VODATEL

(Stock code: 8033)

2011

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.

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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 of the Company

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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Website

http://www.vodatelsys.com

Bankers

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

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 engages 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 fellow Members,

I am pleased to present to you the report of Vodatel for 2011.

Our Results

Operating in three markets that have been among the least affected by the crippling effects from the European crisis and weak USA economy, we continued to deliver firmer results for 2011. Capitalising on the robust gaming markets in Macao, revenue for the Year grew 34.44% over 2010 to reach HK$289,506,000. Although net loss at the operating entities under the "Tidestone" branding widened to HK$5,931,000, we closed the Year with stronger earnings of HK$25,393,000, buoyed by higher dividends from TTSA of HK$30,541,000 and successfully turning around business operations in Mainland China back to a positive note. Members' equity also strengthened to HK$208,145,000.

Our team continued to practise responsible financial management. We carried a debt-free balance sheet with cash and yield-enhanced financial instruments of over HK$122,000,000 – a capital structure that makes Vodatel resilient to a soft economy and market turmoil.

Our Dividends to Members

Balancing the longer-term needs of our business, the Board proposed a final dividend of HK$0.005 per Share for the Year.

Our Achievements

During the Year, we continued to charter landmark projects for the Government of Macao, gaming operators, telecommunications service providers, armed police force and dairy manufacturers. In Macao, VHL completed the installation of a surveillance system that supports over 5,000 cameras at a mega gaming and hospitality resort at the Cotai Strip, whereas MDL completed the construction of a major data centre for disaster recovery for a gaming operator and successfully penetrated into Financial Services Bureau under the Government of Macao. In Hong Kong, we added two regional-operated telecommunications service providers to our clientele list. In Mainland China, the National City Sport Competition held in Nanchang deployed the data assurance software of TSTSH and the armed police force chose the systems of TSTSH for operational control and duty carrying information functions.

Our Markets

With increased macro volatility causing long-term structural change to the world economy, resource-rich developing countries have been under international spotlights. As a corporation of only moderate size and knowing that we will continue to face with competition from larger companies with significantly more resources than we have, we choose to continue to compete in Macao, our home territory, and in Mainland China where we have accumulated over twenty years of experience, and endeavour to make Timor-Leste one of the strong markets for us to operate in. In Timor-Leste, we gear up our growth engine by gradually increasing investments in the areas of telecommunications, power and infrastructure building.

Our Research and Development

We believe that strong product development capabilities are essential to our strategy of designing, developing and marketing of commercially viable applications under our own branding. Only through owning a portfolio of quality product and service offerings that meets needs of our customers and market trends can Vodatel bring more value to our customers, gain greater name recognition and make a differentiation from our competitors.

Our Challenge

Our biggest challenge is PEOPLE! Operating under a business model where people is our most valuable asset, yet also our highest cost element, we have and will continue to face challenges in the recruitment, motivation and retention of talents, in particular in Macao. Therefore, with the complete exit from network infrastructure construction business in Mainland China, we redeployed some of the human resources in Mainland China to act as service and sales support for other operating units within the Group.

Our Strategic Drivers

The strategic drivers at Vodatel remains clear – strengthen financial footing, maintain sustainable growth and enhance value for our Members. While remaining vigilant against near-term challenging macro-economic environment, we believe accelerated growth can be achieved as we expand our product and service offerings with unique features, improve depth of market knowledge, challenge our customers to build more flexible infrastructure, and strengthen the prowess of our support service team, all of such allow Vodatel to compete more effectively yet letting our customers to enjoy greater choice, higher flexibility and better quality work performance.

Our Appreciation

Over the years, every step we took has its own challenge. While we cannot guarantee success, Vodatel has certainly risen up to countless challenges, many of which have turned into hard lessons for us. Thanks to the Board and a dedicated and talented team as their strong adaption and innovation have pushed Vodatel to go against all odds and slay each and every difficulty on its way. They are the winning ingredients that keep Vodatel on the right track and continue to grow profitably.

And to our fellow Members, thank you for your trust and support and for investing in Vodatel!

José Manuel dos Santos
Chairman

Macao, 21st March 2012

Management Discussion and Analysis

REVIEW OF BUSINESS ACTIVITIES

The Group conducted business in three markets, namely Macao/Hong Kong, Mainland China and Timor-Leste. Operations of the Group are organised into two reportable segments — 1. design, sale and implementation of network and systems infrastructure, customer data automation, customisation and integration, and provision of technical support services; and 2. CNMS, which is conducted via TSTSH.

Business in Macao and Hong Kong

In Macao and Hong Kong, the Group conducts business under two brandings, namely "Vodatel" and "Mega Datatech". VHL focuses principally on the provision of business and communications solutions in security and high-performance networking infrastructure, whereas MDL focuses primarily on the provision of enterprise information technology infrastructure, development of customised applications and maintenance support services.

In Macao, via direct sales and channel sales, VHL remains a major provider of surveillance and trunking radio equipment and ancillary services, covering design, installation, commissioning and maintenance support. Major customers include gaming operators, utility companies and the Government of Macao, namely Public Security Forces Affairs Bureau, Judiciary Police and Macao Prison. During the Year, VHL secured over HK$50,000,000 worth of contracts in relation to surveillance and communications systems, including over HK$6,000,000 of works related to the provision of maintenance support services. Included in the projects completed during the Year was the installation and commissioning of a major surveillance project for a gaming operator, which involved over 5,000 surveillance cameras, at its mega gaming and hospitality resort at the Cotai Strip.

MDL has remained one of the leading suppliers for the Government of Macao for over a decade. During the Year, via collaboration with one of its major suppliers, MDL made a major breakthrough and successfully added Financial Services Bureau to its clientele list. With this addition, today, MDL serves over twenty departments, including Civic and Municipal Affairs Bureau, Public Security Forces Affairs Bureau, Judiciary Police, Health Bureau, Macao Customs Service, Macau Government Tourist Office, Social Welfare Bureau, Social Security Fund, Land, Public Works and Transport Bureau, Commission Against Corruption, Public Administration and Civil Service Bureau, Identification Bureau, to name a few. During the Year, with departments facing different business and operating environments, MDL secured over HK$50,000,000 worth of contracts from the Government of Macao, offering combined product and diversified technology business solutions in the areas of server and storage systems, data and office networks, firewall and storage, backup, blade server systems, imaging solutions and after-sales maintenance support services. MDL is also a provider of customised software solutions and was engaged by Civic and Municipal Affairs Bureau, Social Welfare Bureau and Transport Bureau to develop customised solutions in relation to management of kiosks, patents and licensing.

Other than the Government of Macao, MDL is, again, the provider-of-choice for gaming operators, utility companies, hospitals, financial and educational institutions in enterprise information technology infrastructure and maintenance support services and in the construction of data centre. Total contracts secured during the Year reached HK$30,000,000.

In Hong Kong, the Group continued to offer networking infrastructure to telecommunications service providers, thus assisting them to sell reliable, high performance and effective multi-services to their end-users in the Asia Pacific Region. Although supporting only a handful of regional-operated telecommunications service providers, total works of over HK$45,000,000 were awarded during the Year.

In Mainland China, the Group focuses principally on the provision of maintenance support services and research and development and marketing of self-developed products. For the former, the Group received approximately HK$13,000,000 worth of maintenance contracts to provide networking infrastructure support services to different telecommunications service providers in the provinces of Guangdong, Jiangxi, Anhui, Hubei, Hunan, Guizhou and Shandong and in the municipalities of Shanghai and Chongqing. For the latter, through identification of a business opportunity in a niche market, the research and development team in Zhuhai developed the location-based service card from the core architecture of its human resources tracking and management system. Although the Group incurred over HK$3,000,000 of research and development expenditures during the Year, via partnering with local telecommunications service providers in the cities of Guangzhou, Zhongshan and Shenzhen, and operating under a profit-sharing model of monthly subscription fees, as at 31st December 2011, the Group built a clientele base of over 10,000, with backlog orders of net additions of 20,000.

TSTSH

During the Year, to enhance research and development capability, TSTSH established a subsidiary in Nanchang High-Tech Park. With research and development teams in Shanghai, Nanchang, Chongqing and Guangzhou, TSTSH has assembled four teams of highly skilled engineers with extensive development experience in the fields of high-end computing, Internet, mobile applications, security, and network management platforms. Leveraging on the core architecture, TSTSH expanded the functionalities of its integrated network and service management system to unveil various applications, including integrated environmental monitoring system, integrated fault and alert management system, PON integrated network management system, IDC service and network management system, food production quality control and trace system and network management system on mobile phones (3G Android and iPhone). The research and development process at TSTSH continues to be driven primarily by market demands and customer feedbacks, and its ability to transform new ideas and concepts into commercialised viable solutions with reliability, scalability and high performance.

Serving a unique group of customers who view their networks to be critical to their success, during the Year, TSTSH successfully awarded over HK$20,000,000 worth of contracts, including:

— new and expansion projects from telecommunications service providers in the municipalities of Chongqing and Shanghai, provinces of Guangdong and Jiangsu and autonomous region of Inner Mongolia for its CNMS, integrated environmental monitoring system and integrated fault and alert management system;

— new and expansion projects from a telecommunications service provider in the province of Jiangxi for its CNMS and integrated fault and alert management system, among which included a contract for the deployment of PON integrated network management system, a contract for the installation of IDC service and network management system and a contract for the implementation of the data assurance software to perform analysis and management of data utilisation at the National City Sport Competition held in Nanchang, Jiangxi in October 2011;

— projects from armed police force to install systems of TSTSH for operational control and duty carrying information functions; and

— contracts to install its food production quality control and trace module at dairy manufacturers in the provinces of Shaanxi and Jiangxi.

Investments in Timor-Leste

The Group continued to experience strong growth and profitability in Timor-Leste, making it one of the core operating markets for the Group.

TTSA

TTSA continued to deliver exceptional results for the Year, with revenue hitting HK$527,233,000 and net profit reaching HK$192,207,000, representing an increase of 18.55% and 6.54% over the preceding year respectively. As a result of investments made over the years, Timor-Leste now has mobile coverage of over 90% of the population. During the Year, TTSA added over 120,000 mobile subscribers, bringing total mobile customers as at 31st December 2011 to exceed 600,000, or over 50% penetration rate. Growth in mobile customers was the result of different initiatives undertaken by TTSA, including strengthening of distribution networks, in particular construction and expansion of national backbone transmission, and launching of various voice and data stimulation campaigns at competitive pricing. Mobile minutes of use per month improved from 42 as at 31st December 2010 to 60 as at 31st December 2011, while average revenue per user per month for mobile customers levelled at approximately HK$540.

During the Year, the Group received HK$30,541,000 of dividend income declared for financial year of 2010 at TTSA. For 2012, the Group is expected to receive approximately HK$32,000,000 of dividend income declared for the Year.

Vodacabo

TTSA remained the major customer, whether directly or indirectly, of Vodacabo for the Year. Since its incorporation, Vodacabo has secured various contracts, including building of telecommunications towers infrastructure and construction of energy structures (using either traditional generators or solar panels), and provision of installation services of a transmission backbone and access network in Timor-Leste. As at 31st December 2011, although majority works under these contracts have been completed, as many sites are located in remote rural areas which required long travelling time, only approximately 50% of completed works have been accepted by TTSA. Consequently, Vodacabo achieved breakeven for the Year as among HK$89,000,000 worth of completed works, approximately 50% have yet to be recognised as revenue.

New Business Opportunity in Power Sector

During the Year, via a loan arrangement, the Group partnered with a local enterprise to take on a project in the power sector of Timor-Leste. Construction of this project, which calls for installation and rehabilitation of networks and medium voltage distribution in three zones/districts, commenced in September 2011 with expected completion to take place before end of June 2012.

Available-For-Sale Financial Assets

MTNHL

Subsequent to the change of hands of single majority ownership to PetroAsian Energy Holdings Limited, a company incorporated in the Cayman Islands with limited liability and its ordinary shares of HK$0.01 each in its share capital are listed on the Main Board, MTNHL, via a series of fund raising exercises and exchange of convertible bonds and warrants, expands its business scope as a provider that engages in the development and provision of mobile data solutions, wireless data platforms and wireless solutions, to include property development and investment in Mainland China, provision of technology development, design, manufacturing and selling of liquid crystal display modules and trading of electronic parts and components in relation to display modules and touch panel modules. During the Year, the Group fully subscribed MTNHL Shares under a 1:1 open offer and did not make any disposal, therefore, shareholding of the Group in MTNHL as at 31st December 2011 remained at 13.19% (equivalent to 155,419,392 MTNHL Shares) with market value of approximately HK$39,632,000.

Yield-enhanced Instruments

During the Year, to enhance returns of its cash balances, the Group allotted approximately HK$26,000,000 of its surplus cash to invest in investment grade bonds. Consequently, finance income more than tripled from HK$449,000 to HK$1,691,000. In the future, via better management of capital, the Group will continue to focus on achieving higher risk-adjusted investment returns.

REVIEW OF OPERATING RESULTS

Turnover and Profitability

During the Year, strong project sales from the Government of Macao, gaming operators in Macao and telecommunications service providers in Hong Kong, coupled with the successful disposal of long ageing equipment, helped lift up revenue of the Group by 34.44% from HK$215,341,000 to HK$289,506,000. Gross profit edged up by 9.58% from HK$66,519,000 to HK$72,889,000, translating to gross profit margin of 25.18%. Albeit business focus in Mainland China geared towards provision of networking infrastructure maintenance support services to different telecommunications service providers, which carried higher margins, gross profit margin for the Year trailed the preceding year of 30.89% as only approximately HK$2,500,000 of gain from appreciation of Renminbi, the lawful currency of Mainland China, was reported as compared to over HK$6,000,000 for the preceding year, and a number of software projects at TSTSH still pending final acceptance as at 31st December 2011.

Selling and marketing costs and administrative expenses snapped up from HK$72,344,000 to HK$80,882,000 due to inflationary pressures, engagement of sub-contractors on short-term basis to complete various networking and surveillance projects for gaming operators and increased employee benefit expenses to retain, motivate and compete for human talents, in particular in Macao.

For the operating entities under the “Tidestone” branding, as a number of software projects still pending acceptance, loss widened from HK$862,000 of the preceding year to HK$5,931,000 for the Year, whereas operating performance of business in Mainland China made a positive turn, boosted by stronger revenue from provision of networking infrastructure maintenance support services. Although business in Macao/Hong Kong showed encouraging results, increase in staff costs and inflationary pressures on selling, marketing and operating expenses wiped out incremental earnings brought by strong growth in revenue. Consequently, stripping out dividend income from TTSA of HK$30,541,000, business in Macao/Hong Kong reported a small loss of HK$173,000 for the Year as compared to adjusted EBITDA of HK$1,202,000 for the preceding year.

Other income for the Year leveled that of the preceding year at approximately HK$31,000,000 as the absence of gain from the disposal of MTNHL Shares was compensated by higher dividend income from TTSA received from HK$23,617,000 to HK$30,541,000.

During the Year, the Group allotted approximately HK$26,000,000 of its surplus cash to invest in investment grade bonds for yield-enhanced purpose. Finance income more than tripled from HK$449,000 to HK$1,691,000 for the Year. With nil borrowing, no finance expense was witnessed.

Although lacking gain from the disposal of listed investments and widening loss at the operating entities under the "Tidestone" branding, improved operating performance of business in Mainland China and hefty dividend income from TTSA, the Group ended the Year with net profit of HK$25,393,000, or an increase of 6.05% over the preceding year.

Capital Structure and Financial Resources

Improved operating performance and increase in the fair value of MTNHL Shares pushed equity base of the Group from HK$173,668,000 as at 31st December 2010 to HK$208,145,000 as at 31st December 2011, translating to HK$0.34 per Share. Return on equity stood at 12.20%.

Available-for-sale financial assets jumped considerably from HK$26,047,000 to HK$69,914,000. The increment of HK$43,867,000 was primarily explained by the inclusion of yield-enhanced investments with market value as at 31st December 2011 of HK$23,041,000, increase in total number of MTNHL Shares subsequent to the full share subscription under the 1:1 open offer and adjustment of the fair value of aggregate holding of MTNHL Shares by the Group to HK$39,632,000.

Level of inventory stood at HK$13,074,000 as at 31st December 2011 as compared to that of HK$30,055,000 of the preceding year as the Group exhausted the equipment previously piled up to accommodate the networking and surveillance projects for two gaming operators in Macao. In line with higher revenue for the Year, trade receivables edged up from HK$73,928,000 to HK$104,368,000. As at 16th March 2012, the Group recovered over HK$48,000,000 of trade receivables. The Group will continue to keep tight controls to avoid stock obsolescence and ageing trade receivables.

The Group continued to run a debt-free capital structure. With approximately HK$26,000,000 of cash allotted for the purchase of yield-enhanced financial investments, cash and cash equivalents as at 31st December 2011 amounted to HK$98,752,000 as compared to HK$124,246,000 for the preceding year.

Employees' Information

As at 31st December 2011, the Group had 321 employees, of which 209, 9 and 103 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 2011, the Group had significant investments of which the details are set out in note 18 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 2011, bank deposit of approximately HK$610,000 was pledged for issuing performance bonds against 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 fully subscribed MTNHL Shares under a 1:1 open offer with HK$7,779,000. 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$314,000 during the Year.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

José Manuel DOS SANTOS, aged 64, 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 forty 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 54, 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 Queen Mary and Westfield College of the University of London, UK with a Bachelor of Science degree. With more than thirty 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 46, 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 43, 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 twenty 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 59, 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 thirty years of experience in the telecommunications and electronics industry.

WONG Tsu An Patrick, aged 38, was first appointed as an independent non-executive Director on 4th June 2008. He is the founder and Chief Executive Officer of Tenacity International Limited, for which he is responsible for its overall strategic development, management and operations. Prior to founding the Tenacity International Limited, 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 54, 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 42, 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 47, is the general manager of MDL. He graduated from CUM, 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 42, is the assistant general manager of MDL. He graduated from CUM, 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.

Biographical Details of Directors and Senior Management

SENIOR MANAGEMENT (By alphabetical order) (Continued)

FOO Chun Ngai Redford, aged 38, 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 49, is the director of technical services of the Group. He graduated from CUM, 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 64, 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 36, 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 41, 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 53, 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 Queen Mary and Westfield College of the University of London, UK. 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 46, 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 42, is the assistant technical dicector 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 41, 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 62, is the business development director of the Group. He has over thirty 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 47, 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 48, 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 fifteen 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 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 ill on the date of AGM.

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 Directors 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

Four meetings were held during the Year.

The attendance record of each Director was as follows:

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

3 Board (Continued)

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 general meetings.

(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.

(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.

3 Board (Continued)

(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.

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

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. Tou Kam Fai was re-appointed for a two-year term expiring on 12th May 2013. 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 during the Year and up to the date of this report are:

José Manuel dos Santos	(Chairman) (chairmanship up to 21st March 2012)
Fung Kee Yue Roger	
Wong Tsu An Patrick	(chairmanship from 22nd March 2012 onwards)
Tou Kam Fai	

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 February 2013.

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

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$1,680,000 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 during the Year and up to the date of this report are:

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

9 Audit Committee (Continued)

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 2011 and for the quarters ended 31st March 2011 and 30th September 2011. 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, 21st March 2012

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 10 to the consolidated financial statements.

An analysis of the performance of the Group for the Year by operating segment is set out in note 5 to the consolidated financial statements.

Results and appropriations

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

The Directors recommend the payment of a final dividend of HK$0.005 per Share, totalling HK$3,069,000.

Reserves

Movements in the reserves of the Group and of the Company during the Year are set out in note 25 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 15 to the consolidated financial statements.

Share capital

Details of the movements in share capital of the Company are set out in note 22 to the consolidated financial statements.

Distributable reserves

Distributable reserves of the Company as at 31st December 2011, calculated under the Companies Act 1981 of Bermuda (as amended), amounted to approximately HK$176,707,000 (2010: HK$177,840,000).

Five year financial summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 98 of the annual report.

Purchase, sale or redemption of securities

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

Options

Options were granted to Directors, 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 2011 was 61,381,900, representing 10% of the issued share capital of the Company as at 31st December 2011.

The total number of Shares issued and to be issued upon exercise of the Options 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.

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 2011 which were granted under the Scheme are as follows:

	Number of Options						
	held as at 1st January 2011	Expired during the Year	held as at 31st December 2011	Exercise Price HK$	Grant date	Exercisable from	Exercisable until
José Manuel dos Santos	800,000	—	800,000	0.38	14th June 2010	15th June 2010	14th June 2013
Yim Hong	800,000	—	800,000	0.38	14th June 2010	15th June 2010	14th June 2013
Kuan Kin Man	800,000	—	800,000	0.38	14th June 2010	15th June 2010	14th June 2013
Monica Maria Nunes	800,000	—	800,000	0.38	14th June 2010	15th June 2010	14th June 2013
Fung Kee Yue Roger	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	12,110,000	(608,000)	11,502,000	0.38	14th June 2010	15th June 2010	14th June 2013
Consultants	120,000	—	120,000	0.38	14th June 2010	15th June 2010	14th June 2013
	16,930,000	(608,000)	16,322,000				

Directors

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

Executive Directors

José Manuel dos Santos (Chairman)

Yim Hong

Kuan Kin Man

Monica Maria Nunes

Independent non-executive Directors

Fung Kee Yue Roger

Wong Tsu An Patrick

Tou Kam Fai

In accordance with Article 87 of the bye-laws of the Company, Kuan Kin Man and Tou Kam Fai retire by rotation at the forthcoming AGM and, being eligible, offer themselves for re-election.

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

Fung Kee Yue Roger, Wong Tsu An Patrick and Tou Kam Fai are independent non-executive Directors. 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. Tou Kam Fai was re-appointed for a two-year term expiring on 12th May 2013.

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's interest in contracts of significance in relation to the business of the Group are set out in note 32 to the consolidated financial statements.

Save for contracts amongst group companies and the aforementioned transaction, no other contracts of significance in relation to the business of the Group to which the Company or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted as at 31st December 2011 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 14 to 17.

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

As at 31st December 2011, the relevant interests and short positions of the Directors or Chief Executive in the Shares, underlying Shares and debentures of the Company or its Associated Corporations which will be required to be notified to the Company and the Exchange pursuant to Divisions 7 and 8 of Part XV of SFO (including interests and short positions which he took or deemed to have taken under such provisions of SFO) or required pursuant to section 352 of SFO, to be entered in the register referred to therein or required, pursuant to rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors to be notified to the Company and the Exchange were as follows:

Aggregate long positions in the Shares

Name of Director	Nature of interest	Number of Shares held	Number of underlying Shares (in respect of Options held)	Approximate % of the issued share capital of the Company
José Manuel dos Santos	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 Executives' 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 2011, 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 2011, 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 2011, 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	22.56%
– five largest suppliers in aggregate	68.06%
Sales	
– the largest customer	25.25%
– five largest customers in aggregate	66.27%

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 32 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 at 21st March 2012.

Competing business

As at 31st December 2011, 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 18 to 23.

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, 21st March 2012

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 35 to 97, which comprise the consolidated and Company balance sheets as at 31st December 2011, 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 judgement, 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 2011, 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, 21st March 2012

Consolidated Income Statement

	Note	2011 HK$'000	2010 HK$'000
		Year ended 31st December	
Revenue	5	**289,506**	215,341
Cost of sales	7	**(216,617)**	(148,822)
Gross profit		**72,889**	66,519
Selling and marketing costs	7	**(6,472)**	(5,470)
Administrative expenses	7	**(74,410)**	(66,874)
Other income	6	**31,037**	31,508
Operating profit		**23,044**	25,683
Finance income	9	**1,691**	449
Share of profit/(loss) of associates	11	**1,522**	(1,341)
Profit before income tax		**26,257**	24,791
Income tax expense	12	**(864)**	(847)
Profit for the Year		**25,393**	23,944
Profit/(loss) attributable to:			
Owners of the Company		**26,685**	25,933
Non-controlling interests		**(1,292)**	(1,989)
		25,393	23,944
Earnings per Share attributable to owners of the Company during the Year (expressed in HK cents per Share)			
Basic and diluted earnings per Share	13	**4.35**	4.22

The notes on pages 43 to 97 are an integral part of these consolidated financial statements.

		2011 HK$'000	2010 HK$'000
		Year ended 31st December	
Dividends	28	**3,069**	3,069

Consolidated Statement of Comprehensive Income

	Note	Year ended 31st December 2011 HK$'000	2010 HK$'000
Profit for the Year		**25,393**	23,944
Other comprehensive income:			
Change in value of available-for-sale financial assets	25(a)	**11,962**	7,828
Currency translation differences		**191**	408
Other comprehensive income for the Year, net of tax		**12,153**	8,236
Total comprehensive income for the Year		**37,546**	32,180
Attributable to:			
Owners of the Company		**38,689**	33,981
Non-controlling interests		**(1,143)**	(1,801)
Total comprehensive income for the Year		**37,546**	32,180

The notes on pages 43 to 97 are an integral part of these consolidated financial statements.

Consolidated Balance Sheet

	Note	2011 HK$'000	2010 HK$'000
		As at 31st December	
ASSETS			
Non-current assets			
Property, plant and equipment	15	**1,297**	1,054
Investments in associates	11	**2,131**	609
Available-for-sale financial assets	16(a),18	**69,914**	26,047
		73,342	27,710
Current assets			
Inventories	20	**13,074**	30,055
Current income tax prepaid		**—**	87
Trade receivables	19	**104,368**	73,928
Other receivables, deposits and prepayments	19	**18,144**	12,271
Pledged bank deposits	16(a),17,21	**610**	543
Cash and cash equivalents	16(a),17,21	**98,752**	124,246
		234,948	241,130
LIABILITIES			
Current liabilities			
Trade and bills payables	26	**49,658**	51,235
Other payables and accruals	26	**45,549**	39,118
Current income tax liabilities		**4,938**	4,819
		100,145	95,172
Net current assets		**134,803**	145,958
Total assets less current liabilities		**208,145**	173,668

Consolidated Balance Sheet

	Note	2011 HK$'000	2010 HK$'000
		As at 31st December	
Financed by:			
EQUITY			
Equity attributable to owners of the Company			
Shares	22	**61,382**	61,382
Other reserves	25(a)	**165,334**	153,330
Accumulated losses			
– Proposed final dividend	28	**3,069**	3,069
– Others		**(22,680)**	(46,296)
		207,105	171,485
Non-controlling interests		**1,040**	2,183
Total equity		**208,145**	173,668

The notes on pages 43 to 97 are an integral part of these consolidated financial statements.

The consolidated financial statements on pages 35 to 97 were approved by the Board on 21st March 2012 and were signed on its behalf.

José Manuel dos Santos
Director

Monica Maria Nunes
Director

Balance Sheet

	Note	2011 HK$'000	2010 HK$'000
		As at 31st December	
ASSETS			
Non-current assets			
Investments in subsidiaries	10(a)	**76,937**	76,937
Current assets			
Amounts due from subsidiaries	10(b),16(b)	**184,473**	182,859
Other receivables and prepayments	16(b),19	**99**	119
Cash and cash equivalents	16(b),17,21	**560**	2,358
		185,132	185,336
LIABILITIES			
Current liabilities			
Amounts due to subsidiaries	10(b),16(b)	**17,861**	17,011
Other payables and accruals	26	**1,239**	1,160
		19,100	18,171
Net current assets		**166,032**	167,165
Total assets less current liabilities		**242,969**	244,102
Financed by:			
EQUITY			
Equity attributable to owners of the Company			
Shares	22	**61,382**	61,382
Other reserves	25(b)	**176,274**	176,274
Retained earnings			
– Proposed final dividend	28	**3,069**	3,069
– Others		**2,244**	3,377
Total equity		**242,969**	244,102

The notes on pages 43 to 97 are an integral part of these consolidated financial statements.

The consolidated financial statements on pages 35 to 97 were approved by the Board on 21st March 2012 and were signed on its behalf.

José Manuel dos Santos
Director

Monica Maria Nunes
Director

Consolidated Statement of Changes in Equity

	Note	Attributable to owners of the Company					
		Share capital HK$'000	Other reserves (Note 25) HK$'000	Retained earnings/ (accumulated losses) HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance as at 1st January 2010		**61,382**	**143,393**	**(66,091)**	**138,684**	**3,984**	**142,668**
Comprehensive income							
Profit for the year ended 31st December 2010		—	—	25,933	25,933	(1,989)	23,944
Other comprehensive income							
Available-for-sale financial assets	25	—	7,828	—	7,828	—	7,828
Currency translation differences - Group		—	220	—	220	188	408
Total other comprehensive income, net of tax		—	8,048	—	8,048	188	8,236
Total comprehensive income		**—**	**8,048**	**25,933**	**33,981**	**(1,801)**	**32,180**
Total contributions by and distributions to owners of the Company recognised directly in equity							
Scheme: value of employee services		—	1,889	—	1,889	—	1,889
Dividends relating to 2009		—	—	(3,069)	(3,069)	—	(3,069)
Total contributions by and distributions to owners of the Company recognised directly in equity		**—**	**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**

	Note	Attributable to owners of the Company					
		Share capital HK$'000	Other reserves (Note 25) HK$'000	Retained earnings/ (accumulated losses) HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance as at 1st January 2011		**61,382**	**153,330**	**(43,227)**	**171,485**	**2,183**	**173,668**
Comprehensive income							
Profit for the Year		—	—	26,685	26,685	(1,292)	25,393
Other comprehensive income							
Available-for-sale financial assets	25	—	11,962	—	11,962	—	11,962
Currency translation differences - Group		—	42	—	42	149	191
Total other comprehensive income, net of tax		—	12,004	—	12,004	149	12,153
Total comprehensive income		**—**	**12,004**	**26,685**	**38,689**	**(1,143)**	**37,546**
Total contributions by and distributions to owners of the Company recognised directly in equity							
Dividends relating to 2010		—	—	(3,069)	(3,069)	—	(3,069)
Total contributions by and distributions to owners of the Company recognised directly in equity		**—**	**—**	**(3,069)**	**(3,069)**	**—**	**(3,069)**
Balance as at 31st December 2011		**61,382**	**165,334**	**(19,611)**	**207,105**	**1,040**	**208,145**
Representing:							
Shares, reserves and non-controlling interests							205,076
Proposed final dividend	28						3,069
Balance as at 31st December 2011							**208,145**

The notes on pages 43 to 97 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

	Note	2011 HK$'000	2010 HK$'000
		Year ended 31st December	
Cash flows from operating activities			
Cash used in operations	29	**(21,548)**	(3,723)
Income tax paid		**(658)**	(1,686)
Net cash used in operating activities		**(22,206)**	(5,409)
Cash flows from investing activities			
Proceeds from redemption of an available-for-sale financial asset		**1,601**	7,771
Purchases of available-for-sale financial assets	18	**(33,506)**	—
Purchases of property, plant and equipment	15	**(775)**	(762)
Set-up of an associate		**—**	(1,289)
Interest received	9	**1,691**	449
Dividends received	6	**30,670**	23,617
Net cash (used in)/generated from investing activities		**(319)**	29,786
Cash flows from financing activities			
Pledged bank deposits		**(67)**	6,391
Dividends paid to Members		**(3,069)**	(3,069)
Net cash (used in)/generated from financing activities		**(3,136)**	3,322
Net (decrease)/increase in cash and cash equivalents		**(25,661)**	27,699
Cash and cash equivalents at beginning of Year		**124,246**	95,670
Exchange gains on cash and cash equivalents		**167**	877
Cash and cash equivalents at end of Year		**98,752**	124,246

The notes on pages 43 to 97 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 engages 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 21st March 2012.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies 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 standard adopted by the Group

- HKAS 24 (Revised) "Related Party Disclosures" was mandatory for the first time for the financial year beginning 1st January 2011 that would be expected to have an impact on the Group. It was effective for annual period beginning on or after January 2011. It introduced an exemption from all the disclosure requirements of HKAS 24 for transactions among Government related entities and the Government. Those disclosures were replaced with a requirement to disclose:

  - The name of the Government and the nature of their relationship;
  - The nature and amount of any individually significant transactions; and
  - The extent of any collectively-significant transactions qualitatively or quantitatively.

  It also clarified and simplified the definition of a related party.

(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 2011 but not currently relevant to the Group (although they may affect the account for future transactions and events)

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

- HKFRS 1 (Amendment) "First-time Adoption of HKFRS", "Limited exemption from comparative HKFRS 7 disclosures for first-time adopters" provided 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.

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 2011 but not currently relevant to the Group (although they may affect the account for future transactions and events) (Continued)

- 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". The amendments corrected an unintended consequence of HK(IFRIC)-Int 14. Without the amendments, entities were 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 corrected this. The amendments should be applied retrospectively to the earliest comparative period presented.

- HK(IFRIC)-Int 19 "Extinguishing Financial Liabilities with Equity Instruments". The interpretation clarified the accounting by an entity when the terms of a financial liability were renegotiated and resulted 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 required a gain or loss to be recognised in profit or loss, which was 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 could not 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". This amendment amended HKFRS 1 to state that HKAS 8 did 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 had to be updated for changes the entity made 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". It allowed first-time adopters to use an event-driven fair value as deemed cost, even if the event occurred after the date of transition, but before the first HKFRS financial statements were issued. When such remeasurement occurred 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 was recognised in equity.

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 2011 but not currently relevant to the Group (although they may affect the account for future transactions and events) (Continued)

- Improvements to HKFRS published by HKICPA in May 2010 (Continued)
  - HKFRS 1 (Amendment), "Use of deemed cost for operations subject to rate regulation". It amended 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 was not qualified for capitalisation under HKFRS, as their deemed cost at the date of transition to HKFRS. Entities that used this exemption were required to test each item for impairment under HKAS 36 "Impairment of Assets" at the date of transition.
  - HKFRS 3 (Amendment) "Business Combinations", "Transition requirements for contingent consideration from a business combination that occurred before the effective date of the revised HKFRS". This amendment clarified that entities should apply the rules in HKFRS 3 (not HKFRS 7, HKAS 32 or HKAS 39 "Financial Instruments: Recognition and Measurement") to contingent consideration that arose from a business combination with acquisition dates that preceded the application of HKFRS 3 (Revised).
  - HKFRS 3 (Amendment), "Measurement of non-controlling interests". This amendment clarified that only entities with present ownership instruments that entitled their holders to a pro rata share of the net assets of the entity in the event of liquidation could choose to measure the non-controlling interest at fair value or the proportionate share of the non-controlling interest of the identifiable net assets of the acquiree.
  - HKFRS 3 (Amendment), "Un-replaced and voluntarily replaced share-based payment awards". This amendment clarified that the application guidance in HKFRS 3 (Revised) applied to all unexpired share-based payment awards that formed part of a business combination, regardless of whether the acquirer was obliged to replace the award.

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 2011 but not currently relevant to the Group (although they may affect the account for future transactions and events) (Continued)

- Improvements to HKFRS published by HKICPA in May 2010 (Continued)
  - HKFRS 7 (Amendment), "Clarifications of disclosures". It clarified seven disclosure requirements for financial instruments, with a particular focus on the qualitative disclosures and credit risk disclosures.
  - HKAS 1 (Amendment) "Presentation of Financial Statements", "Clarification of statement of changes in equity". It confirmed that entities might 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) "Consolidated and Separate Financial Statements", "Transition requirements for amendments arising as a result of HKAS 27". It clarified that the consequential amendments from HKAS 27 made to HKAS 21 "The Effects of Changes in Foreign Exchange Rates", HKAS 28 "Investments in Associates" and HKAS 31 "Interests in Joint Ventures" applied retrospectively since the date that the entity applied HKAS 27.
  - HKAS 34 (Amendment) "Interim Financial Reporting", "Significant events and transactions". It provided guidance to illustrate how to apply disclosure principles in HKAS 34 and added 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". It clarified 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 was not expected to be redeemed by customers.

2 Summary of significant accounting policies (Continued)

(a) Basis of preparation (Continued)

(iii) Changes in accounting policy and disclosures - New and amended standards were issued but are not effective for the financial year beginning 1st Janaury 2011 and were not early adopted

The assessment of the impact of these new and amended standards of the Group and the parent entity is set out below:

- HKAS 1 (Amendment). The main change resulting from these amendments is a requirement for entities to group items presented in OCI on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI. It is effective for accounting periods beginning on or after 1st July 2012.

- 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 19 (2011) (Amendment) "Employee Benefits". These amendments eliminate the corridor approach and calculate finance costs on a net funding basis. It is effective for accounting periods beginning on or after 1st January 2013.

- HKAS 27 (2011) "Separate Financial Statements". It is effective for accounting periods beginning on or after 1st January 2013.

- HKAS 28 (2011) "Investments in Associates and Joint Ventures". It is effective for accounting periods beginning on or after 1st January 2013.

2 Summary of significant accounting policies (Continued)

(a) Basis of preparation (Continued)

(iii) Changes in accounting policy and disclosures - New and amended standards were issued but are not effective for the financial year beginning 1st Janaury 2011 and were not early adopted (Continued)

- HKAS 32 (Amendment), "Offsetting Financial Assets and Financial Liabilities" clarifies the requirements for offsetting financial instruments. The amendments address inconsistencies in current practice when applying the offsetting criteria and clarify:

  - the meaning of "currently has a legally enforceable right of set-off"; and

  - that some gross settlement systems may be considered equivalent to net settlement.

  The amendments are effective for annual periods beginning or or after 1st January 2014 and are required to be applied retrospectively.

- HKFRS 1 (Amendment), "Severe hyperinflation and removal of fixed dates for first-time adopters". These amendments include two changes to HKFRS 1. The first replaces references to a fixed date of 1st January 2004 with "the date of transition to HKFRS", thus eliminating the need for entities adopting HKFRS for the first time to restate derecognition transactions that occurred before the date of transition to HKFRS. The second amendment provides guidance on how an entity should resume presenting financial statements in accordance with HKFRS after a period when the entity is unable to comply with HKFRS because its Functional Currency was subject to severe hyperinflation. It is effective for accounting periods beginning on or after 1st July 2011.

- HKFRS 7 (Amendment), "Disclosures — Transfers of Financial Assets" 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. It is effective for accounting periods beginning on or after 1st July 2011.

- HKFRS 7 (Amendment), "Disclosures — Offsetting Financial Assets and Financial Liabilities" requires the presentation of financial assets and financial liabilities on a net basis when doing so reflects the expected future cash flows of an entity from settling two or more separate financial instruments. When an entity has the right to receive or pay a single net amount or intends to do so, it has, in effect only a single financial asset or financial liability. In other circumstances, financial assets and financial liabilities are presented separately from each other consistently with their characteristics as resources or obligations of the entity. It is effective for accounting periods beginning on or after 1st January 2013.

2 Summary of significant accounting policies (Continued)

(a) Basis of preparation (Continued)

(iii) Changes in accounting policy and disclosures - New and amended standards were issued but are not effective for the financial year beginning 1st Janaury 2011 and were not early adopted (Continued)

- HKFRS 9 "Financial Instruments" addresses the classification, measurement and recognition of financial assets and financial liabilities. HKFRS 9 was issued in November 2009 and October 2010. It replaces the parts of HKAS 39 that relate to the classification and measurement of financial instruments. HKFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the business model of the entity for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the HKAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in OCI rather than the income statement, unless this creates an accounting mismatch. The Group is yet to assess the full impact of HKFRS 9 and intends to adopt HKFRS 9 upon its effective date, which is for the accounting period beginning on or after 1st January 2015.

- HKFRS 10 "Consolidated Financial Statements" builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The Group is yet to assess the full impact of HKFRS 10 and intends to adopt HKFRS 10 no later than the accounting period beginning on or after 1st January 2013.

- HKFRS 11 "Joint Arrangements". HKFRS 11 is a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed. It is effective for accounting periods beginning on or after 1st January 2013.

2 Summary of significant accounting policies (Continued)

(a) Basis of preparation (Continued)

(iii) Changes in accounting policy and disclosures - New and amended standards were issued but are not effective for the financial year beginning 1st Janaury 2011 and were not early adopted (Continued)

- HKFRS 12 "Dislcosures on Interests in Other Entities" includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The Group is yet to assess the full impact of HKFRS 12 and intends to adopt HKFRS 12 no later than the accounting period beginning on or after 1st January 2013.

- HKFRS 13 "Fair Value Measurement" aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRS. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards with HKFRS. The Group is yet to assess the full impact of HKFRS 13 and intends to adopt HKFRS 13 no later than the accounting period beginning on or after 1st January 2013.

- HK(IFRIC)-Int 20 "Stripping Costs in the Production Phase of a Surface Mine" clarifies the requirements for accounting for stripping costs in the production phase of a surface mine. The interpretation clarifies when production stripping should lead to the recognition of an asset and how that asset should be measured, both initially and in subsequent periods. It is effective for annual periods beginning on or after 1st January 2013 with earlier application permitted.

There are no other HKFRS or HK(IFRIC)-Int that are not yet effective that would be expected to have a material impact on the Group.

2 Summary of significant accounting policies (Continued)

(b) Subsidiaries

(i) Consolidation

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. The Group also assessed existence of control where it did not have more than 50% of the voting power but was able to govern the financial and operating policies by virtue of de facto control. De facto control might arise from circumstances such as enhanced minority rights or contractual terms between shareholders, etc.

Subsidiaries were fully consolidated from the date on which control transferred to the Group. They were de-consolidated from the date that control ceased.

Inter-company transactions, income and expenses on transactions between Group companies were eliminated. Profits and losses resulting from inter-company transactions that were recognised in assets were also eliminated. Accounting policies of subsidiaries were changed where necessary to ensure consistency with the policies adopted by the Group.

<u>Changes in ownership interests in subsidiaries without change of control</u>

Transactions with non-controlling interests that did not result in loss of control were accounted for as equity transactions - that is, as transactions with the owners in their capacity as owners. The difference between fair value of 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.

(ii) Separate financial statements

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.

Impairment testing of the investments in subsidiaries was required upon receiving dividends from these investments if the dividend exceeded the total comprehensive income of the subsidiary in the period the dividend was declared or 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.

2 Summary of significant accounting policies (Continued)

(c) 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. Under the equity method, the investment was initially recognised at cost, and the carrying amount was increased or decreased to recognise the share of the profit or loss of the investee by the investor after the date of acquisition.

The share of post-acquisition profit or loss 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 with a corresponding adjustment to the carrying amount of the investment. When the share of losses of the Group in an associate equalled or exceeded its interest in the associate, including any other unsecured receivables, the Group did not recognise further losses, unless it had incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determined at each reporting date whether there was any objective evidence that the investment in the associate was impaired. If this was the case, the Group calculated the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognised the amount adjacent to “share of profit/(loss) of associates” in the income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate were recognised in the financial statements of the Group only to the extent of interests in the associates of unrelated investors. Unrealised losses were 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.

(d) Segment reporting

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

2 Summary of significant accounting policies (Continued)

(e) Foreign currency translation

(i) Functional Currency and presentation currency

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

(ii) Transactions and balances

Foreign currency transactions were translated into the Functional Currency using the exchange rates prevailing at the dates of the transactions or valuation where items were remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies were recognised in the consolidated income statement.

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

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 dates of the transactions); and

2 Summary of significant accounting policies (Continued)

(e) Foreign currency translation (Continued)

(iii) Group companies (Continued)

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

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in equity.

(f) Property, plant and equipment

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

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

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

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

The residual values and 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(g)).

Gains and losses on disposals were determined by comparing the proceeds with the carrying amount and were recognised within “administrative expenses” in the consolidated income statement.

2 Summary of significant accounting policies (Continued)

(g) Impairment of 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.

(h) Financial assets

(i) Classification

The Group classified its financial assets as 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 the amounts that were settled or expected to be settled more 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(k) and 2(l)).

(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 the investment matured or management intended to dispose of it within twelve months of the end of the reporting period.

2 Summary of significant accounting policies (Continued)

(h) Financial assets (Continued)

(ii) Recognition and measurement

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

Interest on available-for-sale securities calculated using the effective interest method was recognised in the income statement as part of finance income. Dividends on available-for-sale equity instruments were recognised in the consolidated income statement as part of other income when the right of the Group to receive payments was established.

(i) Impairment of financial assets

(i) Assets carried at amortised cost

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

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

2 Summary of significant accounting policies (Continued)

(i) Impairment of financial assets (Continued)

(i) Assets carried at amortised cost (Continued)

For loans and receivables category, the amount of the loss was measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows (excluding future credit losses that were not incurred) discounted at the original effective interest rate of the financial asset. The carrying amount of the asset was reduced and the amount of the loss was recognised in the consolidated income statement. If a loan had a variable interest rate, the discount rate for measuring any impairment loss was the current effective interest rate determined under the contract. As a practical expedient, the Group might measure impairment on the basis of the fair value of an instrument using an observable market price.

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

(ii) 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. For debt securities, the Group used the criteria referred to in (i) above. 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 profit or loss. Impairment losses recognised in the consolidated income statement on equity instruments were not reversed through the consolidated income statement. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increased and the increase could be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss was reversed through the consolidated income statement.

(j) 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)

(k) 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.

(l) 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.

(m) Share capital

Shares were classified as equity.

(n) 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.

(o) 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.

(i) Current income tax

The current income tax charge was calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the regions where the 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.

2 Summary of significant accounting policies (Continued)

(o) Current and deferred income tax (Continued)

(ii) Deferred income tax

Inside basis differences

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 substantively 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.

Outside basis differences

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.

(p) Employee benefits

(i) Pension obligations

Group companies operated various pension schemes. The schemes were generally funded through payments to insurance companies were all 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.

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

2 Summary of significant accounting policies (Continued)

(p) Employee benefits (Continued)

(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 created a constructive obligation.

(q) Share-based payments

(i) Equity-settled share-based payment transactions

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, the 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).

2 Summary of significant accounting policies (Continued)

(q) Share-based payments (Continued)

(i) Equity-settled share-based payment transactions (Continued)

Non-market performance and service 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 performance and service 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.

(ii) Share-based payment transactions among group entities

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 in the parent entity accounts.

(r) 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. Provisions were not recognised for future operating losses.

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

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

2 Summary of significant accounting policies (Continued)

(s) Revenue recognition

Revenue was measured at the fair value of the consideration received or receivable, and represented amounts for the goods and services supplied, stated net of discounts, returns and value added tax. 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 when 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.

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.

(t) Interest income

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

(u) Dividend income

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

(v) 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 income statement on a straight-line basis over the period of the lease.

2 Summary of significant accounting policies (Continued)

(w) Dividend distribution

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

3 Financial risk management

(a) Financial risk factors

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

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

(i) Market risk

(I) Foreign exchange risk

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

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

Management considered that foreign exchange risk related to financial assets denominated in US$ and MOP was minimal, since these currencies were pegged to HK$ and exchange rate fluctuation was minimal throughout the Year.

As at 31st December 2011, 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$617,000 (2010: HK$554,000) higher/lower, mainly as a result of foreign exchange gains/losses on translation of RMB-denominated financial assets and liabilities.

3 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(i) Market risk (Continued)

(II) Price risk

The Group was exposed to equity securities and debt investments 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, corporate bonds and debentures, 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 2011, the equity as at 31st December 2011 would increase/decrease by approximately HK$6,267,000 (2010: HK$1,881,000).

(III) Cash flow and fair value interest rate risk

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

(ii) Credit risk

Credit risk was managed on a group basis, except for credit risk relating to accounts receivable balances. Each local entity was responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions were offered. 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 customer, banks and financial institutions, taking into account its financial position, past experience and other factors. Individual risk limits were set based on internal or external ratings in accordance with limits set by the Board. The utilisation of credit limits was regularly monitored.

(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.

3 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(iii) Liquidity risk (Continued)

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 2011, the Group held cash and cash equivalents of HK$98,752,000 (2010: HK$124,246,000).

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 2011	
Trade and bills payables	49,658
Other payables	3,244
As at 31st December 2010	
Trade and bills payables	51,235
Other payables	2,951
Company	
As at 31st December 2011	
Amounts due to subsidiaries	17,861
Other payables	15
As at 31st December 2010	
Amounts due to subsidiaries	17,011
Other payables	162

3 Financial risk management (Continued)

(b) Capital 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.

(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 2011 and 2010.

	2011 Level one HK$'000	2010 Level one HK$'000
Assets		
Available-for-sale financial asset		
– Equity securities	**39,631**	18,806
– Debt investments	**23,042**	—

3 Financial risk management (Continued)

(c) Fair value estimation (Continued)

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 were measured at cost less impairment (note 18).

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 has 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 individual ability to make payments, additional provision might be required.

4 Critical accounting estimates and judgements (Continued)

(a) Critical accounting estimates and assumptions (Continued)

(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-by-product basis at each balance sheet date and made allowances for obsolete items.

(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 information reviewed by the executive Directors for the purpose of allocating resources and assessing performance.

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 available-for-sale financial assets. Interest income was not allocated to segments, as this type of activity was managed by the executive Directors, who managed the cash position of the Group.

5 Segment information (Continued)

Revenue

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

	Revenue from external customers	
	2011 **HK$'000**	2010 HK$'000
Design, sale and implementation of network and systems infrastructure; customer data automation, customisation and integration; and provision of technical support services:		
– Mainland China	**37,825**	46,119
– Hong Kong and Macao	**241,344**	156,310
CNMS	**10,337**	12,912
Total	**289,506**	215,341

EBITDA

	Adjusted EBITDA	
	2011 **HK$'000**	2010 HK$'000
Design, sale and implementation of network and systems infrastructure; customer data automation, customisation and integration; and provision of technical support services:		
– Mainland China	**685**	(5,309)
– Hong Kong and Macao	**30,368**	24,819
CNMS	**(5,931)**	(862)
Total	**25,122**	18,648
Depreciation	**(556)**	(476)
Finance income	**1,691**	449
Profit on disposal of available-for-sale financial assets	**—**	6,170
Profit before income tax	**26,257**	24,791

5 Segment information (Continued)

Other profit and loss disclosures

	2011			2010		
	Depreciation HK$'000	Finance income HK$'000	Share of profit of associates HK$'000	Depreciation HK$'000	Finance income HK$'000	Share of loss of associates HK$'000
Design, sale and implementation of network and systems infrastructure; customer data automation, customisation and integration; and provision of technical support services:						
– Mainland China	(86)	131	—	(108)	92	—
– Hong Kong and Macao	(292)	1,542	1,522	(203)	341	(1,341)
CNMS	(178)	18	—	(165)	16	—
Total	(556)	1,691	1,522	(476)	449	(1,341)

Assets

	2011			2010		
	Total assets HK$'000	Investments in associates HK$'000	Additions to non-current assets HK$'000	Total assets HK$'000	Investments in associates HK$'000	Additions to non-current assets HK$'000
Design, sale and implementation of network and systems infrastructure; customer data automation, customisation and integration; and provision of technical support services:						
– Mainland China	37,025	—	53	38,437	—	53
– Hong Kong and Macao	190,051	2,131	272	190,926	609	535
CNMS	11,300	—	450	13,430	—	174
Total	238,376	2,131	775	242,793	609	762
Unallocated						
Available-for-sale financial assets	69,914			26,047		
Total assets per the balance sheet	308,290			268,840		

5 Segment information (Continued)

Assets (Continued)

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

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

Entity-Wide information

Breakdown of the revenue from all services is as follows:

Analysis of revenue by category

	2011 HK$'000	2010 HK$'000
Revenue from design, sale and implementation of network and systems infrastructure; customer data automation, customisation and integration; and provision of technical support services	**279,169**	202,429
Revenue from CNMS	**10,337**	12,912
	289,506	215,341

The entity is domiciled in Bermuda. There was no revenue from external customers in Bermuda for the Year and the year ended 31st December 2010, and the total of revenue from external customers from other regions was HK$289,506,000 (2010: HK$215,341,000). The breakdown of the total of revenue from external customers from other regions is disclosed as above.

As at 31st December 2011 and 2010, 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$3,428,000 (2010: HK$1,663,000).

Revenue of approximately HK$70,250,000 (2010: HK$51,315,000) was derived from a single external customer. The revenue was 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 Other income

	2011 HK$'000	2010 HK$'000
Dividend income on available-for-sale financial assets	**30,670**	23,617
Profit on disposal of available-for-sale financial assets	**—**	6,170
Others	**367**	1,721
	31,037	31,508

7 Expenses by nature

	2011 HK$'000	2010 HK$'000
Auditor's remuneration		
– Charge for the Year	**1,530**	1,380
– Under-provision in prior year	**150**	—
Changes in inventories (note 20)	**186,705**	121,415
Depreciation (note 15)	**556**	476
Employee benefit expense and independent non-executive Directors' emoluments (note 8)	**52,272**	49,202
Impairment/(reversal of impairment) of inventories	**15**	(143)
(Reversal of impairment)/impairment of trade receivables, net (note 19)	**(748)**	1,428
Loss on disposal of property, plant and equipment (note 29)	**—**	12
Operating lease payments	**2,772**	2,388
Transportation expenses	**2,064**	1,167
Other expenses	**52,183**	43,841
Total cost of sales, selling and marketing costs and administrative expenses	**297,499**	221,166

8 Employee benefit expense and independent non-executive Directors' emoluments

	2011 HK$'000	2010 HK$'000
Wages and salaries	**49,274**	44,489
Directors' fees	**880**	880
Social security costs	**2,002**	1,836
Options granted to Directors and employees	**—**	1,874
Pension costs - defined contribution plans	**116**	109
Other benefits	**—**	14
	52,272	49,202

(a) Pensions - defined contribution plans

There were no forfeited contributions.

Contributions totalling HK$116,000 (2010: HK$109,000) were payable to the fund as at 31st December 2011.

(b) Directors' emoluments

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

Name	Fees HK$'000	Salary HK$'000	Discretionary bonuses HK$'000	Employer's contribution to pension scheme HK$'000	Total HK$'000
José Manuel dos Santos	130	4,063	250	—	4,443
Yim Hong (note (ii))	130	1,693	250	18	2,091
Kuan Kin Man	130	800	250	—	1,180
Monica Maria Nunes	130	800	250	13	1,193
Fung Kee Yue Roger	120	—	—	—	120
Wong Tsu An Patrick	120	—	—	—	120
Tou Kam Fai	120	—	—	—	120

8 Employee benefit expense and independent non-executive Directors' emoluments (Continued)

(b) Directors' emoluments (Continued)

The remuneration of every Director for the year ended 31st December 2010 is set out below:

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

Notes:

(i) Other benefits include Options

(ii) Also managing director

No Director waived or agreed to waive any of their emoluments in respect of the Year (2010: Nil).

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the Year included four (2010: four) Directors whose emoluments were reflected in the analysis presented above. The emoluments payable to the remaining one (2010: one) individual during the Year are as follows:

	2011 HK$'000	2010 HK$'000
Basic salaries and allowances	**908**	960

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

9 Finance income

	2011 HK$'000	2010 HK$'000
Interest income on short-term bank deposits	**621**	449
Interest income on available-for-sale financial assets	**934**	—
Others	**136**	—
Finance income	**1,691**	449

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

(a) Investments in subsidiaries

	2011 HK$'000	2010 HK$'000
Investments, at cost, unlisted shares	**73,918**	73,918
Capital contribution relating to share-based payment	**3,019**	3,019
	76,937	76,937

Investments in group undertakings are recorded at cost, which is the fair value of the consideration paid.

10 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 2011:

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（江西）有限公司	PRC, limited liability company	Research and development of software and related software consultancy services in Mainland China	RMB5,000,000	76%
泰思通軟件（上海）有限公司("TSTSH")	PRC, limited liability company	Investment holding, research and development of software and related software consultancy services in Mainland China	US$1,510,000	76%
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%
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	Investment holding in Timor-Leste	MOP1,685,400	100%

10 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 2011: (Continued)

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued / registered share capital	Approximate effective interest held
Tidestone Science and Technology (Hong Kong) Company Limited	Hong Kong, limited liability company	Investment holding in Mainland China and software consultancy services in Hong Kong	1,000 ordinary shares of HK$1 each	83%
Vodatel Holdings Limited ("VHL")	BVI, limited liability company	Investment holding and design, sale and implementation of 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%
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.

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

(b) Amounts due from/to subsidiaries

The amounts due from/to subsidiaries were unsecured, interest free, denominated in HK$ and repayable on demand. The carrying amounts of these balances approximated their fair values due to their short maturities.

11 Investments in associates - Group

	2011 HK$'000	2010 HK$'000
As at 1st January	**609**	661
Set-up of an associate	**—**	1,289
Share of profit/(loss)	**1,522**	(1,341)
As at 31st December	**2,131**	609

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	Revenue HK$'000	(Loss)/ profit HK$'000	Effective Interest held
2010						
Source Tech Limited ("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)	
2011						
STL	Macao	**826**	**193**	**1,216**	**25**	45%
Vodacabo	Timor-Leste	**4,525**	**4,200**	**13,408**	**1,497**	30%
		5,351	**4,393**	**14,624**	**1,522**	

12 Income tax expense

Hong Kong profits tax was provided at the rate of 16.5% (2010: 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.

	2011 HK$'000	2010 HK$'000
Current tax:		
Current tax on profits for the Year		
- Macao complementary profits tax	**505**	730
- Mainland China corporate income tax	**19**	122
Adjustments in respect of prior years	**340**	(5)
Income tax expense	**864**	847

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:

	2011 HK$'000	2010 HK$'000
Profit before income tax	**26,257**	24,791
Tax calculated at the domestic tax rates applicable to profits in the respective regions	**(1,161)**	1,100
Tax effects of:		
- Income not subject to tax	**(1,247)**	(3,780)
- Expenses not deductible for tax purposes	**436**	1,087
- Utilisation of previously unrecognised tax losses	**(14)**	(845)
- Tax losses for which no deferred income tax asset was recognised	**2,510**	3,290
Adjustments in respect of prior years	**340**	(5)
Tax charge	**864**	847

The weighted average applicable tax rate was 4.74% (2010: 6.89%). The change was caused by a change in the profitability of the subsidiaries of the Company in the respective regions.

There was no taxation impact relating to components of other comprehensive income during the Year (2010: Nil).

13 Earnings per Share

(a) Basic

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

	2011 HK$'000	2010 HK$'000
Profit attributable to owners of the Company	**26,685**	25,933
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 Share price of the Shares) based on the monetary value of the subscription rights attached to the outstanding Options. The number of Shares calculated as above was compared with the number of Shares that would have been issued assuming the exercise of the Options. The conversion of all potential Shares arising from the Options would have an anti-dilutive effect on the earnings per Share for the Year and the year ended 31st December 2010. Accordingly, diluted earnings per Share was identical to basic earnings per Share for the Year and the year ended 31st December 2010.

14 Net foreign exchange losses

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

	2011 HK$'000	2010 HK$'000
Administrative expenses	**314**	540

15 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 2010					
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 ended 31st December 2010					
Opening net book amount	53	628	78	—	759
Exchange differences	—	18	3	—	21
Additions	—	649	113	—	762
Disposals	—	(12)	—	—	(12)
Depreciation charge (note 7)	(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
Year					
Opening net book amount	31	838	185	—	1,054
Exchange differences	—	20	4	—	24
Additions	—	564	102	109	775
Depreciation charge (note 7)	(14)	(485)	(45)	(12)	(556)
Closing net book amount	**17**	**937**	**246**	**97**	**1,297**
As at 31st December 2011					
Cost	3,301	10,744	2,586	843	17,474
Accumulated depreciation	(3,284)	(9,807)	(2,340)	(746)	(16,177)
Net book amount	**17**	**937**	**246**	**97**	**1,297**

Depreciation expense was charged in "administrative expenses".

16 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 2011			
Assets as per balance sheet			
Available-for-sale financial assets	—	69,914	69,914
Trade and other receivables and deposits	114,881	—	114,881
Pledged bank deposits	610	—	610
Cash and cash equivalents	98,752	—	98,752
Total	**214,243**	**69,914**	**284,157**

	Financial liabilities at amortised cost HK$'000
Liabilities as per balance sheet	
Trade, bills and other payables	**52,902**

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

	Financial liabilities at amortised cost HK$'000
Liabilities as per balance sheet	
Trade, bills and other payables	**54,186**

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

(b) Company

	Loans and receivables	
	2011 **HK$'000**	2010 HK$'000
Assets as per balance sheet		
Amounts due from subsidiaries	**184,473**	182,859
Other receivables	**—**	119
Cash and cash equivalents	**560**	2,358
Total	**185,033**	185,336

	Financial liabilities at amortised cost	
	2011 **HK$'000**	2010 HK$'000
Liabilities as per balance sheet		
Amounts due to subsidiaries	**17,861**	17,011
Other payables	**15**	162
Total	**17,876**	17,173

17 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:

Pledged bank deposits

	Group	
	2011 HK$'000	2010 HK$'000
Banks with external credit rating (Moody's)		
Aa3	**610**	543

Cash and cash equivalents

	Group		Company	
	2011 HK$'000	2010 HK$'000	**2011 HK$'000**	2010 HK$'000
Banks with external credit rating (Moody's)				
A1	**18,207**	54,002	**—**	—
A2	**30,482**	13,145	**—**	—
A3	**23,199**	45,477	**—**	—
Aa1	**4,198**	2,428	**—**	—
Aa3	**8,825**	6,977	**560**	2,358
Ba2	**12,538**	1,094	**—**	—
Baa3	**275**	251	**—**	—
Cash	**1,028**	872	**—**	—
	98,752	124,246	**560**	2,358

18 Available-for-sale financial assets - Group

	2011 HK$'000	2010 HK$'000
As at 1st January	**26,047**	19,820
Additions	**33,506**	—
Disposals	**—**	(2,933)
Redemption	**(1,601)**	—
Gains transfer to equity (note 25(a))	**11,962**	9,160
As at 31st December	**69,914**	26,047

Available-for-sale financial assets included the following:

	2011 HK$'000	2010 HK$'000
Listed securities:		
- Equity securities - Hong Kong	**39,631**	18,806
- Corporate bonds (note a)	**20,639**	—
- Debentures (note b)	**2,403**	—
Unlisted securities	**7,241**	7,241
	69,914	26,047
Market value of listed securities	**62,673**	18,806

Notes:

(a) The corporate bonds were debt investments with fixed interest ranging from 4.625% to 8% and maturity dates between December 2014 and April 2016.

(b) The debentures were debt investments with fixed interest of 3.75% and maturity date in May 2013.

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

	2011 HK$'000	2010 HK$'000
HK$	**39,631**	18,806
Pound sterling, the lawful currency of UK	**2,222**	—
MOP	**1,456**	1,456
RMB	**8,029**	—
US$	**18,576**	5,785
	69,914	26,047

The maximum exposure to credit risk at the reporting date was the carrying value of the debt investments classified as available for sale.

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

18 Available-for-sale financial assets - Group (Continued)

As at 31st December 2011, the carrying amounts of interests in the following company exceeded 10% of total assets of the Group.

Name	Place of incorporation	Principal activities	Particulars of issued shares held	Approximate effective interest held
Mobile Telecom Network (Holdings) Limited ("MTNHL")	The Cayman Islands	Investment holding	155,419,392 ordinary shares of US$0.01 each	13%

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

	Group		Company	
	2011 HK$'000	2010 HK$'000	**2011 HK$'000**	2010 HK$'000
Trade receivables	**173,624**	143,777	**—**	—
Less: provision for impairment of trade receivables	**(69,256)**	(69,849)	**—**	—
Trade receivables - net	**104,368**	73,928	**—**	—
Other receivables, deposits and prepayments	**12,688**	12,271	**99**	119
Loan receivable	**5,456**	—	**—**	—
	18,144	12,271	**99**	119
	122,512	86,199	**99**	119

The loan receivable was granted to a shareholder of an associate of the Group. The loan receivable was interest-bearing at 30% per annum, denominated in US$, repayable by 30th June 2012 and guaranteed by a company owned by the borrower. The carrying amount of loan receivable approximated its fair value due to its short maturity.

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

19 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 2011 and 2010, the ageing analysis of the trade receivables based on invoice date was as follows:

	2011 HK$'000	2010 HK$'000
Within three months	**95,648**	59,375
> Three months but ≤ six months	**4,671**	6,291
> Six months but ≤ twelve months	**1,686**	559
Over twelve months	**71,619**	77,552
	173,624	143,777

As at 31st December 2011 trade receivables of HK$104,368,000 (2010: HK$73,928,000) 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:

	2011 HK$'000	2010 HK$'000
Within three months	**95,648**	59,375
> Three months but ≤ six months	**4,671**	6,291
> Six months but ≤ twelve months	**1,686**	559
Over twelve months	**2,363**	7,703
	104,368	73,928

As at 31st December 2011, trade receivables of HK$69,256,000 (2010: HK$69,849,000) were impaired. The amount of the provision was HK$69,256,000 as of 31st December 2011 (2010: HK$69,849,000). The ageing of these receivables was more than twelve months.

19 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:

	2011 HK$'000	2010 HK$'000
HK$	7,138	2,432
US$	25,846	8,910
MOP	72,824	44,924
RMB	16,704	29,933
	122,512	86,199

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

	2011 HK$'000	2010 HK$'000
As at 1st January	69,849	67,931
Translation difference	470	490
Provision for receivables impairment	473	2,025
Receivables written off during the Year as uncollectible	(315)	—
Unused amounts reversed	(1,221)	(597)
As at 31st December	69,256	69,849

The creation and release of provision for impaired receivables were included in "administrative expenses" in the consolidated income statement (note 7). 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.

20 Inventories - Group

	2011 HK$'000	2010 HK$'000
Networking equipment	**13,074**	30,055

The cost of inventories recognised as expense and included in "cost of sales" amounted to HK$186,705,000 (2010: HK$121,415,000).

A provision of HK$15,000 as at 31st December 2011 (2010: reversal of provision of HK$143,000) was included in "cost of sales" in the income statement.

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

	Group		Company	
	2011 HK$'000	2010 HK$'000	**2011 HK$'000**	2010 HK$'000
Cash at banks and on hand	**60,150**	82,950	**560**	2,358
Short-term bank deposits	**39,212**	41,839	**—**	—
	99,362	124,789	**560**	2,358
Less: Pledged bank deposits	**(610)**	(543)	**—**	—
Cash and cash equivalents	**98,752**	124,246	**560**	2,358

Bank deposits were pledged for issuing performance bonds against certain projects.

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

	Group	
	2011 HK$'000	2010 HK$'000
Cash and cash equivalents	**98,752**	124,246

22 Shares

	Number of Shares	Ordinary Shares HK$'000
As at 1st January 2010, 31st December 2010 and 2011	**613,819,000**	**61,382**

The total authorised number of Shares was 2,000,000,000 (2010: 2,000,000,000) with a par value of HK$0.10 per Share (2010: HK$0.10 per Share). All issued Shares were fully paid.

23 Share-based payments - Group

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

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

	2011		2010	
	Exercise price in HK$ per Option	**Options**	Exercise price in HK$ per Option	Options
As at 1st January	**0.38**	**16,930,000**	0.32	18,152,000
Granted	**—**	**—**	0.38	16,930,000
Expired	**0.38**	**(608,000)**	0.32	(18,152,000)
As at 31st December	**0.38**	**16,322,000**	0.38	16,930,000

Options outstanding were exercisable.

Options outstanding as at 31st December 2011 had an expiry date on 14th June 2013 at a Subscription Price of HK$0.38 per Option.

24 (Accumulated losses)/retained earnings - Group and Company

	Group HK$'000	Company HK$'000
As at 1st January 2010	(66,091)	3,360
Profit for the year ended 31st December 2010	25,933	6,155
Dividends paid relating to 2009	(3,069)	(3,069)
As at 31st December 2010	(43,227)	6,446
Profit for the Year	26,685	1,936
Dividends paid relating to 2010	(3,069)	(3,069)
As at 31st December 2011	**(19,611)**	**5,313**

25 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 2010	97,676	2,289	702	3,940	35,549	49	3,188	143,393
Revaluation - gross (note 18)	–	–	–	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
Revaluation - gross (note 18)	–	–	–	11,962	–	–	–	11,962
Currency translation differences	–	–	–	–	–	–	42	42
As at 31st December 2011	**97,676**	**4,178**	**702**	**23,730**	**35,549**	**49**	**3,450**	**165,334**

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.

25 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 2010, 31st December 2010 and 2011	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 2011 amounted to approximately HK$176,707,000 (2010: HK$177,840,000).

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

	Group		Company	
	2011 HK$'000	2010 HK$'000	**2011 HK$'000**	2010 HK$'000
Trade and bills payables	**49,658**	51,235	**—**	—
Other payables and accruals	**45,549**	39,118	**1,239**	1,160
	95,207	90,353	**1,239**	1,160

26 Trade, bills and other payables and accruals - Group and Company (Continued)

As at 31st December 2011, the ageing analysis of the trade and bills payables (including amounts due to related parties of trading in nature) based on invoice date was as follows:

	2011 HK$'000	2010 HK$'000
Within three months	**38,829**	39,583
> Three months but ≤ six months	**688**	382
> Six months but ≤ twelve months	**182**	63
Over twelve months	**9,959**	11,207
	49,658	51,235

27 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$8,374,000 (2010: HK$6,826,000) in respect of losses amounting to HK$43,453,000 (2010: HK$32,903,000) that could be carried forward against future taxable income. Losses amounting to HK$2,163,000 (2010: HK$3,285,000), HK$254,000 (2010: HK$254,000), HK$2,796,000 (2010: HK$2,796,000), HK$4,231,000 (2010: HK$4,231,000), HK$6,001,000 (2010: HK$6,001,000) and HK$9,552,000 (2010: HK$Nil) expire in the years ending 31st December 2012, 2013, 2014, 2015, 2016 and 2017 respectively, and the remaining tax losses of HK$18,456,000 (2010: HK$14,588,000) would not expire.

There was no other material unprovided deferred income tax as at 31st December 2011.

28 Dividends

The dividends paid in the Year and the year ended 31st December 2010 were HK$3,069,000 (HK$0.005 per Share) and HK$3,069,000 (HK$0.005 per Share) respectively. 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 financial statements do not reflect this dividend payable.

	2011 HK$'000	2010 HK$'000
Proposed final dividend of HK$0.005 (2010: HK$0.005) per Share	**3,069**	3,069

The aggregate amounts of the dividends paid and proposed during the Year and the year ended 31st December 2010 are disclosed in the consolidated income statement in accordance with CO.

29 Cash used in operations

	2011 HK$'000	2010 HK$'000
Profit before income tax	**26,257**	24,791
Adjustments for:		
- Depreciation of property, plant and equipment (note 15)	**556**	476
- Profit on disposal of an available-for-sale financial asset (note 6)	**—**	(6,170)
- Loss on disposal of property, plant and equipment (note 15)	**—**	12
- Share-based payment	**—**	1,889
- Dividend income on an available-for-sale financial asset (note 6)	**(30,670)**	(23,617)
- Finance income (note 9)	**(1,691)**	(449)
- Share of (profit)/loss from associates (note 11)	**(1,522)**	1,341
- Impairment/(reversal of impairment) of inventories (note 7)	**15**	(143)
- (Reversal of impairment)/impairment of trade receivables, net (note 19)	**(748)**	1,428
	(7,803)	(442)
Changes in working capital (excluding the effects of exchange differences on consolidation)		
- Inventories	**16,966**	(24,056)
- Trade and other receivables, deposits and prepayments	**(35,565)**	7,815
- Trade and bills payables	**(1,577)**	16,200
- Other payables and accruals	**6,431**	(3,240)
Cash used in operations	**(21,548)**	(3,723)

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

Group	2010 HK$'000
Net book amount (note 15)	12
Loss on disposal of property, plant and equipment	(12)
Proceeds from disposal of property, plant and equipment	—

30 Contingencies

The Company gave guarantees in the ordinary course of business amounting to approximately HK$119,124,000 (2010: HK$166,800,000) to its subsidiaries.

The Company executed guarantees amounting to approximately HK$6,169,000 (2010: HK$13,914,000) with respect to banking facilities and trade credits made available to its subsidiaries.

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

31 Operating lease commitments - Group company as lessee

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

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

	2011 HK$'000	2010 HK$'000
No later than one year	**1,198**	1,692
Later than one year and no later than five years	**487**	1,009
	1,685	2,701

32 Related party transactions

The following transactions were carried out with related parties:

(a) Sale of goods and services

	2011 HK$'000	2010 HK$'000
Sale of goods:		
- An entity controlled by key management personnel	**83**	55
Sale of services:		
- STL (management services)	**23**	23
Total	**106**	78

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.

32 Related party transactions (Continued)

(b) Purchases of goods

	2011 HK$'000	2010 HK$'000
- An entity controlled by key management personnel	**78**	16

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.

(c) Operating lease payments

	2011 HK$'000	2010 HK$'000
- A Director	**887**	779

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 8 to the financial statements.

(e) Year-end balances

	2011 HK$'000	2010 HK$'000
Receivables from related parties:		
- An entity controlled by key management personnel	**—**	37
Payables to related parties:		
- An entity controlled by key management personnel	**350**	356
- Directors	**1,542**	1,272

The receivables from related parties arose mainly from sale transactions. These balances were denominated in MOP and HK$, unsecured in nature, bore no interest and repayable on demand. No provisions were held against receivables from related parties (2010: Nil).

The payables to related parties arose mainly from purchase transaction and discretionary bonuses. The payables bore no interest.

Five Year Financial Summary

	Year ended 31st December				
Results	**2011 HK$'000**	2010 HK$'000	2009 HK$'000	2008 HK$'000	2007 HK$'000
Profit/(loss) attributable to:					
- Equity holders	**26,685**	25,933	34,173	(6,887)	56,065
- Non-controlling interests	**(1,292)**	(1,989)	(1,316)	(1,435)	1,241
Assets and liabilities					
Total assets	**308,290**	268,840	225,883	219,325	278,429
Total liabilities	**(100,145)**	(95,172)	(83,215)	(113,119)	(166,975)
Total equity	**208,145**	173,668	142,668	106,206	111,454

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:

"3G"	third generation of mobile telephony technology
"AGM"	annual general meeting
"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 (not applicable to Main Board)
"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
"CNMS"	customer network management system
"CO"	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) as amended from time to time
"Code"	the code provisions of the Code of Corporate Governance Practices set out in Appendix 15 of the GEM Listing Rules
"Company"	Vodatel Networks Holdings Limited
"Company Secretary"	the company secretary of the Company
"Compliance Officer"	the compliance officer of the Company
"CUM"	City University of Macau (formerly known as Asia International Open University (Macau))
"Director"	the director of the Company

Definitions

"EBITDA"	earnings before interest, tax, depreciation and amortisation
"ERL"	Eve Resources Limited, a company incorporated in BVI with limited liability
"Exchange"	The Stock Exchange of Hong Kong Limited, a company incorporated in Hong Kong with limited liability
"Functional Currency"	the currency of the primary economic environment in which an entity operates
"GEM"	the Growth Enterprise Market operated by the Exchange
"GEM Listing Rules"	the Rules Governing the Listing of Securities on GEM made by the Exchange from time to time
"Grantee"	any Participant who has been offered and has accepted an offer of the grant of an Option made pursuant to the Scheme in accordance with its terms, or (where the context so permits) any person who is entitled to any such Option in consequence of the death of the original Grantee
"Group" or "Vodatel"	the Company and its subsidiaries (not applicable to Edifício Vodatel)
"GVDL"	廣州市愛達利發展有限公司, details of which can be referred to in note 10(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 10(a) to the consolidated financial statements
"HK cent"	Hong Kong Cent, 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

"IDC"	Internet data centre
"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 10(a) to the consolidated financial statements
"Member"	the holder of the Shares
"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
"MOP"	Patacas, the lawful currency of Macao
"MTNHL"	Mobile Telecom Network (Holdings) Limited, details of which can referred to in note 18 to the consolidated financial statements 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
"OCI"	other comprehensive income
"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
"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
"PON"	passive optical network
"PRC"	the People's Republic of China

Definitions

"Remuneration Committee"	the remuneration committee of the Company
"RMB"	Renminbi, the lawful currency of Mainland China
"Scheme"	the share option scheme approved by the Members at a special general meeting on 5th November 2002
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended from time to time
"Share"	ordinary share of HK$0.10 each in the share capital of the Company
"STL"	Source Tech Limited, details of which can be referred to in note 11 to the consolidated financial statements
"Subscription Price"	the price per Share at which a Grantee may subscribe for Shares on the exercise of an Option
"Substantial Shareholder"	in relation to a company means a person who is entitled to exercise, or control the exercise of, 10% or more of the voting power at any general meeting of the Company
"Timor-Leste"	the Democratic Republic of Timor-Leste
"TSTSH"	泰思通軟件（上海）有限公司, details of which can be referred to in note 10(a) to the consolidated financial statements
"TTSA"	Timor Telecom, S.A., a company incorporated in Timor-Leste with limited liability
"UK"	the United Kingdom of Great Britain and Northern Ireland
"UM"	University of Macau
"US$"	United States Dollar, the lawful currency of USA
"USA"	the United States of America
"VHL"	Vodatel Holdings Limited, details of which can be referred to in note 10(a) to the consolidated financial statements
"Vodacabo"	Vodacabo, S A, details of which can be referred to in note 11 to the consolidated financial statements
"Year"	the year ended 31st December 2011
"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 10(a) to the consolidated financial statements