 2009, the ageing analysis of the trade and bills payables (including amounts due to related parties of trading in nature) was as follows:

	2010 HK$'000	2009 HK$'000
Within three months	**39,583**	22,118
> Three months but ≤ six months	**382**	213
> Six months but ≤ twelve months	**63**	1,680
Over twelve months	**11,207**	11,024
	51,235	35,035

16 Shares

	Number of Shares	**Ordinary Shares HK$'000**
As at 1st January 2009, 31st December 2009 and 2010	**613,819,000**	**61,382**

The total authorised number of Shares was 2,000,000,000 (2009: 2,000,000,000) with a par value of HK$0.10 per Share (2009: HK$0.10 per Share). All issued Shares were fully paid.

17 Share-based payment - Group

Options were granted to Directors, employees and a consultant. 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 from 15th June 2010. The Group had no legal or constructive obligation to repurchase or settle the Options in cash.

Movements in the number of Options outstanding and their related weighted average exercise prices were as follows:

	2010 Average exercise price in HK$ per Share	2010 Options	2009 Average exercise price in HK$ per Share	2009 Options
As at 1st January	**0.32**	**18,152,000**	0.32	20,806,000
Granted	**0.38**	**16,930,000**	—	—
Expired	**0.32**	**(18,152,000)**	0.32	(2,654,000)
As at 31st December	**0.38**	**16,930,000**	0.32	18,152,000

Options outstanding were exercisable.

Options outstanding as at 31st December 2010 had an expiry date on 14th June 2013 at a Subscription Price of HK$0.38 per Share. 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.

The fair value of the Options granted during the Year using the binomial model was approximately HK$0.11 per Option. The significant inputs into the model were Share price of HK$0.38 at the grant date, Subscription Price shown above, volatility of 81.56%, dividend yield of 1.34% and on annual risk-free interest rate of 1.18%. The volatility measured was based on the three-year historical volatility of the price return of the Shares. See note 23 for the total expense recognised in the consolidated income statement for Options granted to Directors and employees.

18 (Accumulated losses)/retained earnings – Group and Company

	Group HK$'000	**Company HK$'000**
As at 1st January 2009	(100,264)	(46,517)
Profit for the year ended 31st December 2009	34,173	49,877
As at 31st December 2009	(66,091)	3,360
Profit for the Year	25,933	6,155
Dividends relating to 2009	(3,069)	(3,069)
As at 31st December 2010	**(43,227)**	**6,446**

19 Other reserves - Group and Company

(a) Group

	Contributed surplus HK$'000	Other reserve HK$'000	Capital redemption reserve HK$'000	Available-for-sale investments HK$'000	Merger reserve HK$'000 (note (i))	Statutory reserve HK$'000 (note (ii))	Translation HK$'000	Total HK$'000
As at 1st January 2009	97,676	2,289	702	346	35,549	49	3,181	139,792
Revaluation - gross (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
Revaluation - gross (note 11)	–	–	–	9,160	–	–	–	9,160
Revaluation transfer - gross	–	–	–	(1,332)	–	–	–	(1,332)
Currency translation differences	–	–	–	–	–	–	220	220
Scheme: value of services	–	1,889	–	–	–	–	–	1,889
As at 31st December 2010	**97,676**	**4,178**	**702**	**11,768**	**35,549**	**49**	**3,408**	**153,330**

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 and not distributable to the Members.

19 Other reserves - Group and Company (Continued)

(b) Company

	Contributed surplus HK$'000 (note)	Other reserve HK$'000	Capital redemption reserve HK$'000	Total HK$'000
Balance as at 1st January and 31st December 2009	171,394	2,289	702	174,385
Scheme: value of services	—	1,889	—	1,889
As at 31st December 2010	**171,394**	**4,178**	**702**	**176,274**

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 2010 amounted to approximately HK$177,840,000 (2009: HK$174,754,000).

20 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 HK$6,826,000 (2009: HK$4,170,000) in respect of losses amounting to HK$32,903,000 (2009: HK$19,404,000) that could be carried forward against future taxable income. Losses amounting to HK$1,748,000 (2009: HK$2,516,000), HK$3,285,000 (2009: HK$2,163,000), HK$254,000 (2009: HK$254,000), HK$2,796,000 (2009: HK$2,792,000), HK$4,231,000 (2009: HK$3,844,000) and HK$6,001,000 (2009: Nil) in the years ending 31st December 2011, 2012, 2013, 2014, 2015 and 2016 respectively, and the remaining tax losses of HK$14,588,000 (2009: HK$7,835,000) would not expire.

There was no other material unprovided deferred income tax as at 31st December 2010.

21 Expenses by nature

	2010 HK$'000	2009 HK$'000
Auditor's remuneration	**1,380**	1,300
Changes in inventories (note 12)	**121,415**	126,462
Depreciation (note 6)	**476**	420
Employee benefit expense (including Directors' emoluments) (note 23)	**49,202**	46,183
Reversal of impairment of inventories	**(143)**	(1,326)
Impairment of trade receivables, net (note 13)	**1,428**	1,616
Loss on of disposal of property, plant and equipment (note 30)	**12**	25
Operating lease payments	**2,388**	2,373
Transportation expenses	**1,167**	642
Other expenses	**43,841**	53,448
Total cost of sales, selling and marketing costs and administrative expenses	**221,166**	231,143

22 Other gains - net

	2010 HK$'000	2009 HK$'000
Dividend income on an available-for-sale financial asset, unlisted	**23,617**	19,723
Profit on disposal of an available-for-sale financial asset, listed	**6,170**	—
Other income	**1,721**	2,518
	31,508	22,241

23 Employee benefit expense

	2010 HK$'000	2009 HK$'000
Wages and salaries	**44,489**	42,672
Directors' fees	**880**	866
Social security costs	**1,836**	1,700
Options granted to Directors and employees	**1,874**	—
Pension costs - defined contribution plans	**109**	117
Other benefits	**14**	828
	49,202	46,183

(a) Pensions - defined contribution plans

There were no forfeited contributions. Contributions totaling HK$109,000 (2009: HK$117,000) were payable to the fund as at 31st December 2010.

(b) Directors' and senior management's emoluments

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

Name of Director	Fees HK$'000	Salary HK$'000	Discretionary bonuses HK$'000	Employer's contribution to pension scheme HK$'000	Other benefits (note (i)) HK$'000	Total HK$'000
José Manuel dos Santos	130	3,964	750	—	89	4,933
Yim Hong	130	1,652	500	19	89	2,390
Kuan Kin Man	130	780	500	—	89	1,499
Monica Maria Nunes	130	780	500	13	89	1,512
Fung Kee Yue Roger	120	—	—	—	56	176
Wong Tsu An Patrick	120	—	—	—	56	176
Tou Kam Fai	120	—	—	—	56	176

23 Employee benefit expense (Continued)

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

The remuneration of every Director for the year ended 31st December 2009 is set out below:

Name of Director	Fees HK$'000	Salary HK$'000	Employer's contribution to pension scheme HK$'000	Total HK$'000
José Manuel dos Santos	130	3,964	—	4,094
Yim Hong	130	1,652	19	1,801
Kuan Kin Man	130	780	—	910
Monica Maria Nunes	130	780	13	923
Lo King Chiu Charles (note (ii))	30	—	—	30
Fung Kee Yue Roger	120	—	—	120
Wong Tsu An Patrick	120	—	—	120
Tou Kam Fai (note (iii))	76	—	—	76

Note:

(i) Other benefits include Options

(ii) Resigned on 1st April 2009

(iii) Appointed on 13th May 2009

No Directors waived or agreed to waive any of their emoluments in respect of the Year (2009: Nil).

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the Year included four (2009: four) Directors whose emoluments were reflected in the analysis presented above. The emoluments payable to the remaining one (2009: one) individual during the Year were as follows:

	2010 HK$'000	2009 HK$'000
Basic salaries and allowances	**960**	868

The emoluments fell within the band between HK$500,001 and HK$1,000,000.

24 Finance income

	2010 HK$'000	2009 HK$'000
Interest income on short-term bank deposits	**449**	394

25 Income tax expense/(credit)

Hong Kong profits tax was provided at the rate of 16.5% (2009: 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.

	2010 HK$'000	2009 HK$'000
Current tax:		
Current tax on profits for the Year		
– Hong Kong profits tax	**—**	87
– Macao complementary profits tax	**730**	959
– Mainland China enterprise income tax	**122**	959
Adjustments in respect of prior years	**(5)**	(11,573)
Income tax expense/(credit)	**847**	(9,568)

25 Income tax expense/(credit) (Continued)

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

	2010 **HK$'000**	2009 HK$'000
Profit before income tax	**24,791**	23,289
Tax calculated at the domestic tax rates applicable to profits in the respective regions	**1,100**	8,162
Tax effects of:		
- Income not subject to tax	**(3,780)**	(9,413)
- Expenses not deductible for tax purposes	**1,087**	2,800
- Utilisation of previously unrecognised tax losses	**(845)**	(657)
- Tax losses for which no deferred income tax asset was recognised	**3,290**	1,113
Adjustments in respect of prior years	**(5)**	(11,573)
Income tax expense/(credit)	**847**	(9,568)

The weighted average applicable tax rate was 6.89% (2009: 12.14%). 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 (2009: Nil).

26 Net foreign exchange losses

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

	2010 **HK$'000**	2009 HK$'000
Administrative expenses	**540**	79

27 Profit attributable to equity holders of the Company

The profit attributable to equity holders of the Company was dealt with in the financial statements of the Company to the extent of HK$6,155,000 (2009: HK$49,877,000).

28 Earnings per Share

(a) Basic

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

	2010 **HK$'000**	2009 HK$'000
Profit attributable to equity holders of the Company	**25,933**	34,173
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 had 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 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 per Share for the Year and the year ended 31st December 2009. Accordingly, diluted earnings per Share was identical to basic earnings per Share for the Year and the year ended 31st December 2009.

29 Dividends

The dividends with respect to the year ended 31st December 2009 and paid in the Year was HK$3,069,000 (HK$0.005 per Share). No dividend was paid in the year ended 31st December 2009. A dividend in respect of the Year of HK$0.005 per Share, amounting to a total dividend of HK$3,069,000, is to be proposed at the coming AGM. The Company will give notice of the closure of its register of Members once the date of the AGM is determined. Such notice will be given at least ten business days before such closure, pursuant to rule 17.78 of the GEM Listing Rules. These consolidated financial statements do not reflect this dividend payable.

	2010 **HK$'000**	2009 HK$'000
Proposed final dividend of HK$0.005 (2009: HK$0.005) per Share	**3,069**	3,069

This aggregate amounts of the dividends paid and proposed during the Year and the year ended 31st December 2009 are disclosed in the consolidated income statement in accordance with CO.

30 Cash generated from operations

	2010 HK$'000	2009 HK$'000
Profit before income tax	**24,791**	23,289
Adjustments for:		
- Depreciation of property, plant and equipment	**476**	420
- Negative goodwill (note 33)	**—**	(202)
- Profit on disposal of an available-for-sale financial asset (note 22)	**(6,170)**	—
- Loss on disposal of property, plant and equipment (note 21)	**12**	25
- Share-based payment (note 17)	**1,889**	—
- Dividend income on an available-for-sale financial asset (note 22)	**(23,617)**	(19,723)
- Finance income (note 24)	**(449)**	(394)
- Share of loss/(profit) from associates (note 8)	**1,341**	(5)
- Reversal of impairment of inventories (note 21)	**(143)**	(1,326)
- Impairment of trade receivables, net (note 21)	**1,428**	1,616
	(442)	3,700
Changes in working capital (excluding the effects of acquisition and exchange differences on consolidation)		
- Inventories	**(24,056)**	9,090
- Trade and other receivables, deposits and prepayments	**7,815**	(8,279)
- Trade and bills payables	**16,200**	(15,761)
- Other payables and accruals	**(3,240)**	(4,002)
Cash used in operations	**(3,723)**	(15,252)

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

Group	2010 HK$'000	2009 HK$'000
Net book amount	**12**	25
Loss on disposal of property, plant and equipment (note 21)	**(12)**	(25)
Proceeds from disposal of property, plant and equipment	**—**	—

31 Contingencies

The Company gave guarantees in the ordinary course of business amounting to approximately HK$166,800,000 (2009: HK$89,279,000) to subsidiaries.

The Company executed guarantees amounting to approximately HK$13,914,000 (2009: HK$2,893,000) 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.

32 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:

	2010 **HK$'000**	2009 HK$'000
No later than one year	**1,692**	1,304
Later than one year and no later than five years	**1,009**	1,065
	2,701	2,369

33 Business combinations

On 1st November 2009, the Group acquired 100% of the equity interest of MIL 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.

None of the goodwill recognised was expected to be deductible for income tax purposes. The following table summarises the consideration paid for MIL and the amounts of the assets acquired and liabilities assumed recognised at the acquisition date.

Consideration: **As at 1st November 2009**	**HK$**
Total consideration transferred - cash	1

33 Business combinations (Continued)

Recognised amounts of identifiable assets acquired and liabilities assumed:

	HK$'000
Cash and cash equivalents	817
Property, plant and equipment (note 6)	33
Trade receivables	191
Other receivables, deposits and prepayment	370
Trade and other payables	(1,209)
Total identifiable net assets	202
Negative goodwill	(202)
	—

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.

There were no acquisitions in the Year.

34 Related-party transactions

The following transactions were carried out with related parties:

(a) Sale of goods and services

	2010 **HK$'000**	2009 HK$'000
Sale of goods:		
- An entity controlled by key management personnel	**55**	52
Sale of services:		
- STL (management services)	**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) Purchases of goods

	2010 **HK$'000**	2009 HK$'000
- An entity controlled by key management personnel	**16**	26

Goods were bought from 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.

34 Related-party transactions (Continued)

(c) Operating lease payments

	2010 HK$'000	2009 HK$'000
- A Director	**779**	744

Operating lease payments were paid to a Director, José Manuel dos Santos, on normal commercial terms and conditions.

(d) Key management compensation

Management considered remuneration to all key management of the Group is disclosed in note 23(b) to the consolidated financial statements.

(e) Year-end balances

	2010 HK$'000	2009 HK$'000
Receivables from related parties:		
- STL	**—**	24
- A director of a subsidiary	**—**	100
- An entity controlled by key management personnel	**37**	—
Payables to related parties:		
- An entity controlled by key management personnel	**356**	354
- Directors	**1,272**	480
- A director of a subsidiary	**77**	—

These balances were denominated in MOP and HK$, unsecured, interest free and repayable on demand. There were no provisions held against receivables from related parties (2009: Nil).

The payables bore no interest.

Five Years Financial Summary

	Year ended 31st December				
Results	**2010** **HK$'000**	2009 HK$'000	2008 HK$'000	2007 HK$'000	2006 HK$'000
Profit/(loss) attributable to:					
– Equity holders	**25,933**	34,173	(6,887)	56,065	(84,094)
– Non-controlling interests	**(1,989)**	(1,316)	(1,435)	1,241	(1,564)
Assets and liabilities					
Total assets	**268,840**	225,883	219,325	278,429	405,825
Total liabilities	**(95,172)**	(83,215)	(113,119)	(166,975)	(366,305)
Total equity	**173,668**	142,668	106,206	111,454	39,520

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"	annual general meeting
"AIOUM"	Asia International Open University (Macau)
"Associate"	has the meaning ascribed thereto in the GEM Listing Rules
"Associated Corporation"	a corporation: 1. which is a subsidiary or holding company of the Company or a subsidiary of the holding company of the Company; or 2. (not being a subsidiary of the Company) in which the Company has an interest in the shares of a class comprised in its share capital exceeding in nominal value one-fifth of the nominal value of the issued share of that class
"Audit Committee"	the audit committee of the Company
"Auditor"	the auditor of the Company
"Board"	the board of Directors
"Business Day"	any day (excluding Saturday and Sunday) on which banks in Hong Kong are generally open for business
"BVI"	the British Virgin Islands
"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 (not applicable to Chief Executive of Macao)
"CNMS"	customer network management system
"CO"	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) as amended from time to time
"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 interet, tax, depreciation and amortisation
"ERL"	Eve Resources Limited, a company incorporated in BVI with limited liability

Definitions

"Exchange"	The Stock Exchange of Hong Kong Limited, a company incorporated in Hong Kong with limited liability
"Functional Currency"	the currency of the primary economic environment in which an entity operates
"GEM"	the Growth Enterprise Market operated by the Exchange
"GEM Listing Rules"	the Rules Governing the Listing of Securities on GEM made by the Exchange from time to time
"Grantee"	any Participant who has been offered and has accepted an offer of the grant of an Option made pursuant to the Scheme in accordance with its terms, or (where the context so permits) any person who is entitled to any such Option in consequence of the death of the original Grantee
"Group" or "Vodatel"	the Company and its subsidiaries
"GVDL"	廣州市愛達利發展有限公司, details of which can be referred to in note 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"	financial reporting standards and interpretations issued by HKICPA. They comprise 1. Hong Kong Financial Reporting Standards, 2. HKAS 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 Accounting Standard, Hong Kong Exchanges and Clearing Limited, Hong Kong Financial Reporting Standards, Hong Kong (IFRIC) Interpretation, the Hong Kong Institute of Certified Public Accountants, the Hong Kong Institute of Chartered Secretaries, The Stock Exchange of Hong Kong Limited, Tidestone Science and Technology (Hong Kong) Company Limited and the University of Hong Kong)
"HSBCITL"	HSBC International Trustee Limited, a company incorporated in BVI with limited liability
"JU"	Jinan University

"Macao"	the Macao Special Administrative Region of PRC (not applicable to 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
"MIHL"	AGTech Holdings Limited, a company incorporated in Bermuda with limited liability and ordinary shares of HK$0.002 each in the share capital of MIHL are listed on GEM
"MIL"	MegaInfo Limited, incorporated in BVI with limited liability and an indirect wholly-owned subsidiary of the Company
"Member"	the holder of the Shares
"MOP"	Patacas, the lawful currency of Macao
"MTNHL"	Mobile Telecom Network (Holdings) Limited, a company incorporated in the Cayman Islands with limited liability and MTNHL Shares are listed on GEM
"MTNHL Shares"	ordinary shares of US$0.01 each in the share capital of MTNHL
"Nomination Committee"	the nomination committee of the Company
"Offer Date"	the date of which the offer of the grant of an Option made pursuant to the Scheme is made to a Participant
"OHHL"	Ocean Hope Holdings Limited, a company incorporated in BVI with limited liability
"Option"	a right to subscribe for the Shares granted pursuant to the Scheme
"PAEHL"	PetroAsian Energy Holdings Limited, a company incorporated in the Cayman Islands with limited liability and ordinary shares of HK$0.01 each in the share capital of PAEHL are listed on the Main Board
"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
"QM"	Queen Mary and Westfield College of the University of London
"Remuneration Committee"	the remuneration committee of the Company

Definitions

"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"	ordinary share of HK$0.10 each in the share capital of the Company
"STL"	Source Tech Limited, details of which can be referred to in note 8 to the consolidated financial statements
"Subscription Price"	the price per Share at which a Grantee may subscribe for Shares on the exercise of an Option
"Substantial Shareholder"	in relation to a company means a person who is entitled to exercise, or control the exercise of, 10% or more of the voting power at any general meeting of the Company
"Timor-Leste"	the Democratic Republic of Timor-Leste
"TSTSH"	泰思通軟件（上海）有限公司, details of which can be referred to in note 7(a) to the consolidated financial statements
"TTSA"	Timor Telecom, SA , a company incorporated in Timor-Leste with limited liability
"UK"	the United Kingdom of Great Britain and Northern Ireland
"UM"	University of Macau
"US$"	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) to the consolidated financial statements
"Vodacabo"	Vodacabo, S A, details of which can be referred to in note 8 to in the consolidated financial statements
"Year"	the year ended 31st December 2010
"Zetronic"	Zetronic Communications (Macau) Limited, a company incorporated in Macao with limited liability
"ZHMSDL"	Zhuhai MegaSoft Software Development Co. Ltd., details of which can be referred to in note 7(a) to the consolidated financial statements