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ZTC Telecommunications Plc

2007 Annual Report

ZTC Telecommunications Plc is a public limited company whose shares are traded on AIM. The Group designs, assembles and markets mobile phone handsets under the "ZTC" brand name in China The operations are based in Shenzhen

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Directors and Advisers

Directors:	Frank Lewis	*Non-Executive Chairman*
	Dr Yi Xie	*Non-Executive Director*
	Chaohui (aka Charles) Huang	*Chief Executive Officer*
	Mark Syropoulo	*Finance Director*
	Michael Liu	*Executive Director*

Company Secretary: Jeremy Gorman

Registered Office.
56 Queen Anne Street
London W1G 8LA

Registered in England: Company number – 03928553

Nominated Advisor and Nominated Broker:
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14 New Street
London EC2M 4HE

Solicitors to the Company (Chinese Law):
Boss & Young
11th Floor China Merchants Tower
161 Lujiazui East Road
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People's Republic of China

Accountants:
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Whetstone
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Registered Auditors
BDO Stoy Hayward LLP
Connaught House
Alexandra Terrace
Guildford
Surrey GU1 3DA

Registrars:
Capita Registrars
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

Operational Highlights – year ended 30 June 2007

New Model Releases	
2006	16
2007	24
Growth	**50%**

Handset Sales	
2006	242,400
2007	512,600
Growth	**111%**

Revenue	
2006	£13 6m
2007	£22 2m
Growth	**63%**

Cash shell to operator

Cassian Investments Plc ("Cassian"), an unlisted cash shell transformed into an operating company by acquiring via a reverse acquisition Praise Ease Limited ("Praise Ease"), the holding company of China based Shenzhen Zhong Tian Communication Equipments Company Ltd ("Zhong Tian") Change of name of Cassian to ZTC Telecommunications Plc ("ZTC Plc")

London listing

Admission to AIM market with a strong management team and an experienced board on 21 March 2007

Highlights

Zhong Tian is a fast growing mobile phone company based in China

Revenue increased 63% to £22 2m (2006 £13 6m)

Profit before tax increased 10 9% to £2 02m (2006 £1 82m) Excluding admission and merger costs, profit before tax was £2 29m, an increase of 26 2%

Substantial increase in sales of ZTC branded handsets – up 111% to 512,600 units

China now has over 500 million mobile phone subscribers

Since January 2007, average monthly increase in new mobile users in China is 6 9 million and rising – September 2007 saw 7 6 million new subscribers

Established reputation for speed to market and quality, innovative handsets large 2 8" screens, dual SIM card functionality, 68-day standby time battery life and dual cameras

Business trading in line with management expectations since year end

Chairman's Statement

Introduction

I have great pleasure in announcing ZTC Plc's first financial report as an AIM quoted company, following our successful listing on 21 March 2007 The year to 30 June 2007 saw significant progress for the Company and its Chinese operations (together the "Group") The Group has continued to grow at an impressive pace and, following our admission to trading on AIM, we have the balance sheet strength and status associated with a London Stock Exchange listing to improve on this performance in 2008 The Group comprises ZTC Telecommunications Plc ("ZTC Plc"), Praise Ease Ltd ("Praise Ease"), its 100% owned Hong Kong based subsidiary, and Shenzhen Zhong Tian Communication Equipments Company Ltd ("Zhong Tian"), its Shenzhen based operating subsidiary which is 100 per cent owned by Praise Ease

Praise Ease came to AIM via a reverse acquisition of Cassian Investments plc ("Cassian") On 13 February 2007 Praise Ease, was acquired by Cassian for an initial consideration of 70 million ordinary shares of 10p each ("Ordinary Shares"), issued at 20p per Ordinary Share On admission, the Company had 93,682,516 ordinary shares of 10p each in issue, and approximately £4m in cash before expenses related to the listing

The acquisition agreement also provided for the issue of up to 15 million Ordinary Shares by way of deferred consideration to the previous shareholders of Praise Ease, subject to Zhong Tian achieving a post tax profit in excess of RMB 35 million in the 12 month period to 30 June 2007 I am pleased to advise that the business has achieved the agreed level of profitability for the period, and therefore it is anticipated that an additional 15 million Ordinary Shares will be issued to the vendors prior to 31 December 2007

Acquisition accounting

The consolidated results for the Group incorporate the financial statements of ZTC Plc, Praise Ease and Zhong Tian for the financial year ended 30 June 2007 Under IFRS, comparative figures for the year ended 30 June 2006 have also been included which relate to Praise Ease and Zhong Tian Due to the relative size of Praise Ease and Cassian, the acquisition was required to be accounted for under the "Reverse Acquisition" method

Results for 2007

The Group's turnover increased 63% to £22 16m in the 12 month period to 30 June 2007 (2006 £13 57m) Profit before taxation for the year ended 30 June 2007 increased 10 9% to £2 02m (2006 £1 82m), and is stated after charges for non-recurring costs associated with the reverse acquisition and admission to AIM, which amounted to £280,000 Without these one off costs, the Group has shown an increase in profit before taxation over the previous year of 26 2%

Operations

The Group shipped 512,600 ZTC branded handsets during the reporting period, an increase of 111% over the previous year Overall, the year's performance was very encouraging and is a credit to the hard work of the management and staff, as well as proving the technical excellence of our innovative mobile handsets The Board made a conscious decision during the period to improve the Group's infrastructure in order to meet demand for increased production The result of this implementation is an overall increase in running costs, but the necessary expansion of the infrastructure will position us well for the future

Strategy

ZTC's handsets are aimed primarily at the estimated 800 million Chinese nationals who reside in the lesser developed north, central and western regions of China The Group's strategy is focused on producing handsets that are "Fashionable, Economical and Practical" and which are retailed at the lower to mid price range The success of this strategy to date means the Group can now look to expand its offering by focusing on the following areas

- investing in the ZTC brand to increase consumer awareness,
- continuing to invest in new handsets and the improvement of existing models,

- establishing additional and improved distribution and sales outlets In particular the Group will focus on securing agreements with the major service providers such as China Mobile, in its targeted areas which could result in more rapid market penetration,
- doubling our production capacity in the medium term by adding a further four assembly lines to meet future sales growth,
- exploiting the cost advantages that ZTC may obtain to develop overseas markets with similar characteristics to China, such as Indonesia, India, and Africa

Recent Developments

In October 2007 at the highly regarded China Hi-Tech Fair in Shenzhen, the Group displayed its newest products and launched its latest catalogues to both domestic and overseas industry targets, including phones with dual SIM cards, stock market functions (such as share dealing and stock quotes), ultra-long standby batteries and dual multi-megapixel cameras

ZTC achieved both 'Excellent Product' and 'Excellent Show' awards at the China Hi-Tech Fair which were granted by the China Hi-Tech Commission These awards have provided encouragement to the Group in its strategy to help exploit opportunities within the rapidly expanding Chinese and international telecommunications markets, as well as generating significant interest in its products

Employees

The Board would like to extend their personal thanks to all employees of the Group in both the UK and China for their enthusiasm, hard work and commitment In particular, the Board would like to thank the Chief Executive Officer, Charles Huang, for his continued excellent contribution to the development of the Group

Dividend

The Board will not be recommending the payment of a dividend this year

Outlook

Since the year end we have continued to successfully upgrade existing handsets and bring new models to the market, bringing the total number of new handsets launched in the current financial year to five The Group has upgraded its financial reporting procedures and systems, and will maintain its rigorous approach to corporate governance practices as it continues to grow We are now seeing solid growth in our business which is trading in line with our expectations Given a combination of positive local market conditions and continued acceptance of recent product launches, the Board remains optimistic for the trading year ahead

With a clear strategy in place and a strong team to drive the business forward, the Board believes that we have the ambition, commitment and technical ability to take ZTC to the next stage of its development I look forward to reporting on progress at the half year

Frank Lewis
Chairman

28 November 2007

Chief Executive Officer's Statement

During the year we have made considerable progress towards our goal of becoming a leading designer, assembler and marketer of mobile handsets in China ("PRC") The new funding gained from the reverse acquisition has allowed ZTC to accelerate its development of new models, the lifeblood of the business, and to implement systems that will enable the Group to manage strong future growth

Financial Performance

The Group's net sales increased 63% to £22 16m (2006 £13 57m) ZTC branded mobile phones shipped increased 111% to 512,600 (2006 242,400) units, whilst OEM handsets produced under contract fell, in accordance with strategy, 84 7% to 62,500 (2006 406,900) units

Gross margins were 21 5%, an increase of 13 5% over the previous year This increase was primarily driven by our ability to rapidly introduce unique products to market, commanding higher initial margins and a relatively long shelf life, assisted by upgrades which have sustained attractive margins The forward purchases of certain strategic components have also contributed to controlling production costs

Total administrative and general expenses increased to £1 431m (2006 £312,000) which includes non-recurring costs in respect to the reverse acquisition and admission to trading on AIM amounting to £280,000 (2006 nil) Excluding these costs, expenses were £1 15m The increase in these costs is primarily attributable to two factors Firstly the increase in overhead relating to the listed parent company, and secondly, an increase in personnel reflecting a substantial increase in sales and new models

Profit before tax increased 10 9% to £2 02m (2006 £1 82m) Excluding the acquisition and admission costs, profit before tax was £2 29m, an increase of 26 2% over 2006 Whilst Group profits increased, earnings per share decreased to 2 4p basic and 2 3p diluted, compared to 4 2p basic and 4 2p diluted in the previous financial year This decrease in earnings per share is a result of the increased number of shares in issue following the reverse acquisition

Taxation paid increased to £128,000 (2006 £2,000) This is attributable to the fact that the operating subsidiary, which is based in the Special Economic Zone of Shenzhen, commenced payment of tax at a rate of 7 5% from 1 January 2007 The Company receives a favourable taxation policy being located in Shenzhen, which is a Special Economic Zone Following this initial tax rate concession, the Company expects the tax rate of the Company's operating subsidiary to increase to 15% in 2010

Operating cash outflow for the year ended 30 June 2007 was £1 40m (2006 inflow of £1 47m) and total combined cash and other liquid assets were £7 63m (2006 £4 10m) As at 30 June 2007, our net debt to equity ratio (gearing) was 0 29 Cash at bank or in hand at the period end was £2 49m

Operating Highlights

During the year under review ZTC introduced 24 new models compared to 16 in the previous period These models typically catered for the middle to lower end of the market with a focus on the lesser developed markets of China including the second to fourth tier cities and rural areas

Utilising its local knowledge and ability to bring new products rapidly to market, the Group has successfully capitalised on a number of new consumer trends Importantly, to diversify product portfolio risk, ZTC was able to develop a number of successful models catering for differentiated markets

Successfully launched handsets include

- December 2006 ZT2688 – One of the first large screen (2 8") models to be launched in the PRC Initial specifications included a camera, MP3 and MP4 players, touch screen functionality and ability to play games This model was an excellent performer achieving high margins Since its introduction additional features such as Bluetooth, dual SIM cards and ultra-long standby battery life have allowed this model to continue to have robust sales beyond the financial year end

- February 2007 ZT3328 – One of the first models including two SIM cards to be introduced in China Every province in the PRC has a separate China Mobile subsidiary resulting in significant roaming charges beyond provincial boundaries The dual SIM card model has effectively reduced roaming charges which has proved popular with the ever cost conscious Chinese consumer
- March 2007 ZT8810 – Packed with functionality such as touch display, MP3, MP4, camera (including PC camera) and a flip light, targeted at the low end of the price market it has appealed to the youth market
- June 2007 ZT3158 – Dual SIM card facility but with more sophisticated design and more expensive finish targeting higher income markets than the ZT3328, which caters to much broader population

Our People and Systems

The average number of people employed in the Group was 422 in 2007 compared to 283 in the previous year All full time employees are located in the PRC The Group's production facilities are credited with ISO9001 (2000 edition) and we ensure that our staff are trained to meet the requirements of this standard and the technical demands of our equipment

During the year ZTC has also invested capital and significant effort to upgrade the financial reporting procedures and systems, which has been accompanied by significant staff training and education These systems will provide a stable platform to better manage the rapid growth of the Group

Market

ZTC's primary focus continues to be China's domestic market The overall mobile penetration rate was at 39 9% at the end of the third quarter 2007 and substantially lower in the rural and less developed areas of China The PRC now has more than 500 million mobile phone subscribers and has witnessed an average monthly increase of 7 million new users since the start of 2007, presenting an excellent market opportunity for ZTC

The country is not only the largest mobile handset market worldwide but is home to approximately 50% of the global handset production with Shenzhen a major centre This brings to ZTC the possible exposure to benefits of scale and centralisation of component production, design expertise and talent

Given the current strong growth in demand for handsets both in China and the worldwide emerging markets, major potential market opportunities are available for innovative developers in the mobile phone sector over the next few years We are currently evaluating a number of export opportunities primarily in emerging market countries in the Middle East, Asia and Africa

Outlook

At this point in time we believe the PRC will continue to experience relatively strong economic growth over the balance of this financial year We also anticipate that the handset market should continue to enjoy robust sales throughout the same period

Going forward, our strategy will continue to focus on new product development with the view to developing a balanced portfolio, a necessity to diversifying product risk We will also continue to concentrate on existing and new markets by developing our marketing channels both through national and regional distributors in China with the latter focusing on the second to fourth tier cities and rural markets

We look forward to demonstrating continued growth and building shareholder value in 2007/2008

Charles Huang
Chief Executive Officer

28 November 2007

Directors' Biographies

Frank Lewis, Non-executive Chairman (Aged 61)

Mr Lewis has over 25 years' experience in both listed and private companies He has held a number of board positions as Chairman and non-executive director both in the UK and abroad with growing, midmarket companies He is currently a non-executive director of a number of AIM-listed companies including Polymer Logistics N V, a provider of 'one-touch' logistics solutions, Zeehan Zinc Limited, a zinc mine in Tasmania, and Formjet plc, a distributor of computer software He is a fellow of the Institute of Chartered Accountants in England and Wales and a member of the South African Institute of Chartered Accountants Mr Lewis is Chairman of the audit and remuneration committees

Chaohui (aka Charles) Huang, Chief Executive Officer (Aged 40)

Mr Huang has over 20 years' experience in the telecom and communications business in China He was engaged in military communications during his service in the Army from 1983 to 1987, and thereafter was engaged in a family business involved in the distribution of telephone handsets and terminal products In 1995 he joined TELSDA Group, a manufacturer of mobile handsets, as vice president Mr Huang founded Shenzhen Zhong Tian Communication Equipments Co Ltd ("Zhong Tian") in 2003 Mr Huang is Chief Executive Officer and is responsible for the overall growth and development of the Group

Dr Yi Xie, Non-executive Director (Aged 50)

Dr Xie graduated from the Beijing University of Posts and Telecommunications where he obtained a Doctorate Degree He has over 20 years' research and development experience in the information technology industry He has specialised in Optical Communication and Communication Protocols Dr Xie is the vice-president of the China Academy of Telecommunication Research Institution, a subsidiary of the Ministry of Information Industry of China He is also the chairman of TC9 of the China Communications Standards Association and the chairman of the China Testing Forum for Telecommunication Terminals Dr Xie is a member of the audit and remuneration committees

Mark Syropoulo BSc Hons, Finance Director (Aged 55)

Mr Syropoulo has had thirty years' experience in stock broking, finance or executive positions primarily in the resources sector in Africa, Australia, USA, UK and Asia From 1987 to 1993 he was managing director of London listed Anglo Pacific Resources Plc which was an associate company of Anglovaal Ltd Mr Syropoulo has had ten years experience investing in Chinese publicly quoted equities and was a non-executive director of AIM listed Caledon Resources Plc, a China focused gold explorer from 2005 to December 2006 He has completed Mandarin studies through the University of California, Berkeley, and at the Beijing Language and Cultural University

Mr Syropoulo is employed part-time as Finance Director and is primarily responsible for the financial management of the Group including reporting, planning processes and budgetary and forecast cycles He is also responsible for statutory and audit compliance

Michael Liu, Executive Director (Aged 45)

Mr Liu has over 20 years' experience in general management, investment and finance, marketing and sales, and project management in North America and China From 1993 to 2001, he was general manager for the China operations of CNT Group, a TSX main board listed firm Mr Liu has been a director of TSXV listed Pacific Imperial Mines Ltd since 2004 and a director of TSXV listed International Barytex Resources Ltd since March 2006 He has an MBA from the University of British Columbia Mr Liu is employed part-time as an Executive Director and is primarily responsible for identifying and developing international market opportunities for the Group

Directors' Report

The Directors present their report on the affairs of the Company and the Group, together with the audited financial statements, for the year ended 30 June 2007

Principal activities

During the period from 1 July 2006 to 21 March 2007 the Company was a cash shell, seeking to identify a suitable acquisition with the intention of obtaining admission of the Company's shares to a regulated market

On 21 March 2007, following the acquisition of the whole of the issued share capital of Praise Ease Limited ("Praise Ease"), the Company was admitted to the Alternative Investment Market ("AIM") of the London Stock Exchange Praise Ease is the holding company of Shenzhen Zhong Tian Communication Equipments Co Ltd ("Zhong Tian") which is incorporated in China and which designs, assembles and markets mobile phone handsets under the ZTC brand name in China Zhong Tian is located in the Longgang District of Shenzhen, China, and is the principal operating company in the Group

The name of the Company was changed from Cassian Investments Plc to ZTC Telecommunications Plc on 14 March 2007

Business review and future developments

This is the first business review prepared by the Company following the UK's adoption of the European Union's Accounts Modernisation Directive The purpose of the review is to show how the Company assesses and manages risk and uncertainty and adopts appropriate policies and targets Further details of the Group's business and expected future developments are also set out in the Chairman's Statement on pages 4 and 5 and in the Chief Executive Officer's Statement on pages 6 and 7

Key Performance Indicators

The key performance indicators for the Group are as follows

	2007	*2006*
Financial		
Sales (£m)	22 16	13 57
Operating cashflow (£m)	(1 40)	1 47
Earnings per share (p)	2 4	4 2
Non-Financial		
Number of handsets produced	512,600	242,400
Number of new models	24	16

Principal risks and uncertainties

Risk is inherent in all business Set out below are certain risk factors which could have an impact on the Group's long term performance The factors discussed below should not be regarded as a complete and comprehensive statement of all potential risks and uncertainties facing the Group

Competition

The market for telecommunications equipment generally in China is very competitive The principal competitive factors are as follows function and design, brand name recognition, distribution, performance cost ratio, short lead time in product development and product quality The Group is currently competing with both foreign and local companies including Nokia, Motorola, Samsung, Haier, Ningbo Bird, Lenovo, Amoi and Konka

Models and component supply

The Group's performance is dependent on its ability to introduce new models consistently which successfully anticipate market trends In addition, as all components are outsourced, performance is also reliant on the continued ability to purchase these items both for current and future models The Group mitigates these risks by a strong focus on market research and testing and having at least two suppliers for critical components

Economic, Political and Social Considerations

China has been undergoing a series of political reforms since 1978 Such reforms have in the past resulted in significant economic growth over the past twenty years Growth has tended to be uneven between sectors and geographically The Chinese government has from time to time implemented selected measures to moderate economic growth The Group's operating and financial performance may be adversely affected by changes in the rate of taxation, imposition of additional currency conversion restrictions and state policies affecting the regulation of the mobile phone industry In addition the Group's performance may be affected by local and international economic cycles and risks affecting consumer behaviour which are beyond the Group's control

Loss of Licence

Under the law in China, the minimum required registered capital for a mobile phone handset manufacturer is RMB 200 million (£13,089,862) The paid-in capital of Zhong Tian as at 30 June 2007 was RMB 30,348,000 (£1,986,256)

Zhong Tian is at risk of having its business licence withdrawn by the relevant authority, and its certificate of approval invalidated if it does not increase its paid-in capital to the required minimum of RMB 200 million (£13,089,862) by 31 December 2009 or fails to obtain a permit for extension of its capital contribution time limit from the competent authority

The Directors believe that the required contribution can be made by 31 December 2009 from funding available to the Company (including the capitalisation of any profits), both from the calendar year 2005 and subsequent years Application for the capitalisation of profits for the calendar years 2005 and 2006 will be made before the end of 2007 The capitalisation of any profits may however have an effect on the Company's ability to pay dividends in the short term

Tenure of Land and Buildings

Zhong Tian has four long term leases for 8,000 square metres of land on which it operates for industrial purposes The usage and ownership of land in China can be a complex matter with the potential for conflict between laws prevailing at the national and provincial levels which could give rise to uncertainty concerning tenure or nature of use To minimise this risk, the Company has undertaken satisfactory legal due diligence in respect of this matter

Credit Risk

Unutilised cash balances are maintained on either deposit or current account with major international banks

The Group is potentially exposed to credit risk from credit sales to customers

Dependence on Key Personnel

The Group depends upon the expertise and continued service of certain key executives and other personnel, and in particular the Chief Executive Officer, Charles Huang

Going concern

The Directors are confident that sufficient funding is in place to enable the Group to continue to meet its present obligations as they fall due Accordingly, the Directors continue to adopt the going concern basis in preparing the financial statements

Results and dividend

The results of the Group for the year ended 30 June 2007 are set out on page 25 The results for the year are shown after non-recurring costs relating to Admission to AIM, and to the period prior to Admission, amounting to £280,000

The Directors do not recommend the payment of a dividend for the year

Directors

The following Directors, who held office at 1 July 2006, resigned as Directors on 21 March 2007

Oliver Vaughan
Edward Vandyk
Alan Pereira

The present Directors of the Company, who were appointed on 21 March 2007, are as follows

Frank Lewis
Chaohui (aka Charles) Huang
Mark Syropoulo
Michael Liu
Dr Yi Xie

In accordance with the Articles of Association, all the present Directors will retire and, being eligible, offer themselves for re-election at the forthcoming Annual General Meeting Biographical details of these Directors are set out on page 8 and details of their remuneration are set out on pages 18 to 21

Directors' interests

The beneficial interests of the present Directors and their families at 30 June 2007 in the ordinary share capital of the Company were as follows

	30 June 2007		*30 June 2006**	
	Ordinary shares	*Share options*	*Ordinary shares*	*Share options*
F Lewis	–	100,000	–	100,000
C Huang	66,500,000	500,000	66,500,000	500,000
M Syropoulo	350,000	500,000	350,000	500,000
M Liu	2,800,000	500,000	2,800,000	500,000
Dr Y Xie	–	100,000	–	100,000

*or date of appointment, if later

Of the 66,500,000 ordinary shares beneficially owned by Mr Huang, 56,000,000 are registered in the name of Tomorrow's Focus Limited and 10,500,000 are registered in the name of Pan-Europe Capital Limited

The ordinary shares beneficially owned by Mr Syropoulo and Mr Liu are registered in the name of Higher Performance Team Limited

The Directors have undertaken that they will not dispose of any interest in the ordinary shares held by them for a period of twelve months from the date of Admission of the Company's shares to AIM on 21 March 2007 save in certain limited circumstances and, for the following twelve months, will only dispose of their interests in the Company through Blue Oar Securities Plc, the Company's Nominated Adviser and Nominated Stockbroker

Share options

	At 1 July 2006	Granted 21 March 2007	Exercised/ Lapsed	At 30 June 2007	Exercise Price	Exercisable From	Exercisable To
F Lewis	–	100,000	–	100,000	20p	21 03 08	20 03 17
C Huang	–	500,000	–	500,000	20p	21 03 08	20 03 17
M Syropoulo	–	500,000	–	500,000	20p	21 03 08	20 03 17
M Liu	–	500,000	–	500,000	20p	21 03 08	20 03 17
Dr Y Xie	–	100,000	–	100,000	20p	21 03 08	20 03 17

The share options may be exercised in three equal successive annual instalments commencing on and/or after the first anniversary of the date of grant

No performance conditions have been imposed on any of the above share options and no consideration was payable for their award

The market price of the Company's ordinary shares at 30 June 2007 was 16 75p, and the range during the year, on a consolidated basis, was 16 00p to 19 75p

Related party transactions

Details of related party transactions are given in Note 29 to the financial statements

Financial Instruments and Treasury policy

Details of the use of financial instruments by the Company and its subsidiaries are contained in Note 18 of the financial statements

The Group's multi-national operations could expose it to certain financial risks

The most significant risk occurs upon translation of the foreign operation's results into sterling upon consolidation Almost 100% of foreign revenues and the bulk of operating costs are incurred in the local currency, the RMB Group companies therefore do not engage in foreign exchange risk hedges

Prudent liquidity risk management in the context of the Group implies maintaining sufficient cash balances or marketable securities in the necessary currencies to be able to pay creditors as and when they fall due The bulk of the Group's balances are held in RMB, sterling and HK dollars

Funds surplus to monthly requirements are normally kept on interest bearing financial instruments Cash balances are deposited with banks carrying high credit ratings in their respective country jurisdictions

Creditor payment policy

The Company's policy is to agree payment terms with all suppliers when establishing the terms of each business transaction and to abide by the agreed terms of payment Trade creditors of the Company at 30 June 2007 were equivalent to 9 days purchases based on the average daily amount invoiced by the suppliers during the year ended on that date

Substantial shareholdings

At 21 November 2007 the Directors had been notified or were otherwise aware of the following holdings of 3% or more of the Company's issued share capital

	Number of ordinary shares	*Percentage of issued ordinary share capital*
Tomorrow's Focus Limited	56,000,000	59 78%
Pan-Europe Capital Limited	10,500,000	11 21%
Albany Capital Limited	5,428,008	5 79%
Higher Performance Team Limited	3,500,000	3 74%

As noted above, Mr Huang is beneficially interested in the shares which are registered in the names of Tomorrow's Focus Limited and Pan-Europe Capital Limited, and Mr Syropoulo and Mr Liu are beneficially interested in 350,000 and 2,800,000 of the ordinary shares, respectively, which are registered in the name of Higher Performance Team Limited

Share capital

On 29 January 2007, 9,410,155 ordinary shares of 1p each were issued following the exercise of warrants and further subscription rights

On 14 February 2007, the Company called the balance of 1 5p outstanding on each of the A shares and subsequently each fully-paid A share was converted into one ordinary share of 1p and one deferred share of 1p

At an Extraordinary General Meeting held on 14 March 2007 shareholders approved *inter alia* resolutions

- to consolidate the existing ordinary shares of 1p into ordinary shares of 10p each on a one-for ten basis,
- to approve the acquisition of Praise Ease for an initial consideration of 70,000,000 ordinary shares of 10p each, credited as fully paid at 20p per share, thereby valuing such consideration at £14,000,000,
- to cancel the deferred shares, and
- to approve the second tranche of the consideration for the acquisition of Praise Ease, based upon the audited results of Zhong Tian in the period of 12 months ending 30 June 2007 This deferred consideration of a maximum of 15,000,000 additional ordinary shares of 10p in the Company is issuable conditional on the audited post tax profits of Zhong Tian for the year ended 30 June 2007 exceeding RMB35m

Further details of the changes in share capital during the year are set out in Note 19 to the financial statements

Employees

The commitment and ability of our employees are key factors in achieving the Group's objectives We seek to give equal opportunities in employment and ensure that all employees receive fair treatment irrespective of sex, religion, ethnic origin or disability including those who become disabled during their employment The Group supports and aids employee welfare as well as personal and career development

Our communications aim is to increase the understanding of the business through regular employee briefings at all levels

Charitable and political donations

The Company made no charitable or political donations in the financial year (2006 Nil)

International Financial Reporting Standards

The financial statements have been prepared in accordance with applicable International Financial Reporting Standards as endorsed by the European Union

Events after the Balance Sheet date

As referred to above, the contingent consideration of 15,000,000 additional ordinary shares of 10p in the Company are issuable in relation to the acquisition of Praise Ease The Board anticipates that these additional shares will be allotted prior to 31 December 2007

Subsequent to the balance sheet date, by a member's resolution passed on 24 October 2007, the authorised share capital of the Company's subsidiary undertaking, Praise Ease Limited, was increased from HK$10,000 divided into 10,000 shares of HK$1 each to HK$7,162,860 by the creation of an additional 7,152,860 shares of HK$1 each ranking *pari passu* in all respects with the existing shares in the share capital of the company By a Directors' resolution passed on the same date, 7,152,860 shares of HKS1 each were allotted to ZTC Telecommunications Plc at par and the consideration was satisfied by the book debts due to a Director, Mr Huang Chaohui, as agreed by him

Disclosure of information to auditors

So far as each Director at the date of approval of this report is aware, there is no relevant audit information of which the Company's auditors are unaware and each Director has taken all steps that he ought to have taken to make himself aware of any relevant audit information and to establish that the auditors are aware of that information

Auditors

BDO Stoy Hayward LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting

Annual General Meeting

The resolutions to be proposed at the forthcoming Annual General Meeting are set out in the formal notice of the meeting, as set out on pages 49 to 52

The following resolutions constitute Special Business

Resolution number 9 is proposed as an Ordinary Resolution to provide the Directors with authority to issue ordinary shares up to an aggregate nominal value of £3,922,308, representing 41 87% of the Company's present issued share capital, such authority to terminate on the date falling fifteen months after the passing of this resolution or the date of the next Annual General Meeting of the Company, whichever is the earlier The Directors have no present intention of exercising this authority except for the issue of £1,500,000 nominal of ordinary shares as deferred consideration for the acquisition of Praise Ease Limited

Resolution number 10 is proposed as a Special Resolution to seek authority for the Directors to allot equity securities for cash up to a nominal value of £1,175,000 representing 12 54% of the Company's present issued share capital otherwise than on a pre-emptive basis The Companies Act 1985 ("the Act") requires that, unless shareholders resolve otherwise, any shares to be allotted for cash must be offered to existing shareholders pro-rata to their existing shareholdings The Act permits this requirement to be modified and the purpose of the resolution is to provide the Directors with the authority to issue ordinary shares for cash, as if such provisions did not apply, when the Board considers it to be in the best interests of shareholders, such authority to terminate on the date falling fifteen months after the passing of this resolution or the date of the next Annual General Meeting of the Company, whichever is the earlier The Board has no present intention of issuing shares under this authority or of seeking to use such authority

Resolution number 11 is proposed as a Special Resolution to seek authority for the Company to purchase its own shares in the market, up to a total of 14,000,000 ordinary shares of 10p each, having an aggregate nominal value of £1,400,000, which is equivalent to approximately 14 94% of the Company's current issued ordinary share capital The authority contained in this resolution will be valid for up to fifteen months after the passing of this resolution or until the date of the next Annual General Meeting of the Company, whichever is the earlier The Board has no immediate intention of exercising the proposed authority when it becomes effective and intends to exercise this power only when the effect of such purchases will be to increase earnings per ordinary share and that such purchases will be in the best interests of shareholders

Recommendation

The Board considers that the resolutions to be proposed at the Annual General Meeting are in the best interests of the Company and it is their unanimous recommendation that shareholders support these proposals as the Board intends to do so in respect of their own holdings

By order of the Board

J P Gorman FCA
Company Secretary

28 November 2007

Corporate Governance Statement

The Directors recognise the value of the principles of good governance, as set out in the Combined Code and the guidelines published by the Quoted Companies Alliance, and aim to comply with such corporate governance practice so far as is practicable and appropriate for a public company of its size and nature of a Company quoted on AIM

Frank Lewis, the Non-executive Chairman, is a member of the Audit Committee While this does not meet the requirements of the Combined Code on the basis that a company chairman is not regarded as independent, the Board considers that he is an appropriate person to be a member of this committee, as he meets the Combined Code's requirement that one committee member should have recent and relevant financial experience

Frank Lewis and Dr Yi Xie, a Non-executive Director, have been granted share options The Board recognises that the holding of share options by Non-executive Directors is not consistent with the recommendations of the Combined Code However, the Board considers that both Mr Lewis and Dr Xie are independent in character and judgment and that there are no relationships or circumstances (including financial dependence on their relationships with the Company) which are likely to affect, or could appear to affect, their judgment as a Non-executive Director

The Company has adopted a model code for Directors' dealings in securities of the Company which is appropriate for a Company quoted on AIM The Directors will comply with Rule 21 of the AIM Rules relating to Directors' dealings and will take all reasonable steps to ensure compliance by the Company's "applicable employees" (as defined in the AIM Rules)

Board of Directors

The Board currently comprises three Executive and two Non-executive Directors The Non-executive Directors are independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgment

The Board meets on average at least every two months and is responsible, *inter alia*, for setting and monitoring group strategy, reviewing trading performance, ensuring adequate funding, examining development opportunities, formulating policy on key issues and reporting to shareholders Decisions concerning the direction and control of the business are made by a majority of the Board and a formal schedule of matters specifically reserved for the decision of the Board is in place

The Board is responsible for establishing and maintaining the Group's system of internal financial controls Internal financial control systems are designed to meet the particular needs of the Group and the risks to which it is exposed, and by its very nature can only provide reasonable, but not absolute, assurance against material misstatement or loss

An agreed procedure exists for Directors in the furtherance of their duties to take independent professional advice Newly appointed Directors are made aware of their responsibilities through the Company Secretary

Board appointments

The appointment of Directors is overseen by the full Board There is no formal nominations committee, the appointment of new Directors being considered by the full Board

Audit Committee

The Audit Committee was constituted on 21 March 2007 and is chaired by Frank Lewis and includes Dr Yi Xie Meetings are expected to be held on average twice a year and may also be attended, by invitation, by the Executive Directors

The committee provides a forum for reporting by the Group's external auditors It is also responsible for reviewing a number of other matters, including half-year and annual results before their submission to the Board and for monitoring the controls that are in force to ensure the integrity of information reported to shareholders The committee also advises the Board on the appointment of external auditors and on their remuneration for both audit and non-audit work, and will review the nature, scope and results of the audit with the external auditors

Remuneration Committee

The Remuneration Committee was constituted on 21 March 2007 and is chaired by Frank Lewis and includes Dr Yi Xie Meetings are expected to be held on average twice a year The committee is responsible for making recommendations to the Board, within agreed terms of reference, on the Company's framework of executive remuneration and its cost The Remuneration Committee determines the contract terms, remuneration and other benefits for the Executive Directors, including performance related bonus schemes and compensation payments

The Board determines compensation for Non-executive Directors

Internal financial control and reporting

The Directors are responsible for establishing and maintaining the Group's system of internal controls and as such have put in place a framework of controls to ensure that the ongoing financial performance is measured in a timely and correct manner and that risks are identified as early as is practicably possible There is a comprehensive budgeting system and monthly management accounts are prepared which compare actual results against both the budget and the previous year They are reviewed and approved by the Board, and revised forecasts are prepared on a regular basis

Operational control, compliance and risk management

The Group operates procedures for identifying and considering significant business risks These involve risk consideration at operational reviews which will be undertaken by the Audit Committee A summary of the principal risk factors is set out on pages 9 and 10

Relations with shareholders

The Company reports to shareholders twice a year The Company dispatches the notice of its Annual General Meeting, together with a description of the items of special business, at least 21 clear days before the meeting Each substantially separate issue is the subject of a separate resolution and all shareholders have the opportunity to put questions to the Board at the Annual General Meeting The chairman of the Audit and Remuneration Committees normally attend the Annual General Meeting and will answer questions which may be relevant to their work The Chairman advises the meeting of the details of proxy votes cast on each of the individual resolutions after they have been voted on in the meeting

The Chairman and the Non-executive Director intend to maintain a good and continuing understanding of the objectives and views of the shareholders

Report of the Remuneration Committee

Statement of compliance

This report does not constitute a Directors' Remuneration Report in accordance with the Directors' Remuneration Report Regulations 2002 which do not apply to the Company as it is not fully listed

The Company has applied the principles relating to Directors' remuneration as described below

Remuneration Committee

Since 21 March 2007 the Remuneration Committee has comprised Frank Lewis as chairman of the committee and Dr Yi Xie The Remuneration Committee has formal terms of reference

At the invitation of the committee chairman, Executive Directors may attend the proceedings

None of the committee members has any personal financial interests (other than as shareholders) or conflicts of interest arising from cross-directorships The committee has access to professional advice from inside and outside the Company

The Remuneration Committee is responsible, *inter alia*, for determining the remuneration of the Executive Directors, and the grant of share options No external remuneration advisers were appointed during the year

Policy on Executive Directors' remuneration

Remuneration packages are designed to motivate and retain Executive Directors to ensure the continued development of the Company and to reward them for enhancing value to shareholders The main elements of the remuneration package for Executive Directors are basic salary or fees, benefits, and share option incentives

Directors' remuneration

The remuneration of the Directors for the year ended 30 June 2007 is shown below

	2007	*2006*
	£	£
Aggregate emoluments of Executive Directors	129,725	21,750
Pension contributions	–	–
Payments to Non-executive Directors	50,021	11,750
Total Directors' remuneration	179,746	33,500

The elements of remuneration received by each Director in respect of the year ended 30 June 2007 were as follows

	Fees and salaries £	*Other Benefits* £	*Pension* £	*Performance Related Bonus* £	*Total 2007* £	*Total 2006* £
Executive Directors						
C Huang (i)	24,999	–	–	–	24,999	–
M Syropoulo (i)	15,000	–	–	–	15,000	–
M Liu (i)	15,000	–	–	–	15,000	–
E Vandyk (ii)	37,226	–	–	–	37,226	10,000
A Pereira (ii)	37,500	–	–	–	37,500	11,750
Non-executive Directors						
F Lewis (i)	12,795	–	–	–	12,795	–
Dr Yi Xie (i)	2,500	–	–	–	2,500	–
O Vaughan (ii)	34,726	–	–	–	34,726	11,750
	179,746	–	–	–	179,746	33,500

(i) Appointed 21 March 2007
(ii) Resigned 21 March 2007

Share incentives

The Directors believe that attracting, motivating and retaining employees of appropriate calibre is vital to the continued success of the Group The continued incentivisation of key employees is very important, as their skills and experience, and their supplier and customer relationships are vital to the continued success of the Group The ZTC Telecommunications Plc Unapproved Share Option Plan (the "Option Plan") has been put in place in order to incentivise and remunerate key employees and senior management, including the Directors, as the Board of the Company considers appropriate

The exercise of a share option may be conditional upon the achievement of objective performance criteria determined by the Board of the Company

Outstanding options granted to Directors over the Company's ordinary shares of 10p are

	Granted on 21 March 2007	*Outstanding on 30 June 2007*	*Exercise price*	*Exercisable*	
F Lewis	100,000	100,000	20p	21 03 08	20 03 17
C Huang	500,000	500,000	20p	21 03 08	20 03 17
M Syropoulo	500,000	500,000	20p	21 03 08	20 03 17
M Liu	500,000	500,000	20p	21 03 08	20 03 17
Dr Y Xie	100,000	100,000	20p	21 03 08	20 03 17

The options may be exercised in three equal successive annual instalments commencing on and/or after the first anniversary of the date of grant

No performance conditions have been imposed on any of the above share options and no consideration was payable for their award

The market price of the Company's ordinary shares at 30 June 2007 was 16 75p, and the range during the year, on a consolidated basis, was 16 00p to 19 75p

Current terms of appointment

The terms of appointment currently in place for Directors are as follows

Directors	Salary or fees per annum	Pension contribution %	Other benefits p a £	Date of contract	Notice period
Executive					
C Huang	100,000	–	–	13 February 2007	12 months
M Syropoulo	60,000	–	–	13 February 2007	6 months
M Liu	60,000	–	–	13 February 2007	6 months
Non-executive					
F Lewis	30,000	–	–	13 February 2007	3 months
Dr Y Xie	10,000	–	–	13 February 2007	3 months

Outside appointments

Executive Directors who are not full-time are permitted to accept appointments outside the Company and to retain payments from those sources

Executive Directors' service contracts

A service agreement dated 13 February 2007 took effect on the date of the Company's admission to AIM on 21 March 2007 between (1) the Company and (2) Charles Huang pursuant to which Mr Huang is employed full-time as the Chief Executive Officer of the Company The service agreement is terminable by either party on 12 months' written notice and Mr Huang's salary is £100,000 per annum Mr Huang is not entitled to any other benefits, save that he is eligible to acquire shares in the Company in accordance with the Option Plan and the Company will provide access to a stakeholder pension scheme

A service agreement dated 13 February 2007 took effect on the date of the Company's admission to AIM on 21 March 2007 between (1) the Company and (2) Mark Syropoulo pursuant to which Mr Syropoulo is employed part-time as the Finance Director of the Company The service agreement is terminable by either party on 6 months' written notice and Mr Syropoulo's salary is £60,000 per annum Mr Syropoulo is not entitled to any other benefits, save that he is eligible to acquire shares in the Company in accordance with the Option Plan and the Company will provide access to a stakeholder pension scheme

A service agreement dated 13 February 2007 took effect on the date of the Company's admission to AIM on 21 March 2007 between (1) the Company and (2) Michael Liu pursuant to which Mr Liu is employed part-time as the International Development Director of the Company The service agreement is terminable by either party on 6 months' written notice and Mr Liu's salary is £60,000 per annum Mr Liu is not entitled to any other benefits, save that he is eligible to acquire shares in the Company in accordance with the Option Plan and the Company will provide access to a stakeholder pension scheme

Directors' pension arrangements

Under their service contracts Mr Huang, Mr Syropoulo and Mr Liu have access to a stakeholder pension scheme

No contributions have been made in respect of any such scheme in the year ended 30 June 2007

Non-executive Directors

The remuneration of Non-executive Directors is determined by the Board, and is based upon fees paid to Non-executive Directors of similar companies

Non-executive Directors are appointed under letters of appointment setting out specific periods of notice, and do not have a contract of service, nor are they eligible for any pension arrangements

Details of Directors' remuneration

This report should be read in conjunction with note 9b to the financial statements which constitutes part of this report Details of Directors' interests in ordinary shares, share options and warrants are set out in the Directors' Report

By order of the Board

Frank Lewis

Remuneration Committee Chairman

28 November 2007

Statement of Directors' Responsibilities

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company, for safeguarding the assets of the Company, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a Directors' Report which complies with the requirements of the Companies Act 1985

The Directors are responsible for preparing the annual report and the financial statements in accordance with the Companies Act 1985 The Directors have chosen to prepare financial statements for the Group in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs) and have chosen to prepare the parent company accounts in accordance with UK Generally Accepted Accounting Practice

Group Financial Statements

International Accounting Standard 1 requires that financial statements present fairly for each financial year the Group's financial position, financial performance and cash flows This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of financial statements' In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs A fair presentation also requires the Directors to

- consistently select and apply appropriate accounting policies,
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information, and
- provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance

Parent Company Financial Statements

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period In preparing these financial statements, the Directors are required to

- select suitable accounting policies and apply them consistently,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business,
- make judgments and estimates that are reasonable and prudent, and
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements

Website

Financial statements are published on the Group's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions The maintenance and integrity of the Group's website is the responsibility of the Directors The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein

Report of the Independent Auditors

Independent auditor's report to the shareholders of ZTC Telecommunications Plc

We have audited the group consolidated and parent company financial statements (the "financial statements") of ZTC Telecommunications plc for the year ended 30 June 2007 which comprise the consolidated income statement, the consolidated and company balance sheets, the consolidated cash flow statement, the consolidated statement of changes in equity and the related notes These financial statements have been prepared under the accounting policies set out therein

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and group financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and for preparing the parent company financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland)

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies Act 1985 and whether the information given in the directors' report is consistent with those financial statements We also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed

We read other information contained in the annual report and consider whether it is consistent with the audited financial statements This other information comprises only the Directors and Advisers, Operational Highlights, the Chairman's Statement, the Chief Executive Officer's Statement, Directors' Biographies, the Directors' Report, the Corporate Governance Statement, the Report of the Remuneration Committee and the Statement of Directors' Responsibilities We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements Our responsibilities do not extend to any other information

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements

Opinion

In our opinion

- the group consolidated financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the group's affairs as at 30 June 2007 and of its profit for the year then ended,
- the parent company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the parent company's affairs as at 30 June 2007,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements

BDO Stoy Hayward LLP

Chartered Accountants and Registered Auditors

BDO Stoy Hayward LLP

Guildford

28 November 2007

Consolidated Income Statement

	Note	2007 £'000	2006 £'000
Revenue	2	22,157	13,571
Cost of sales		(17,384)	(10,995)
Gross profit		4,773	2,576
Other Operating Income	3	435	290
Exceptional IPO expenses		(280)	-
Other Administrative expenses		(1,151)	(312)
Total Administrative expenses		(1,431)	(312)
Distribution costs		(1,368)	(658)
Other operating expenses		(373)	(79)
Operating profit		2,036	1,817
Finance income	4	19	1
Finance costs	5	(39)	-
Profit before tax		2,016	1,818
Tax	7	(128)	(2)
Profit for the financial year		1,888	1,816
Basic earnings per share	8	2 4p	4 2p
Diluted earnings per share	8	2 3p	4 2p

The notes on pages 30 to 48 form part of these financial statements

Consolidated Statement of Changes in Equity

	Share capital £'000	Reverse acquisition reserve £'000	Share premium reserve £'000	General reserve £'000	Merger reserve £'000	Translation reserve £'000	Retained earnings £'000	Total equity £'000
At 1 July 2005	1	–	–	(4)	766	(42)	(38)	683
Profit for the year	–	–	–	–	–	–	1,816	1,816
Transfer of profit to general reserve	–	–	–	182	–	–	(182)	–
At 1 July 2006	1	–	–	178	766	(42)	1,596	2,499
Foreign currency translation	–	–	–	–	–	(54)	–	(54)
Net expense recognised directly in equity	–	–	–	–	–	(54)	–	(54)
Profit for the year	–	–	–	–	–	–	1,888	1,888
Total recognised income and expense for the year	–	–	–	–	–	(54)	1,888	1,834
Transfer of profit to general reserve	–	–	–	249	–	–	(249)	–
Share premium recognised on reverse acquisition	–	–	151	–	–	–	–	151
Issue of share capital, (net of issue expenses)	9,367	–	6,226	–	–	–	–	15,593
Acquisition of subsidiary	–	(12,583)	–	–	–	–	–	(12,583)
Share based payment charge	–	–	–	–	–	–	260	260
At 30 June 2007	9,368	(12,583)	6,377	427	766	(96)	3,495	7,754

The notes on pages 30 to 48 form part of these financial statements

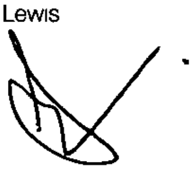
Consolidated Balance Sheet

	Note	2007 £'000	2006 £'000
Non-current assets			
Property, plant and equipment	11	571	697
Deferred taxation	12	1	1
Total non-current assets		572	698
Current assets			
Inventories	13	889	233
Trade and other receivables	14	10,898	3,365
Cash and cash equivalents	15	2,499	1,772
Total current assets		14,286	5,370
Total assets		14,858	6,068
Current liabilities			
Trade and other payables	16	(6,213)	(2,551)
Current tax liabilities		(891)	(355)
Total current liabilities		(7,104)	(2,906)
Non-current liabilities			
Other	17	–	(663)
Total non-current liabilities		–	(663)
Total liabilities		(7,104)	(3,569)
Net assets		7,754	2,499
Equity			
Share capital	19	9,368	1
Reverse acquisition reserve	20	(12,583)	–
Share premium reserve	21	6,377	–
General reserve	24	427	178
Merger reserve	25	766	766
Translation reserve	22	(96)	(42)
Retained earnings	26	3,495	1,596
Total equity		7,754	2,499

These financial statements were approved by the Board of Directors and authorised for issue on 28 November 2007

Signed on behalf of the Board of Directors

Director
F Lewis



Director
M Syropoulo

The notes on pages 30 to 48 form part of these financial statements

Company Balance Sheet

	Note	2007 £'000	2006 £'000
Fixed assets			
Investments	10	15,987	-
Total Fixed assets		15,987	-
Current assets			
Trade and other receivables	14	1,853	53
Cash at bank and in hand	15	1,525	1,137
Total current assets		3,378	1,190
Current liabilities			
Amounts due in less than one year	16	(435)	(34)
Total current liabilities		(435)	(34)
Net current assets		2,943	1,156
Net Assets		18,930	1,156
Represented by:			
Share capital	19	9,368	1,265
Shares to be issued	19	1,987	-
Share premium reserve	21	6,377	151
Undistributable reserve	25	2,019	-
Retained profit and loss reserve		(821)	(260)
		18,930	1,156

These financial statements were approved by the Board of Directors and authorised for issue on 28 November 2007

Signed on behalf of the Board of Directors

Director
F Lewis

Director
M Syropoulo

The notes on pages 30 to 48 form part of these financial statements

Consolidated Cash Flow Statement

	Note	*2007* *£'000*	*2006* *£'000*
Cash (used in)/generated from operations			
Net cash outflow from operations	27	(1,399)	1,464
Interest paid		–	1
Tax paid		–	–
Net cash (outflows)/inflows from operating activities		(1,399)	1,465
Investing activities			
Interest received		19	–
Purchase of property, plant and equipment		(23)	(118)
Acquisition of parent through reverse acquisition, net cash used		(226)	–
Net cash used in investing activities		(230)	(118)
Financing activities			
Issue of shares prior to acquisition		763	461
Issue of share capital		1,605	–
Interest paid		(39)	–
Net increase in cash from financing activities		2,329	461
Net increase/(decrease) in cash and cash equivalents		700	1,808
Cash and cash equivalents at beginning of year		1,772	14
Exchange gains/(losses) on cash and cash equivalents		27	(50)
Cash and cash equivalents at end of year	15	2,499	1,772

The notes on pages 30 to 48 form part of these financial statements

Notes to the Financial Statements

1. ACCOUNTING POLICIES

Basis of accounting

The Group financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations adopted by the European Union and as applied in accordance with the provisions of the Companies Act 1985 Therefore the Group financial statements comply with Article 4 of the EU IAS Regulation

The financial statements have been prepared under the historical cost convention The principal accounting policies adopted are set out below

Standards issued but not yet effective

At the date of authorisation of these financial statements the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective

IFRS 8	Operating Segments (effective for periods beginning on or after 1 January 2009)
IFRIC 11	IFRS 2 – Group and Treasury Share Transactions (effective for periods beginning on or after 1 March 2007)
IFRIC 12	Service Concession Arrangements (effective for periods beginning on or after 1 January 2008)
IFRIC 13	Customer Loyalty Programmes (effective for periods beginning on or after 1 July 2008)
IFRIC 14	IAS 19 – The limit on a Defined Benefit Asset Minimum Funding Requirements and their interaction (effective for periods beginning on or after 1 January 2008)
IAS 1	Amendment – Capital disclosures (effective for periods beginning on or after 1 January 2007)
IAS 23	Amendment – Borrowing costs (effective for periods beginning on or after 1 January 2009)

The Directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Group when the relevant standards and interpretations come into effect The Directors do not anticipate the early adoption of any of the above standards

Basis of consolidation

The consolidated financial statements incorporate the financial statements of ZTC Telecommunications Plc and all its subsidiaries made up to 30 June each year

Control is achieved where the Company has the power to govern the financial and operational policies of an entity so as to gain benefit from its activities

The Company's controlling interest in its indirectly held, wholly owned subsidiary, Shenzhen Zhong Tian Communication Equipments Co Limited was acquired through a transaction under common control, as defined in IFRS 3, Business Combinations The Directors note that transactions under common control are outside the scope of IFRS 3 and that there is no guidance elsewhere in IFRS covering such transactions

IAS contain guidance where a transaction falls outside the scope of IFRS This guidance is covered in Paragraphs 10-12 of IAS 8, Accounting policies, Changes in Accounting Estimates and Errors This requires, *inter alia*, that where IFRS does not contain guidance on a particular issue, the Directors may also consider the most recent pronouncements of other standard setting bodies that use a similar conceptual framework to develop accounting standards In this regard it is noted that the United States Financial Accounting Standards Board (FASB) has issued an accounting standard covering Business Combinations (FAS 141), that is similar in a number of respects to IFRS 3 Further there is currently a major project being run jointly by the IASB and the FASB to converge IFRS and US GAAP

In contrast to IFRS 3, FAS 141 does include, as an appendix, limited accounting guidance for transactions under common control, which as with IFRS 3, are outside the scope of that accounting standard The guidance contained in FAS 141 indicates that a form of accounting that is similar to pooling of interests accounting, which was previously set out in Accounting Principles Board (APB) opinion 16, may be used when accounting for transactions under common control

Having considered the requirements of IAS 8 and the guidance included within FAS 141, it is considered appropriate to use a form of accounting which is similar to pooling of interests when dealing with the transaction in which the Group acquired its controlling interest in Shenzhen Zhong Tian Communication Equipments Co Ltd

The Company has taken advantage of the exemption under section 230 of the Companies Act 1985 and has not presented its income statement in these financial statements The Group profit for the year includes a loss after tax of £436,794 (2006 Nil due to the principles involved in reverse acquisition accounting) which is dealt with in the accounts of the Company

Reverse acquisition accounting

The acquisition of Praise Ease Limited by ZTC Telecommunications Plc on 21 March 2007 has been accounted for under the principles of reverse acquisition accounting Although the consolidated financial statements have been prepared in the name of the legal parent, ZTC Telecommunications Plc, they are in substance a continuation of the consolidated financial statements of the legal subsidiary, Praise Ease Limited The following accounting treatment has been applied in respect of the reverse acquisition

The assets and liabilities of the legal subsidiary, Praise Ease Limited are recognised and measured in the consolidated financial statements at the pre-combination carrying amounts, without restatement to fair value,

The retained earnings and other equity balances recognised in the consolidated financial statements reflect the retained earnings and other equity balances of Praise Ease Limited immediately before the business combination and the results of the period from 1 July 2006 to the date of the business combination are those of Praise Ease Limited However, the equity structure appearing in the consolidated financial statements reflects the equity structure of the legal parent, ZTC Telecommunications Plc, including the equity instruments issued in order to effect the business combination, and

Comparative numbers presented in the financial statements are the consolidated numbers of Praise Ease Limited for the year ended 30 June 2006

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts received or receivable for goods provided in the normal course of business, net of discounts and sales related taxes

Sales of goods and services are recognised when goods are delivered and title has passed

Group property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and are depreciated over their estimated useful lives on the following annual bases

Leasehold improvements	4 5% (straight line)
Office equipment	33 3% (straight line)
Motor vehicles	18% (straight line)
Machinery	18% (straight line)
Fixtures, fittings and equipment	18% (straight line)

Operating profit

Operating profit is stated before finance income and finance costs

Cash and cash equivalents

Cash and cash equivalents comprise cash balances, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less

Borrowings

All borrowing costs are recognised in the income statement in the period in which they are incurred

Trade receivables

Trade receivables are measured at initial recognition at fair value and are subsequently measured at amortised cost using the effective interest rate method Appropriate allowances for estimated irrecoverable amounts are recognised in profit and loss when there is objective evidence that the asset is impaired

Trade payables

Trade payables are initially measured at fair value and are subsequently measured at amortised cost using the effective interest rate method

Inventories

Inventories are stated at the lower of cost and net realisable value Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition Cost is calculated using the weighted average method Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee All other leases are classified as operating leases

Finance leases are capitalised at the lease commencement at the lower of the fair value of the asset and the present value of the minimum lease payments Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding The corresponding rental obligations, net of finance charges, are included in current and non-current borrowings The finance charges are charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period

Rentals payable under operating leases are charged to income on a straight line basis over the term of the relevant lease

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax

The tax currently payable is based on taxable profit for the year Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax rates that have been enacted or substantively enacted by the balance sheet date Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity

Foreign currencies

The individual financial statements of each Group company are presented in the currency of the primary economic environment in which it operates, (its functional currency) For the purpose of the consolidated financial statements, the results and financial position of each Group company are expressed in pounds sterling, which is the functional currency of the company and the presentational currency for the consolidated financial statements

Transactions in currencies other than sterling are initially recorded at the rates of exchange prevailing on the dates of the transactions Monetary assets and liabilities denominated in such currencies are retranslated at the rates prevailing on the balance sheet date Profits and losses arising on retranslation are included in the income statement

On consolidation, the assets and liabilities of the Group's overseas operations are translated into sterling at exchange rates prevailing on the balance sheet date Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve Such translation differences are recognised as income or expenses in the period in which the operation is disposed of Income and expense items are translated at the average exchange rates for the period

Share Based Payment

The Group has applied the requirements of IFRS 2 Share based payment The Group issues equity settled share based payments to certain employees Equity settled share based payments are measured at fair value at the date of the grant The fair value determined at the grant date of the equity settled share based payments is expensed on a straight line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non-market based vesting conditions

Fair value is measured by use of the Black Scholes model The expected life used in the model has been adjusted, based on management's best estimate, for the effects on non-transferability, exercise restrictions and behavioural considerations

2. BUSINESS AND GEOGRAPHICAL SEGMENTS

The Group currently operates in only one geographical market, China This is the basis on which the Group records its primary segment information Unallocated operating expenses, assets and liabilities, relate to the general management, financing and administration of the Group

	China		*Unallocated*		*Total*	
	2007	*2006*	*2007*	*2006*	*2007*	*2006*
	£'000	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*
Revenue	22,157	13,571	–	–	22,157	13,571
Segment result	1,838	1,527	(237)	–	1,601	1,527
Other operating income					435	290
Finance income					19	1
Finance costs					(39)	-
Profit before tax					2,016	1,818
Tax					(128)	(2)
Profit for the financial year					1,888	1,816
Other information						
Capital expenditure	23	118	–	–	23	118
Depreciation	142	135	–	–	142	135
Balance sheet						
Segment assets	13,314	6,067	5,344	–	18,658	6,067
Deferred tax asset					1	1
Total assets					18,659	6,068
Segment liabilities	(6,104)	(3,214)	(109)	-	(6,213)	(3,214)
Current tax liabilities					(891)	(355)
Deferred tax liabilities					–	-
Total liabilities					(7,104)	(3,569)

3. OTHER OPERATING INCOME

	2007 £'000	2006 £'000
Sales of components	343	21
Processing	74	263
Provision of value added services	17	5
Other	1	1
	435	290

4. FINANCE INCOME

	2007 £'000	2006 £'000
Bank interest receivable	19	1

5. FINANCE COSTS

	2007 £'000	2006 £'000
Interest on bank overdrafts and loans	39	–
Total borrowing costs	39	–

6. PROFIT FOR THE FINANCIAL YEAR

	2007 £'000	2006 £'000
Profit for the financial year is arrived at after charging		
Depreciation on owned assets	142	134
Auditors' remuneration for audit services	43	6
Write down of inventories recognised as an expense	5	20
Operating lease payments	97	72

Amounts payable to BDO Stoy Hayward LLP and its related entities, in respect of both audit and non-audit services are set out below

	2007 £'000	2006 £'000
Fees payable to the auditors for the audit of the Company's annual accounts	43	6
Fees payable to the auditors for other services		
The audit of the Company's subsidiaries	30	6
Other taxation services	5	4
Corporate finance transactions	185	–
Other services	13	–
	233	10

The fees disclosed in 2007 represent the Directors' estimate of the fees payable for the audit for the year ended 30 June 2007

7. TAX

	2007 £'000	2006 £'000
Current tax		
Corporation tax	–	–
Tax on overseas subsidiaries	127	–
Adjustment in respect of prior years	–	–
Total current tax	127	–
Deferred tax	1	2
Adjustment in respect of prior years	–	–
Total tax charge	128	2

The charge for the year can be reconciled to the profit per the income statement as follows

	2007 £'000	2006 £'000
Profit before tax	2,016	1,818
Tax at the UK corporation tax rate of 30%	605	545
Factors affecting charge for the year		
Tax losses carried forward	288	–
Disallowable expenditure	(149)	–
Overseas tax exemption and concessions	(265)	(275)
Allowance for lower overseas taxation rates	(400)	(273)
Other adjustments	49	5
Group tax charge	128	2

The Company and its subsidiary undertakings are subject to taxation on the following bases and at the following rates,

ZTC Telecommunications Plc

The Company is subject to the United Kingdom corporation tax regime

Praise Ease Limited

The company is subject to the corporation tax regime in Hong Kong As the company made a loss during the year, no taxation is payable

Shenzhen Zhong Tian Communication Equipments Co Ltd

According to the relevant Chinese tax rules and regulations, the standard Enterprise Income Tax (EIT) rate is 33%

The company is located in Shenzhen, a special economic zone, which makes it eligible to enjoy a favorable income tax rate of 15% In 2005, the company became a wholly foreign invested company and was entitled to another income tax preference policy of "2 years exemption and 3 years 50% discount from the first profit making year" The company was therefore exempted totally from income tax for the statutory financial years 2005 and 2006

Current tax expenses of the company for the financial years 2006 and 2007 represent Chinese EIT calculated at the standard income tax rate or approved income tax rate on the assessable income

Details of deferred tax assets are included in note 12

8. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is based on the following data

	2007 £'000	2006 £'000
Earnings		
Earnings for the purpose of basic and diluted earnings per share	1,888	1,816
Number of shares	'000	'000
Weighted average number of ordinary shares for the purpose of basic earnings per share	77,937	42,875
Effect of dilutive potential ordinary shares		
Share options	4,192	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	82,129	42,875

The denominators for the purposes of calculating both basic and diluted earnings per share in 2006 have been adjusted for the share division that took place in 2007

9a. STAFF COSTS

The average monthly number of employees, (including Executive Directors) during the year was

	Group		Company	
	2007 Number	2006 Number	2007 Number	2006 Number
Manufacturing	285	198	–	–
Sales	39	31	–	–
Administration	98	54	3	3
	422	283	3	3

The costs incurred in respect of these employees were

	Group		Company	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Wages and salaries	539	186	177	34
Share based payments (see note 23)	71	–	71	–
Social security costs	86	15	–	–
	696	201	248	34

9b. DIRECTORS' REMUNERATION

The following amounts were paid to the Directors during the year

	2007 £'000	2006 £'000
Short term employee benefits		
Directors' emoluments	180	34
Share based payments	49	–

The highest paid Director received remuneration of £37,500 (2006 £11,750) Further details of Directors' remuneration are set out in the Report of the Remuneration Committee on pages 18 to 21

10. INVESTMENTS

	Investment in subsidiary undertakings £'000
Company	
At 1 July 2006	–
Additions	15,987
At 30 June 2007	15,987

The cost of the investment in the subsidiary undertaking comprises £14m satisfied by the issue of 70,000,000 new ordinary shares of 10p each at 20p per share and contingent consideration of £1,987,000 satisfied by 15,000,000 ordinary shares of 10p recognised at their fair value of 13 25p per share

The Company owns 100% of the following undertakings

Name of undertaking	*Place of Incorporation*	*% ownership*	*Principal activity*
Praise Ease Limited	Hong Kong	100%	Holding company
Shenzhen Zhong Tian Communication Equipments Co Ltd	China	100%*	Design, distribution and assembly of mobile phones

*This company is owned indirectly by ZTC Telecommunications Plc

11. PROPERTY, PLANT AND EQUIPMENT

Group	*Leasehold Improvements £'000*	*Office equipment £'000*	*Machinery £'000*	*Motor vehicles £'000*	*Fixtures, fittings and equipment £'000*	*Total £'000*
Cost						
At 1 July 2005	–	–	680	–	30	710
Additions	9	–	–	105	4	118
Disposals	–	–	–	–	–	–
Exchange difference	–	–	5	–	–	5
At 1 July 2006	9	–	685	105	34	833
Additions	–	17	7	8	8	40
Disposals	–	–	–	–	–	–
Exchange difference	–	–	(24)	(4)	(1)	(29)
At 30 June 2007	9	17	668	109	41	844
Depreciation						
At 1 July 2005	–	–	–	–	1	1
Additions	1	–	124	5	5	135
Disposals	–	–	–	–	–	–
Exchange difference	–	–	–	–	–	–
At 1 July 2006	1	–	124	5	6	136
Charge for the year	2	–	121	12	8	143
Disposals	–	–	–	–	–	–
Exchange difference	–	–	(5)	(1)	–	(6)
At 30 June 2007	3	–	240	16	14	273
Net book value						
At 30 June 2005	–	–	680	–	29	709
At 30 June 2006	8	–	561	100	28	697
At 30 June 2007	6	17	428	93	27	571

12. DEFERRED TAX ASSETS

	Provisions £'000	*Total £'000*
1July 2005	3	3
Charge to income	(2)	(2)
1 July 2006	1	1
Charge to income	–	–
30 June 2007	1	1

The deferred tax assets are recoverable against future taxable profits

13. INVENTORIES

	Group 2007 £'000	Group 2006 £'000	Company 2007 £'000	Company 2006 £'000
Raw materials	463	138	-	-
Work in progress	-	51	-	-
Finished goods	426	44	-	-
	889	233	-	-

14. TRADE AND OTHER RECEIVABLES

	Group 2007 £'000	Group 2006 £'000	Company 2007 £'000	Company 2006 £'000
Due within one year				
Amounts receivable for the sale of goods	4,273	2,300	-	-
Other receivables	853	29	1,837	-
Prepayments and accrued income	5,772	1,036	16	53
	10,898	3,365	1,853	53

The Directors consider that the carrying amount of trade and other receivables approximates to their fair value

15. CASH AND CASH EQUIVALENTS

	Group 2007 £'000	Group 2006 £'000	Company 2007 £'000	Company 2006 £'000
Cash and cash equivalents per balance sheet	2,499	1,772	1,525	1,137
Cash and cash equivalents per cash flow statement	2,499	1,772	1,525	1,137

All of the Group's cash and cash equivalents at 30 June 2007 are at floating interest rates

All of the Group's cash and cash equivalents at 30 June 2007 are in sterling except for £5,297 held in $HK and £968,796 held in Chinese RMB In 2006, £8,000 was held in $HK and the remainder in Chinese RMB There were no amounts held in sterling

The Directors consider that the carrying amount of cash and cash equivalents approximates their fair value

16. TRADE AND OTHER PAYABLES

	Group		Company	
	2007	*2006*	*2007*	*2006*
	£'000	*£'000*	*£'000*	*£'000*
Trade payables	2,637	1,094	–	6
Income tax payable	127	–	–	–
Other payables	292	208	–	19
Accruals and deferred income	1,469	784	109	9
Amounts owed to related parties	1,688	465	–	–
Due to Group undertakings	–	–	326	–
	6,213	2,551	435	34

Trade payables principally comprise amounts outstanding for trade purchases and ongoing costs The average credit period taken for trade purchases is 137 days (2006 96 days)

The Directors consider that the carrying of trade and other payables approximates to their fair value

Included in amounts owed to related parties is an amount owed to a Director of £760,943 Further information on this balance can be found in note 29

17. NON CURRENT LIABILITIES

	Group		Company	
	2007	*2006*	*2007*	*2006*
	£'000	*£'000*	*£'000*	*£'000*
Amounts owed to related parties	–	663	–	–

18. FINANCIAL RISK

The Group is exposed to the following risks – foreign currency risk, credit risk and liquidity risk The policy for managing these risks is outlined below,

Foreign currency risk

Foreign currency risk arises on sales to overseas markets (by the Group's subsidiary undertaking, Shenzhen Zhong Tian Communication Equipments Co Limited), namely Hong Kong, the transactions being denominated in $HK Sales to these markets however are minimal hence the risk is not considered to be significant

Foreign currency risk also arises in relation to the consolidation process, as the Group's main trading entity is based in China and presents its accounts in Chinese RMB

Liquidity risk

The Group maintains good relationships with its banks and its cash requirements are anticipated via the budgetary process

Credit risk

The Group is mainly exposed to credit risk from credit sales It is the Group's policy, implemented by management, to assess the credit risk of the new customers before entering contracts The Group closely monitors the creditability of its existing customers and will require an advance payment if necessary The Group will terminate business with customers with a poor credit history Management considers the above measures to be sufficient to control the credit risk exposure

The Group has a significant concentration of credit risk with exposure spread over a few national distributors who account for a material proportion of sales

Cash and cash equivalents (which are presented as a single class of assets on the face of the balance sheet) comprise cash at bank and other short-term highly liquid investments with a maturity of three months or less The Group holds all cash and cash equivalents at banks and other credit institutions with high credit ratings

The Group does not enter into complex derivatives to manage credit risk

19. SHARE CAPITAL

Group	*2007 £'000*	*2006 £'000*
Authorised·		
179,808,500 ordinary shares of 10p each	17,981	–
Nil ordinary shares of HK$1 each, (2006 10,000)	–	1
	17,981	1
Allotted, called up and fully paid:		
93,682,516 ordinary shares of 10p each	9,368	–
Nil ordinary shares of HK$1 each, (2006 10,000)	–	1
	9,368	1

Comparative numbers for share capital presented in the financial statements are the consolidated numbers of Praise Ease Limited for the year ended 30 June 2006

Company	*2007 £'000*	*2006 £'000*
Authorised:		
179,808,500 ordinary shares of 10p each	17,981	–
Nil ordinary shares of 1p each, (2006 298,085,000)	–	2,981
Nil 'A' ordinary shares of 2p each, (2006 201,915,000)	–	4,038
	17,981	7,019
Allotted, called up and fully paid:		
93,682,516 ordinary shares of 10p each	9,368	–
Nil ordinary shares of 1p each, (2006 25,500,000)	–	255
Nil 'A' ordinary shares of 2p each, (2006 201,915,000)	–	1,010
	9,368	1,265

On 29 January 2007, 9,410,155 ordinary shares of 1p each were issued at par as part of a non-employee warrant proposal

On 19 March 2007, the unpaid element of the 'A' ordinary shares was paid up, resulting in an increase in the nominal value of share capital of £3,028,725

On 20 March 2007, each 'A' ordinary share of 2p was subdivided and converted into

- One ordinary share of 1p ranking *pari passu* in all respects and forming part of one uniform class with the fully paid 1p ordinary shares then in issue, and
- One deferred share, the rights attaching to the deferred shares being as follows,

  a no dividend or other distribution shall be paid or made in respect of the Deferred shares,

  b the holders of deferred shares shall not be entitled to receive notice of, or attend or vote at, any general meeting of the Company,

  c on a return of capital whether on a winding-up or otherwise the holders of the deferred shares shall be entitled to receive only the amount credited as paid up on each share but only after the holder of each Ordinary share shall have received the amount paid up or credited as paid up on such a share together with the payment of £1,000,000 per share but the holder of the deferred shares shall not be entitled to participate further, and

  d the creation of the deferred shares by conversion as aforesaid, shall be deemed to confer irrevocable authority on the Company at any time thereafter to appoint any person to execute on behalf of the holders of such shares a transfer and/or an agreement to transfer the same, without making any payment to the holders thereof, to such persons as the Company may determine and to acquire the same in accordance with the provisions of the Companies Acts without making any payment to the holders thereof and pending such transfer and/or cancellation to retain the certificates (if any) thereof

On the same day the entirety of the deferred shares were cancelled

On 20 March 2007 the 236,825,155 ordinary shares of 1p each in existence were converted into 23,682,516 ordinary shares of 10p each

On 21 March 2007, the Company issued 70,000,000 ordinary shares of 10p each at 20p per share, thus giving rise to a premium on the issue of £7,000,000 On the same date the Company was admitted to the AIM market

Share Options

A total of 2,160,000 options over the ordinary share capital of the Company was granted to a number of employees on 21 March 2007 All options are exercisable at the market value at the date of grant, being 20p per ordinary share and are exercisable between 1 and 10 years from the date of grant

Employee Warrants

A total of 3,125,000 employee warrants over the ordinary share capital of the Company were issued on 2 February 2007, following the cancellation of 31,250,000 warrants and 6,250,000 subscription rights previously held by a number of employees These employee warrants were exercisable immediately and at any time up until 31 March 2010 All employee warrants are exercisable at the market value at the date of grant, being 20p per ordinary share

Warrants held by non-employees

At 30 June 2006 there were outstanding 50,443,750 warrants and 6,750,000 further subscription rights held by non-employees

At the date of Admission, 21 March 2007, following partial acceptance of the non-employee warrant proposal sent to the non-employee warrant holders on 19 December 2006 and the consolidation of the Company's ordinary shares in March 2007, there remained outstanding 891,250 warrants to acquire ordinary shares of 10p at a conversion price of 20p per ordinary share

These warrants will lapse on 29 November 2007, and no value has been recognised in these accounts in respect of them

As at 30 June 2007, the Company had a total of 6,176,250 outstanding options and warrants, all exercisable at 20p per ordinary share

Shares to be issued

Contingent consideration of up to 15 million ordinary shares is due to be paid dependent upon the post tax profits of Zhong Tian for the year ended 30 June 2007 The company achieved the agreed level of profitability and as a result an amount of £1,987,000 has been included in equity as "shares to be issued", being 15 million shares at their fair value of 13 25p per share

20. REVERSE ACQUISITION RESERVE

As outlined in note 1, Accounting Policies, the acquisition during the year of Praise Ease Limited has been accounted for under the principles of reverse acquisition accounting The accounting treatment which has been applied in respect of this acquisition is also outlined in note 1

21. SHARE PREMIUM RESERVE

	Group		*Company*	
	2007	*2006*	*2007*	*2006*
	£'000	*£'000*	*£'000*	*£'000*
At 1 July 2006	–	–	151	–
Share premium recognised on reverse acquisition	151	–	–	–
Issue of share capital	7,000	–	7,000	151
Expenses connected to issue of share capital	(774)	–	(774)	–
At 30 June 2007	6,377	–	6,377	151

22. TRANSLATION RESERVE

	2007	*2006*
	£'000	*£'000*
Group		
1 July 2006	(42)	–
Exchange differences on translation of overseas operations	(54)	(42)
30 June 2007	(96)	(42)

23. SHARE BASED PAYMENTS

As outlined in Note 19, the Group granted share options and issued warrants during the year Details of share options and warrants outstanding are as follows

A total of 81,693,750 employee and non-employee warrants and 13,000,000 further subscription rights were outstanding at 30 June 2006 Following the acceptance of proposals made to the warrantholders, 72,781,250 warrants and all 13,000,000 further subscription rights were cancelled and 9,410,155 new ordinary shares and 31,250,000 new warrants were issued

Following the consolidation of the Company's ordinary shares, the balance of 40,162,500 warrants outstanding was converted into 4,016,250 warrants to subscribe for ordinary shares of 10p at 20p per share Of these 4,016,250 warrants, 891,250 warrants lapse on 29 November 2007, and no amount has been recognised in the accounts for the year ended 30 June 2007 in respect of these

	Number of share options and warrants	*Weighted average exercise price £*
Outstanding at end of year	6,176,250	0 20
Exercisable at end of year	4,016,250	0 20

A share based payment charge has been calculated using the Black-Scholes model to calculate the fair value of the share options and warrants The inputs into the Black Scholes model are as follows,

	2007
Weighted average share price	20p
Weighted average exercise price	20p
Expected volatility	33 4%
Expected life	6 years
Risk free rate	5 5%
Expected dividends	0%

The expected volatility percentage was calculated by reference to the share price of the Company over a twenty four week period from the listing of the Company to the end of August and the share price of a close competitor company for a two year period up until August 2007 The expected life used in the model has been adjusted based on management's best estimate, for the effects of non transferability, exercise restrictions and behavioural considerations

The weighted average remaining contractual life of the options and warrants outstanding at 30 June 2007 was 5 years 9 months

The Group recognised total expenses related to equity settled share based payment transactions in the form of options and warrants of £260,390 (2006 £Nil) Of this total, £70,759 related to employees including Executive Directors, (2006 £Nil) The remaining amount relates to the fair value of share options issued as consideration in the acquisition by the Group's subsidiary undertaking, Praise Ease Limited of Shenzhen Zhong Tian Communication Equipments Co Ltd

24. GENERAL RESERVE

In accordance with the "Law of China on Joint Ventures Using Chinese and Foreign Investment", 10% of the retained earnings has been transferred as ZTC's general reserve fund, after offsetting accumulated losses from prior years, and before profit distributions to the investors After the annual tax review for CY2007, the general reserve will be adjusted according to the accumulated profits determined by the tax bureau

25. OTHER RESERVES

Undistributable reserve

This reserve has arisen in the Company financial statements as a result of the cancellation of the Company's deferred shares as outlined in note 19

Merger reserve

This reserve arose as a result of the acquisition by the Group's subsidiary undertaking, Praise Ease Limited of Shenzhen Zhong Tian Communication Equipments Co Ltd, which was acquired through a transaction under common control and accounted for using the pooling of interests method

26. RETAINED EARNINGS

	2007	*2006*
	£'000	*£'000*
Group		
1 July 2006	1,596	(38)
Profit for the year	1,888	1,816
Share based payment charge	260	–
Transfer to general reserve	(249)	(182)
30 June 2007	3,495	1,596

27. NOTES TO THE CASH FLOW STATEMENT

	2007	*2006*
	£'000	*£'000*
Profit for the financial year	1,888	1,816
Adjustments for		
Depreciation of property, plant and equipment	143	135
Share based payment expense	260	–
Exceptional IPO expense	280	–
Finance income	(19)	(1)
Finance costs	39	–
Tax	128	2
Operating profit before changes in working capital	2,719	1,952
Changes in working capital		
Increase in inventories	(656)	(101)
Increase in trade and other receivables	(7,533)	(1,864)
Increase in trade and other payables	4,071	1,477
Net cash (outflow) / inflow from operations	(1,399)	1,464

28. OPERATING LEASE ARRANGEMENTS

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows

	2007 £'000	2006 £'000
Within one year	84	83
In the second to fifth years	133	279
After five years	47	168
	264	530

29. RELATED PARTY TRANSACTIONS

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note

The remuneration of the Directors, who are the key management personnel of the Group, is set out below

	2007 £'000	2006 £'000
Directors' emoluments	180	34
Share based payment	49	-

Further information about the remuneration of individual directors is provided in the Report of the Remuneration Committee

During the year, the Group entered into the following transactions with related parties,

Related party relationship	*Type of transaction*	*Transaction amount Year ended 30 June 2007* £	*Balance owed/(owing) 30 June 2007* £
Relative of the CEO	Rental expense	65,630	-
Charles Huang (CEO)	Interest	38,613	-
Charles Huang (CEO)	Funding	-	(758,402)
Relative of the CEO	Funding	-	(164,588)

At 30 June 2007 there is also a further amount owed to Charles Huang of £760,943 Further details regarding this balance can be found in note 30 to these financial statements

Employee Warrants

As referred to in Note 19, a total of 3,125,000 employee warrants over the ordinary share capital of the Company were issued on 2 February 2007, following the cancellation of certain warrants and further subscription rights previously held by a number of employees These employee warrants were exercisable immediately and at any time up until 31 March 2010 All employee warrants are exercisable at the market value at the date of issue, being 20p per ordinary share

Of these employee warrants, 2,875,000 were issued to Directors as follows O J Vaughan 1,406,250, E Vandyk 1,406,250, A D Pereira 62,500

30. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

Subsequent to the balance sheet date, by a member's resolution passed on 24 October 2007, the authorised share capital of the Company's subsidiary undertaking, Praise Ease Limited, was increased from HK$10,000 divided into 10,000 shares of HK$1 each to HK$7,162,860 by the creation of an additional 7,152,860 shares of HK$1 each ranking *pari passu* in all respects with the existing shares in the share capital of the company By a directors' resolution passed on the same date, 7,152,860 shares of HK$1 each were allotted to ZTC Telecommunications Plc at par and the consideration was satisfied by the book debts due to a director, Mr Charles Huang, as agreed by him

31. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION AND UNCERTAINTY

Critical judgements in applying the Group's accounting policies and key sources of estimation and uncertainty

Provisions

In the process of applying the Group's accounting policies, which are described in note 1 above, judgement was applied by the Directors in estimating the provision for doubtful trade and receivables and obsolete stock

Share based payment

Management have made numerous judgements regarding the calculation of the share based payment expense in the accounts, including, the expected volatility of the Company's shares, the share price to be used in the calculation and the most appropriate risk free rate to use In making these judgements, management considered the share price volatility of a number of the Company's competitors and current interest rates The actual figures used in the calculation are shown in note 23

No other material judgements have been made by management that could have a significant effect on the amounts recognised in the financial statements

32. EXPLANATION OF TRANSITION TO IFRS

This is the first year end that the Group has presented its financial statements under IFRS The last financial statements under UK GAAP were for the year ended 30 June 2006 and the date of transition to IFRS was therefore 1 July 2005

The adoption of IFRS had no impact on either the equity or results of the Group or Company for 2007 The only changes resulting from the transition to IFRS are of a presentational nature

33. ACQUISITION OF SUBSIDIARY

On 21 March 2007 the Group acquired 100% of the issued share capital of Praise Ease Limited for an initial consideration of £14 million satisfied by the issue of 70,000,000 new ordinary shares of 10p each at 20p per share and contingent consideration of a maximum of 15,000,000 additional ordinary shares of 10p, based upon the post-tax profits of Zhong Tian for the year ended 30 June 2007

In the consolidated Group accounts the transaction has been accounted for as a reverse acquisition in accordance with IFRS 3 Appendix B The legal subsidiary is identified as the acquirer, and the fair value of the consideration given is £3 96m The legal parent is identified as the subsidiary The fair value of the assets acquired is £3 96m Therefore no goodwill has arisen

Notice of Annual General Meeting

NOTICE is hereby given that the ANNUAL GENERAL MEETING of the Company will be held at the offices of Pritchard Englefield, 14 New Street, London EC2M 4HE on Thursday 17 January 2008 at 10 00 am for the purpose of considering the following

ORDINARY BUSINESS

1 To receive and adopt the Directors' report and accounts for the year ended 30 June 2007, and the auditors' report on the accounts

2 To elect Frank Lewis (Chairman, and Chairman of the Audit and Remuneration Committees) who retires pursuant to Article 108 of the Company's Articles of Association, as a Non-executive Director of the Company

3 To elect Chaohui Huang (Chief Executive Officer) who retires pursuant to Article 108 of the Company's Articles of Association, as an Executive Director of the Company

4 To elect Mark Syropoulo (Finance Director) who retires pursuant to Article 108 of the Company's Articles of Association, as an Executive Director of the Company

5 To elect Michael Liu (Executive Director) who retires pursuant to Article 108 of the Company's Articles of Association, as an Executive Director of the Company

6 To elect Dr Yi Xie (Non-executive Director and a member of the Audit and Remuneration Committees) who retires pursuant to Article 108 of the Company's Articles of Association, as a Non-executive Director of the Company

7 To re-appoint BDO Stoy Hayward LLP as auditors of the Company

8 To authorise the Directors to agree the remuneration of BDO Stoy Hayward LLP as auditors of the Company

SPECIAL BUSINESS

As special business to consider and, if thought fit, to pass the following resolutions of which Resolution 9 will be proposed as an ordinary resolution and Resolutions 10 and 11 will be proposed as special resolutions

ORDINARY RESOLUTION

9 THAT the Directors be and they are generally and unconditionally authorised to exercise all or any of the powers of the Company to allot relevant securities (within the meaning of Section 80 of the Companies Act 1985 ('the Act')) up to an aggregate nominal amount of £3,922,308 for the period expiring 15 months after the date of passing this resolution or at the conclusion of the next Annual General Meeting of the Company whichever first occurs (unless previously renewed, varied or revoked by the Company in General Meeting) save that the Company may prior to such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities pursuant to any such offer as if the authority conferred hereby had not expired

References in this resolution to the Act, or to sections of the Act, shall, where the context requires and where appropriate, include references to the Companies Act 2006 and any corresponding or similar sections of that Act, it being the intention that, to the extent permitted by law, the authority contained in this resolution shall continue in full force and effect notwithstanding any repeal of the Act or any relevant part or section thereof

SPECIAL RESOLUTIONS

10 THAT, subject to and conditional upon the passing of Resolution 9 above, the Directors be and they are hereby authorised and empowered pursuant to section 95 of the Act to allot equity securities (within the meaning of Section 94(2) of the Act) for cash pursuant to the authority conferred by Resolution 9 above as if Section 89(1) of the Act did not apply to such allotment, provided that this power shall expire 15 months after the date of passing of this resolution or at the conclusion of the next Annual General Meeting of the Company whichever first occurs except that the Company may prior to such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities after such expiry in pursuance of such offer or agreement as if the power conferred by this resolution has not expired and shall be limited to

(a) the allotment of equity securities in connection with rights issues or similar issues in favour of holders of ordinary shares where the equity securities respectively attributable to the interests of the holders of ordinary shares are proportionate (as nearly as may be) to the respective number of ordinary shares held by them subject to such exclusions and other arrangements as the Directors may deem necessary or expedient in relation to the fractional entitlements or legal or practical problems arising under the laws of, or the requirements of any regulatory body or stock exchange in, any overseas territory or otherwise howsoever, and

(b) the allotment (otherwise than pursuant to subparagraph (a) above) of equity securities and/or the sale of transfer of shares held by the Company in treasury up to an aggregate amount of £ 1,175,000

This power applies in relation to a sale of shares which is an allotment of equity securities by virtue of section 94(3A) of the Act as if in the first paragraph of this resolution the words 'pursuant to the authority conferred by Resolution 9 above' were omitted

References in this resolution to the Act, or to sections of the Act, shall, where the context requires and where appropriate, include references to the Companies Act 2006 and any corresponding or similar sections of that Act, it being the intention that, to the extent permitted by law, the authority contained in this resolution shall continue in full force and effect notwithstanding any repeal of the Act or any relevant part or section thereof

11 THAT the Company be and is hereby generally and unconditionally authorised, in accordance with section 166 of the Companies Act 1985 (the 'Act'), to make market purchases (within the meaning of section 163 of the Act) of ordinary shares of 10 pence each in the capital of the Company on such terms and in such manner as the Directors may from time to time determine provided that

(a) the maximum number of ordinary shares authorised to be purchased is 14,000,000,

(b) the minimum price which may be paid for an ordinary share is 10 pence (exclusive of expenses and advance corporation tax (if any) payable by the Company),

(c) the maximum price which may be paid for an ordinary share is an amount equal to 105% of the average of the middle market quotations for an ordinary share derived from the AIM Appendix of the Daily Official List for the five business days immediately preceding the day on which the ordinary share is purchased (exclusive of expenses and advance corporation tax (if any) payable by the Company), and

(d) the authority conferred shall expire at the conclusion of the next Annual General Meeting of the Company except that the Company may before such expiry make a contract to purchase its own shares which will or may be completed or executed wholly or partly after such expiry

References in this resolution to the Act, or to sections of the Act, shall, where the context requires and where appropriate, include references to the Companies Act 2006 and any corresponding or similar sections of that Act, it being the intention that, to the extent permitted by law, the authority contained in this resolution shall continue in full force and effect notwithstanding any repeal of the Act or any relevant part or section thereof

By order of the Board

J P Gorman FCA
Company Secretary

REGISTERED OFFICE
56 Queen Anne Street
London W1G 8LA

28 November 2007

NOTES

1 Any member of the Company entitled to attend and vote at the Annual General Meeting may appoint one or more proxies to exercise all or any of his or her rights to attend and to speak and vote at a meeting of the Company A proxy need not be a member of the Company To be valid, a form of proxy, and any power of attorney under which it is signed, must be lodged with the Company's registrars at Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, no later than 48 hours before the time of the Annual General Meeting A form of proxy is enclosed The completion and return of a form of proxy will not preclude a member from attending and voting at the meeting in person

2 Pursuant to regulation 41 of the Uncertificated Securities Regulations 2001, only those persons whose names are entered on the register of members of the Company at the close of business on 15 January 2008 or, in the event that the meeting is adjourned, in the register of members 48 hours before the time of any adjourned meeting, shall be entitled to attend the meeting and to vote in respect of the number of shares registered in their name at that time Changes to the register of members after that time shall be disregarded in determining the right of any person to attend and/or vote at that meeting

3 Copies of Directors' service contracts or letters of appointment are available for inspection at the registered office of the Company during normal business hours on each weekday (public holidays excluded) and at the place of the Annual General Meeting for 15 minutes prior to and during the meeting

4 If the Chairman, as a result of any proxy appointments, is given discretion as to how the votes the subject of those proxies are cast and the voting rights in respect of those discretionary proxies, when added to the interests in the Company's securities already held by the Chairman, result in the Chairman holding such number of voting rights that he has a notifiable obligation under the Disclosure and Transparency Rules, the Chairman will make the necessary notifications to the Company and the Financial Services Authority As a result, any member holding 3% or more of the voting rights in the Company who grants the Chairman a discretionary proxy in respect of some or all of those voting rights and so would otherwise have a notification obligation under the Disclosure and Transparency Rules, need not make a separate notification to the Company and the Financial Services Authority

EXPLANATION OF RESOLUTIONS 9, 10 AND 11

Resolution 9 – authority to allot shares

Under the Companies Act 1985, the Directors of a company may only allot unissued shares if authorised to do so by the shareholders in general meeting Resolution 9 renews the Directors' existing authority by authorising the Directors to allot shares up to an aggregate nominal amount of £3,922,308 The authority will expire on whichever is the earlier of the date of the next Annual General Meeting of the Company or the date falling 15 months after the passing of the resolution This represents 39,223,080 ordinary shares of 10 pence each in the capital of the Company and is equivalent to approximately one third of the Company's current issued ordinary share capital as enlarged by the allotment of ordinary shares following the satisfaction of all of the Company's outstanding contractual commitments to allot shares, the exercise of all outstanding employee share options and employee and external warrants and options

Resolution 10 – limited authority to allot shares for cash

The Directors may only allot shares for cash otherwise than on a non-preemptive basis to existing shareholders in the Company if authorised to do so by the shareholders in general meeting

This resolution renews power for the Directors to allot shares for cash and/or sell or transfer shares held by the Company in treasury without first offering them to existing members up to an aggregate nominal amount of £1,175,000 This sum represents 11,750,000 Ordinary Shares, being equivalent to approximately 12 54% of the Company's current issued ordinary share capital as enlarged by the allotment of ordinary shares following the satisfaction of all of the Company's outstanding contractual commitments to allot shares, the exercise of all outstanding employee share options and employee and external warrants and options The Directors will use such authority in the circumstances where it is in the best interests of the Company to issue small amounts of shares other than to existing shareholders

The resolution also enables the Directors to modify the strict requirements for a rights issue in circumstances where they consider it necessary or expedient

The authority will expire on whichever is the earlier of the date of the next Annual General Meeting of the Company or the date following 15 months after the passing of the resolution

Resolution 11 – purchase of the Company's own shares

This resolution gives authority from shareholders for the Company to purchase up to 14,000,000 ordinary shares, an aggregate nominal amount of £1,400,000, which is equivalent to approximately 14 94% of the Company's current issued ordinary share capital The authority will expire at the end of the next Annual General Meeting and the resolution specifies the maximum and minimum prices at which the ordinary shares may be bought Other investment opportunities, appropriate gearing levels and the overall financial position of the Company will be taken into account before deciding upon this course of action Any ordinary shares purchased in this way will be held by the Company in treasury and may then be sold for cash, transferred to an employee share scheme or cancelled The Board has no immediate intention of exercising the proposed authority when it becomes effective, but believes that the ability of the Company to buy its own ordinary shares when, in the Board's opinion, market prices do not reflect the Company's worth, will be in the best interests of the Company and its shareholders The Directors intend to exercise this power only when they believe the effect of such purchases will increase earnings per ordinary share

ZTC Telecommunications plc

Form of Proxy for use at the Annual General Meeting of the holders of Ordinary Shares of ZTC Telecommunications plc to be held on 17 January 2008 at 10.00 a.m.

I/We

(Full Name in Block Capitals)

being (a) registered holder(s) of ordinary shares of 10p ("Ordinary Shares") in the capital of the Company, hereby appoint the duly appointed Chairman of the Meeting or (see note 1)

as my/our proxy to attend and vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held at the offices of Pritchard Englefield, 14 New Street, London EC2M 4HE on 17 January 2008 at 10 00 a m and at any adjournment thereof In the event of a poll being directed or demanded, I/we desire my/our vote(s) to be cast as shown below on the Resolutions set out in the Notice of Annual General Meeting

Please indicate with a tick in the appropriate spaces provide below how you wish your votes on the Resolutions to be cast

If you sign this Form of Proxy and return it without any specific direction as to how you wish your votes to be cast, the proxy may vote as he thinks fit or abstain from voting in respect of the Resolutions and also on any other business (including amendments to the Resolutions) which may properly come before the meeting

	ORDINARY RESOLUTIONS	**FOR**	**AGAINST**	**WITHHELD**
1	To receive and adopt the Directors' Report and Accounts	☐	☐	☐
2	To elect F Lewis as a Director	☐	☐	☐
3	To elect C Huang as a Director	☐	☐	☐
4	To elect M Syropoulo as a Director	☐	☐	☐
5	To elect M Liu as a Director	☐	☐	☐
6	To elect Dr Yi Xie as a Director	☐	☐	☐
7	To re-appoint the auditors	☐	☐	☐
8	To authorise the Directors to agree the auditors' remuneration	☐	☐	☐
9	To authorise the Directors to allot shares generally	☐	☐	☐
	SPECIAL RESOLUTIONS			
10	To approve a limited disapplication of pre-emption rights	☐	☐	☐
11	To authorise the Directors to purchase ordinary shares	☐	☐	☐

Signed this day of 2008

Signature Name

Address

Notes

1. A member entitled to attend and vote at the meeting is also entitled to appoint one or more proxies If a proxy other than the Chairman is desired strike out "the duly appointed Chairman of the Meeting or" and insert the name or names preferred and initial the alteration A proxy need not be a share-holder of the Company
2. To be valid this Form of Proxy (and the power of attorney or other authority if any under which it is signed or a notarially certified or office copy thereof) must reach Capita Registrars The Registry 34 Beckenham Road Beckenham, Kent BR3 4TU at least 48 hours before the appointed time of the Meeting or any adjournment thereof
3. In the case of a corporation this Form of Proxy must be executed under its common seal or signed on its behalf by an officer or attorney duly authorised In the case of an individual this Form of Proxy must be signed by the appointor or his or her attorney duly authorised
4. In the case of joint holders, the vote of the senior who tenders a vote whether in person or by proxy will be accepted to the exclusion of the votes of any other joint holders and for this purpose seniority will be determined by the order in which the names stand in the Register of Members
5. Completion and return of this Form of Proxy will not preclude shareholders from attending and voting in person if they decide to do so Attendance at the meeting by any shareholder, who has previously completed and returned a Form of Proxy shall result in an automatic termination of the relevant Form of Proxy
6. Any alterations made to this Form of Proxy must be initialled
7. Any vote which is withheld' is not a vote in law and will therefore not be counted in the calculation of the proportion of the votes for or against a Resolution
8. Shareholders must be entered on the Companys Register of Members at 6 00 p m on 15 January 2008 to be entitled to vote at the Meeting Such Shareholders may only cast votes in respect of Ordinary Shares held at that time
9. If the Chairman as a result of any proxy appointments is given discretion as to how the votes the subject of those proxies are cast and the voting rights in respect of those discretionary proxies when added to the interests in the Company's securities already held by the Chairman result in the Chairman holding such number of voting rights that he has a notifiable obligation under the Disclosure and Transparency Rules the Chairman will make the necessary notifications to the Company and the Financial Services Authority As a result any member holding 3% or more of the voting rights in the Company who grants the Chairman a discretionary proxy in respect of some or all of those

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Business Reply
Licence Number
MB122

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Capita Registrars(Proxies)
PO Box 25
Beckenham
Kent BR3 4BR

First Fold

Second Fold

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