VODATEL

VODATEL NETWORKS HOLDINGS LIMITED

愛達利網絡控股有限公司*

(Incorporated in Bermuda with limited liability)

Stock Code: 8033

BUSINESS AND FINANCIAL HIGHLIGHTS FOR THE YEAR

- Attributable to the financial turmoil, resulting in a number of projects being delayed or cancelled, the Group reported turnover of HK$232,395,000 for the Year, representing a drop of 29.16% over last year

- Macao continued to be the key market, bringing in HK$143,411,000 of turnover to the Group, or contributing 61.71% of the total turnover of the Group. Different gaming and hospitality operators and the Government of Macao remain the core clientele of the Group

- Received dividend income of HK$8,228,000 from TTSA

- Due to prolonged decline in the value of investments in MTNHL as a result of depressed market conditions, an impairment loss to the value of the investments in MTNHL of HK$11,005,000 was recognised

- Despite strong dividend income from TTSA and write-back of tax overprovided in previous years, attributable to lower turnover and impairment to the value of the investments in MTNHL, the Group reported net loss for the Year from continuing operations of HK$9,992,000

- In addition to CNMS, the new module of TSTSH, TS-IEMS, was successfully sold and used by telecommunications service providers to monitor environments of their servers and equipment rooms and for use by armed forces to conduct environmental monitoring

- Cash balances (including pledged bank deposits) of the Group reached HK$99,069,000

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

RESULTS

The Board is pleased to present the audited consolidated results of the Group for the Year as follows:

Consolidated Balance Sheet

	Note	As at 31st December, 2008 HK$'000	2007 HK$'000
ASSETS			
Non-current assets			
Freehold land		**—**	—
Property, plant and equipment		**1,046**	1,358
Investment in an associate		**656**	572
Available-for-sale financial assets		**16,226**	25,967
		17,928	27,897
Current assets			
Inventories		**13,620**	25,062
Income tax prepaid		**—**	1,034
Trade receivables	2	**70,254**	126,822
Other receivables, deposits and prepayments		**18,454**	19,354
Pledged bank deposits		**9,108**	8,475
Cash and cash equivalents		**89,961**	64,429
		201,397	245,176
Assets of disposal entity classified as held for sale		**—**	5,356
		201,397	250,532
LIABILITIES			
Current liabilities			
Trade and bills payables	3	**50,796**	89,839
Other payables and accruals		**45,151**	42,963
Current income tax liabilities		**17,172**	32,958
		113,119	165,760
Liabilities of disposal entity classified as held for sale		**—**	1,215
		113,119	166,975
Net current assets		**88,278**	83,557
Total assets less current liabilities		**106,206**	111,454

		As at 31st December,	
		2008	2007
	Note	**HK$'000**	HK$'000
Financed by:			
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Shares		**61,382**	61,382
Other reserves	12	**139,792**	136,718
Accumulated losses	12	**(100,264)**	(93,377)
		100,910	104,723
Minority interest in equity		**5,296**	6,731
Total equity		**106,206**	111,454

Consolidated Income Statement

	Note	Year ended 31st December, 2008 HK$'000	2007 HK$'000
Continuing operations			
Revenue	4	**232,395**	328,061
Cost of sales	6	**(185,527)**	(258,592)
Gross profit		**46,868**	69,469
Selling and marketing costs	6	**(5,690)**	(6,843)
Administrative expenses	6	**(63,382)**	(61,933)
Other (losses)/gains - net	7	**(562)**	3,171
Operating (loss)/profit		**(22,766)**	3,864
Finance income	8	**995**	4,497
Finance costs	8	**(1)**	(9)
Finance income - net	8	**994**	4,488
Share of profit of an associate		**84**	127
(Loss)/profit before income tax		**(21,688)**	8,479
Income tax credit	9	**11,696**	9,617
(Loss)/profit for the Year from continuing operations		**(9,992)**	18,096
Discontinued operations			
Profit for the Year from discontinued operations	13	**1,670**	39,210
(Loss)/profit for the Year		**(8,322)**	57,306
Attributable to:			
Equity holders of the Company		**(6,887)**	56,065
Minority interest		**(1,435)**	1,241
		(8,322)	57,306

	Note	Year ended 31st December, 2008	2007
(Loss)/earnings per Share for (loss)/profit from continuing and profit from discontinued operations attributable to the equity holders of the Company during the Year (expressed in HK cents per Share)			
Basic and diluted (loss)/earnings per Share			
From continuing operations	10	**(1.39)**	2.74
From discontinued operations	10	**0.27**	6.39
		(1.12)	9.13
Dividends	11	**—**	—

The audited consolidated results of the Group for the Year were reviewed by the audit committee of the Company.

Notes:

1. **Basis of preparation**

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

The preparation of financial statements in conformity with HKFRS required the use of certain critical accounting estimates. It also required management to exercise its judgement in the process of applying the accounting policies of the Group.

(a) Amendments and interpretations effective in the Year

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

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

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

(b) Interpretations effective in the Year but not relevant

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

- HK(IFRIC)-Int 12, "Service Concession Arrangements"

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

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

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

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

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

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

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

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

- Improvements to HKFRS published by HKICPA in October, 2008

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

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

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

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

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

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

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

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

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

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

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

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

The Group will apply HKAS 39 (Amendment) from 1st January, 2009. It is not expected to have an impact on the consolidated income statement of the Group.

- HKFRS 5 (Amendment), "Non-current Assets Held for Sale and Discontinued Operations" (and consequential amendment to HKFRS 1, "First-time Adoption") (effective from 1st July, 2009). The amendment clarifies that all of the assets and liabilities of a subsidiary are classified as held for sale if a partial disposal sale plan results in loss of control, and relevant disclosure should be made for this subsidiary if the definition of a discontinued operation is met. A consequential amendment to HKFRS 1 states that these amendments are applied prospectively from the date of transition to HKFRS. The Group will apply HKFRS 5 (Amendment) prospectively to all partial disposals of subsidiaries from 1st January, 2010.

- There are a number of minor amendments to HKFRS 7, "Financial Instruments: Disclosures", HKAS 8, "Accounting Policies, Changes in Accounting Estimates and Errors", HKAS 10, "Events after the Balance Sheet Date", HKAS 18, "Revenue" and HKAS 34, "Interim Financial Reporting" which are not addressed above. These amendments are unlikely to have an impact on the consolidated financial statements of the Group and have therefore not been analysed in detail.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- Improvements to HKFRS published by HKICPA in October, 2008

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

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

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

  - The HKAS 27 (Amendment), "Consolidated and Separate Financial Statements" (effective from 1st January, 2009). Where an investment in a subsidiary that is accounted for under HKAS 39, "Financial Instruments: Recognition and Measurement", is classified as held for sale under HKFRS 5, "Non-current Assets Held for Sale and Discontinued Operations", HKAS 39 would continue to be applied. The amendment will not have an impact on the operations of the Group because it is the policy of the Group for an investment in subsidiary to be recorded at cost in the stand-alone accounts of each entity.

  - The HKAS 28 (Amendment), "Investments in Associates" (and consequential amendments to HKAS 32, "Financial Instruments: Presentation" and HKFRS 7, "Financial Instruments: Disclosures") (effective from 1st January, 2009). Where an investment in associate is accounted for in accordance with HKAS 39, "Financial Instruments: Recognition and Measurement" only certain rather than all disclosure requirements in HKAS 28 need to be made in addition to disclosures required by HKAS 32, "Financial Instruments: Presentation" and HKFRS 7 "Financial Instruments: Disclosures". The amendment will not have an impact on the operations of the Group because it is the policy of the Group for an investment in an associate to be equity accounted for in the consolidated financial statements.

- The HKAS 29 (Amendment), "Financial Reporting in Hyperinflationary Economies" (effective from 1st January, 2009). The guidance was amended to reflect the fact that a number of assets and liabilities are measured at fair value rather than historical cost. The amendment will not have an impact on the operations of the Group, as none of the subsidiaries or associates of the Group operate in hyperinflationary economies.

- The HKAS 31 (Amendment), "Interests in Joint Ventures" (and consequential amendments to HKAS 32, "Financial Instruments: Presentation" and HKFRS 7 "Financial Instruments: Disclosures") (effective from 1st January, 2009). Where an investment in joint venture is accounted for in accordance with HKAS 39, only certain rather than all disclosure requirements in HKAS 31 need to be made in addition to disclosures required by HKAS 32, "Financial Instruments: Presentation" and HKFRS 7 "Financial Instruments: Disclosures". The amendment will not have an impact on the operations of the Group as there are no interests held in joint ventures.

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

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

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

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

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

2. **Trade receivables**

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

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

3. **Trade and bills payables**

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

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

4. **Revenue**

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

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

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

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

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

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

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

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

(c) Sale of mobile phones

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

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

(d) Interest income

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

(e) Dividend income

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

5. **Segment information**

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

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

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

(ii) Sale of mobile phones.

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

The segment results for the Year were as follows:

	Continuing operations	Discontinued operations
	Design, sale and implementation of data networking systems, provision of related engineering services and sale of networking equipment	**Sale of mobile phones**
	HK$'000	HK$'000
Revenue	232,395	10,563
Operating (loss)/profit	(22,766)	1,670
Finance income	995	—
Finance costs	(1)	—
Finance income - net (note 8)	994	—
Share of profit of an associate	84	—
(Loss)/profit before income tax	(21,688)	1,670
Income tax credit (note 9)	11,696	—
(Loss)/profit for the Year	(9,992)	1,670

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

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

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

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

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

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

Unallocated assets consisted of income tax prepaid.

Segment liabilities comprised operating liabilities.

Capital expenditure comprised additions to property, plant and equipment.

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

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

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

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

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

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

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

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

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

Revenue was allocated based on the regions in which the customer was located.

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

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

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

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

6. **Expenses by nature**

	2008	2007
	HK$'000	HK$'000
Cost of inventories	**155,967**	223,576
Depreciation	**535**	1,812
Impairment/(reversal of impairment) of inventories	**2,419**	(10,111)
Reversal of impairment of trade receivables	**(6,674)**	(5,628)
Employee benefit expense (including Directors' emoluments)	**48,558**	44,111

7. **Other (losses)/gains - net**

Other (losses)/gains - net included dividend income from unlisted investments of HK$8,228,000 (2007: HK$2,735,000) and impairment of available-for-sale financial assets of HK$11,005,000 (2007: Nil).

8. **Finance income and costs**

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

9. **Income tax credit**

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

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

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

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

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

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

10. **(Loss)/earnings per Share**

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

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

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

11. **Dividends**

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

12. **Reserves and accumulated losses**

	Contributed surplus HK$'000	Other reserve HK$'000	Capital redemption reserve HK$'000	Available-for-sale investments reserve HK$'000	Merger reserve HK$'000	Translation reserve HK$'000	Statutory reserve HK$'000	Total HK$'000	Accumulated losses HK$'000
As at 1st January, 2007	—	—	702	(11,536)	35,549	(416)	49	24,348	(149,442)
Revaluation	—	—	—	10,640	—	—	—	10,640	—
Reserves transferred to income statement upon disposal of loaned asset	—	—	—	(22)	—	—	—	(22)	—
Reserves transferred to income statement upon deregistration of TCM	—	—	—	—	—	1,671	—	1,671	—
Currency translation differences	—	—	—	—	—	116	—	116	—
Reduction of share premium credited to contributed surplus	97,676	—	—	—	—	—	—	97,676	—
Share-based compensation	—	2,289	—	—	—	—	—	2,289	—
Profit for the year ended 31st December, 2007	—	—	—	—	—	—	—	—	56,065
As at 31st December, 2007	97,676	2,289	702	(918)	35,549	1,371	49	136,718	(93,377)
Reserves transferred to income statement upon impairment of available-for-sale financial assets	—	—	—	1,264	—	—	—	1,264	—
Currency translation differences	—	—	—	—	—	1,810	—	1,810	—
Loss for the Year	—	—	—	—	—	—	—	—	(6,887)
As at 31st December, 2008	97,676	2,289	702	346	35,549	3,181	49	139,792	(100,264)

13. **Assets of disposal entity classified as held for sale and discontinued operations**

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

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

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

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

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

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

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

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

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

REVIEW OF BUSINESS ACTIVITIES

Macao

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

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

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

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

Mainland China

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

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

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

International Investments

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

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

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

REVIEW OF OPERATING RESULTS

Turnover and Profitability

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

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

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

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

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

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

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

Capital Structure and Financial Resources

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

CORPORATE GOVERNANCE PRACTICES

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

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

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

2. The Chairman of the Board did not attend the annual general meeting held in the Year.

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

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

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

Aggregate long positions in the Shares

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

Notes:

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

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

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

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

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

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

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

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

DEFINITIONS

"Associated Corporations"	corporations: 1. which are subsidiaries or holding companies of the Company or subsidiaries of the holding company of the Company; or 2. (not being subsidiaries of the Company) in which the Company has an interest in the shares of a class comprised in its share capital exceeding in nominal value one-fifth of the nominal value of the issued shares of that class

"Board"	the board of the Directors
"BVI"	the British Virgin Islands
"CAOCL"	Communications Appliances Ou Chung Limited, a company incorporated in Macao with limited liability
"CNMS"	customer network management system
"Company"	Vodatel Networks Holdings Limited
"Directors"	the directors of the Company
"EBITDA"	earnings before interest, tax, depreciation and amortisation
"ERL"	Eve Resources Limited, a company incorporated in BVI with limited liability
"Exchange"	The Stock Exchange of Hong Kong Limited, a company incorporated in Hong Kong with limited liability
"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
"Group"	the Company and its subsidiaries
"HK cents"	Hong Kong Cents, where 100 HK cents equal HK$1
"HK$"	Hong Kong Dollar, the lawful currency of Hong Kong
"HKAS"	Hong Kong Accounting Standard
"HKFRS"	standards and interpretations issued by HKICPA. They comprise 1. Hong Kong Financial Reporting Standards, 2. HKAS (formerly Statement of Standard Accounting Practice), and 3. Interpretations
"HKICPA"	the Hong Kong Institute of Certified Public Accountants, established under the Professional Accountants Ordinance (Chapter 50 of the Laws Hong Kong)
"HK(IFRIC)-Int"	Hong Kong (IFRIC) Interpretation

"Hong Kong"	the Hong Kong Special Administrative Region of PRC (not applicable to Hong Kong Financial Reporting Standards, Hong Kong Accounting Standard, Hong Kong Interpretation, Hong Kong (IFRIC) Interpretation, Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and the Hong Kong Institute of Certified Public Accountants)
"IVR"	interactive voice response
"Macao"	the Macao Special Administrative Region of PRC
"Mainland China"	PRC, other than the regions of Hong Kong, Macao and Taiwan
"MDL"	Mega Datatech Limited, incorporated in Macao with limited liability and an indirect wholly-owned subsidiary of the Company
"MTNHL"	Mobile Telecom Network (Holdings) Limited, a company incorporated in the Cayman Islands with limited liability and MTNHL Shares are listed on GEM
"MTNHL Shares"	shares of US$0.01 each in the capital of MTNHL
"Option"	a right to subscribe for Shares granted pursuant to the share option scheme approved by the holders of the Shares at a special general meeting on 5th November, 2002
"PRC"	The People's Republic of China
"Property"	Rua Ribeira do Patane, n˚s 52A-52D, Edifício Cho Cheong, A r/c, Macao
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended from time to time
"Share(s)"	share(s) of HK$0.10 each in the capital of the Company
"TCM"	Teleconcept-Multimedia N.V., a deregistered company incorporated in the Kingdom of the Netherlands with limited liability
"Timor-Leste"	The Democratic Republic of Timor-Leste
"TS-IEMS"	Tidestone Intelligent Environment Monitoring Software

"TSTSH"	泰思通軟件(上海)有限公司, incorporated in PRC with limited liability and an indirectly owned subsidiary of the Company
"TTSA"	Timor Telecom S.A., a company incorporated in Timor-Leste with limited liability
"US$"	United States Dollar, the lawful currency of USA
"USA"	The United States of America
"Year"	the year ended 31st December, 2008

By order of the Board
José Manuel dos Santos
Chairman

Macao, 23rd March, 2009

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

Independent non-executive Directors
Lo King Chiu Charles
Fung Kee Yue Roger
Wong Tsu An Patrick

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: 1. the information contained in this announcement is accurate and complete in all material respects and not misleading; 2. there are no other matters the omission of which would make any statement in this document misleading; and 3. all opinions expressed in this document have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

This announcement will remain on the Internet website operated by the Exchange for the purposes of GEM on the "Latest Company Announcements" page for at least seven days from the date of posting and on www.irasia.com/listco/hk/vodatel/index.htm and www.vodatelsys.com.

** for identification purpose only*