VODATEL

VODATEL NETWORKS HOLDINGS LIMITED

愛達利網絡控股有限公司*

(Incorporated in Bermuda with limited liability)

Stock Code: 8033

BUSINESS AND FINANCIAL HIGHLIGHTS FOR THE YEAR

- Registered revenue of HK$472,046,000 for the Year, which equated a hike of 81.68% as compared to the preceding year. Gross profit grew by 55.59% to reach HK$128,036,000, translating to gross profit margin of 27.12%

- Despite the absence of dividends from TTSA, the Group achieved net profit of HK$28,564,000 as a result of strong operating performance

- Due to the revaluation of TTSA that resulted in a downward adjustment to its carrying cost, equity base of the Group amounted to HK$279,058,000 with cash and cash equivalents (including restricted cash and value of yield-enhanced financial instruments) standing at HK$155,278,000 or approximately HK$0.25 per Share as at 31st December 2014

- Actively working to complete the sub-contract to design, supply, installation, testing, commissioning and maintenance of the surveillance system at the Galaxy Resort & Casino, Cotai City, Macao

- VHL and MDL secured over HK$240,000,000 contracts during the Year from the Government of Macao, gaming and hotel operators in Macao and regional telecommunications service providers in Hong Kong

- Total works awarded to TSTSH and TSTJX for the Year fell short by HK$5,000,000 as compared to 2013 as a result of the delays by the logistics involved at the side of the customers to officially award approximately HK$10,000,000 value of works

- TTSA continued to suspend payment dividends with profitability continued to be adversely affected by intense competition

- The Directors recommend the payment of a final dividend of HK$0.01 per Share for the Year

RESULTS

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

Consolidated income statement

	Note	Year ended 31st December 2014 HK$'000	2013 HK$'000
Revenue	2,3	**472,046**	259,820
Cost of sales	4	**(344,010)**	(177,529)
Gross profit		**128,036**	82,291
Selling and marketing costs	4	**(10,403)**	(5,764)
Administrative expenses	4	**(97,226)**	(83,480)
Other income	5	**7,772**	1,929
Operating profit/(loss)		**28,179**	(5,024)
Finance income		**4,246**	3,581
Finance expenses		**(231)**	(28)
Finance income — net	6	**4,015**	3,553
Share of (loss)/profit of associates		**(9)**	1,206
Profit/(loss) before income tax		**32,185**	(265)
Income tax expense	7	**(3,621)**	(1,609)
Profit/(loss) for the Year		**28,564**	(1,874)
Profit/(loss) attributable to:			
Owners of the Company		**29,746**	(3,919)
Non-controlling interests		**(1,182)**	2,045
		28,564	(1,874)
Earnings/(loss) per Share attributable to owners of the Company for the Year (expressed in HK cents per Share)			
Basic earnings/(loss) per Share	8	**4.85**	(0.64)
Diluted earnings per Share	8	**Not applicable**	Not applicable
Dividends (expressed in HK$'000)	9	**6,138**	—

Consolidated balance sheet

	Note	As at 31st December 2014 HK$'000	2013 HK$'000
Assets			
Non-current assets			
Property, plant and equipment		**2,274**	2,337
Investments in associates		**3,647**	4,806
Available-for-sale financial assets		**124,094**	135,917
		130,015	143,060
Current assets			
Inventories		**56,500**	14,657
Trade receivables	10	**194,399**	86,576
Other receivables, deposits and prepayments		**26,593**	22,220
Amount due from an associate		**1,909**	—
Available-for-sale financial assets		**2,521**	5,074
Cash and cash equivalents		**79,305**	96,864
Restricted cash		**26,475**	26,634
		387,702	252,025
Liabilities			
Current liabilities			
Trade and bills payables	11	**130,155**	60,155
Other payables and accruals		**93,719**	43,569
Current income tax liabilities		**10,904**	7,606
Bank borrowing		**3,881**	—
		238,659	111,330
Net current assets		**149,043**	140,695
Total assets less current liabilities		**279,058**	283,755

	Note	As at 31st December 2014 HK$'000	2013 HK$'000
Financed by:			
Equity			
Equity attributable to owners of the Company			
Share capital		**61,382**	61,382
Other reserves	12	**198,153**	231,390
Retained earnings/(accumulated losses)	12		
— Proposed final dividend		**6,138**	—
— Others		**10,938**	(12,670)
		276,611	280,102
Non-controlling interests		**2,447**	3,653
Total equity		**279,058**	283,755

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

Notes:

1 **Basis of preparation**

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

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

(a) *Changes in accounting policy and disclosures - New and amended standards adopted by the Group*

The following standard was adopted by the Group for the first time for the financial year beginning on or after 1st January 2014:

Amendment to HKAS 36, "Impairment of Assets", on the recoverable amount disclosures for non-financial assets. This amendment removed certain disclosures of the recoverable amount of cash-generating units which had been included in HKAS 36 by the issue of HKFRS 13, "Fair Value Measurement".

The following new standards, interpretations and amendments published were mandatory for the accounting year of the Group beginning on 1st January 2014. The adoption of these new standards, interpretations and amendments had no significant impact on the financial statements.

HKFRS 10, HKFRS 12 and HKAS 27 (Amendment)	Consolidation for Investment Entities
HKAS 32 (Amendment)	Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities
HKAS 39 (Amendment)	Financial Instruments: Recognition and Measurement - Novation of Derivatives and Hedge Accounting
Hong Kong (IFRIC) Interpretation 21	Levies

(b) *Changes in accounting policy and disclosures - New standards and interpretations not yet adopted*

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1st January 2014, and were not applied in preparing these consolidated financial statements. None of these was expected to have significant effect on the consolidated financial statements of the Company, except the following set out below:

HKFRS 9, "Financial Instruments", addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of HKFRS 9 was issued in July 2014. It replaces the guidance in HKAS 39 that relates to the classification and measurement of financial instruments. HKFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through profit or loss. The basis of classification depends on the business model of the entity and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in HKAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in OCI, for liabilities designated at fair value through profit or loss. HKFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the “hedged ratio” to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under HKAS 39. The standard is effective for accounting periods beginning on or after 1st January 2018. Early adoption is permitted. The Group is yet to assess the full impact of HKFRS 9.

HKFRS 15, “Revenue from Contracts with Customers” deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from the contracts of an entity with cutomers. Revenue is recognised when a customer obtains control of goods or services. The standard replaces HKAS 11, “Construction Contracts” and HKAS 18, “Revenue” and related interpretations. The standard is effective for annual periods beginning on or after 1st January 2017 and earlier application is permitted. The Group is assessing the impact of HKFRS 15.

The following new standards, interpretations and amendments to standards were issued but were not effective for the period and were not early adopted by the Group:

HKAS 19 (2011) (Amendment)	Defined Benefit Plans: Employee Contributions[1]
Annual Improvements Project	Annual Improvements 2010 - 2012 Cycle[1]
Annual Improvements Project	Annual Improvements 2011 - 2013 Cycle[1]
Annual Improvements Project	Annual Improvements 2012 - 2014 Cycle[2]
HKFRS 10 and HKAS 28 (Amendment)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception[2]
HKFRS 11 (Amendment)	Acquisitions of Interests in Joint Operations[2]
HKFRS 14	Regulatory Deferral Accounts[2]
HKAS 1 (Amendment)	Disclosure Initiative[2]
HKAS 16 and HKAS 38 (Amendment)	Clarification of Acceptable Methods of Depreciation and Amortisation[2]
HKAS 16 and HKAS 41 (Amendment)	Agriculture: Bearer Plants[2]
HKAS 27 (Amendment)	Equity Method in Separate Financial Statements[2]

(1) Effective for annual periods beginning on or after 1st July 2014

(2) Effective for annual periods beginning on or after 1st January 2016

2 **Revenue**

Revenue was measured at the fair value of the consideration received or receivable, and represented amounts receivable for goods and services supplied, stated net of discounts, returns and value added taxes. The Group recognised revenue when the amount of revenue could be reliably measured; when it was probable that future economic benefits would flow to the entity; and when specific criteria were met for each of the activities of the Group, as described below. The Group based its estimates of return on historical results, taking into consideration the type of customers, the type of transactions and the specifics of each arrangement.

(a) *Project sales*

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

(b) *Sales of services*

The Group sold maintenance services to the end users. These services were provided as a fixed-price contract, with contract terms generally ranging from less than one year to three years. Revenue from fixed-price contracts for delivering maintenance services was generally recognised in the period the services were provided, using a straight-line basis over the term of the contract.

(c) *Sales of software*

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

3 **Segment information**

The executive Directors were the chief operating decision-makers of the Group. Management determined the operating segments based on the information reviewed by the executive Directors for the purposes of allocating resources and assessing performance.

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

The executive Directors assessed the performance of the operating segments based on a measure of adjusted EBITDA. This measurement basis excluded the effects of non-recurring income and expenditure from the operating segments such as profit on disposal of available-for-sale financial assets. Interest income and expenditure were not allocated to segments, as this type of activity was managed by the executive Directors, who managed the cash position at the Group level.

Revenue

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

	Revenue from external customers	
	2014	2013
	HK$'000	HK$'000
Design, sale and implementation of network and systems infrastructure; customer data automation, customisation and integration; and provision of technical support services:		
- Mainland China	**39,177**	38,006
- Hong Kong and Macao	**416,923**	186,870
CNMS	**15,946**	34,944
Total	**472,046**	259,820

Adjusted EBITDA

	Adjusted EBITDA	
	2014	2013
	HK$'000	HK$'000
Design, sale and implementation of network and systems infrastructure; customer data automation, customisation and integration; and provision of technical support services:		
- Mainland China	**275**	5,253
- Hong Kong and Macao	**28,661**	(22,421)
CNMS	**(4,870)**	13,535
	24,066	(3,633)
Dividend income	**134**	170
Total	**24,200**	(3,463)
Depreciation	**(1,167)**	(846)
Finance income - net	**4,015**	3,553
Profit on disposal of available-for-sale financial assets	**5,137**	491
Profit/(loss) before income tax	**32,185**	(265)

Other profit and loss disclosures

	2014			2013		
	Depreciation HK$'000	**Income tax expense HK$'000**	**Share of loss of associates HK$'000**	Depreciation HK$'000	Income tax expense HK$'000	Share of profit of associates HK$'000
Design, sale and implementation of network and systems infrastructure; customer data automation, customisation and integration; and provision of technical support services:						
- Mainland China	**(149)**	**(898)**	**—**	(138)	(31)	—
- Hong Kong and Macao	**(624)**	**(1,950)**	**(9)**	(346)	—	1,206
CNMS	**(394)**	**(773)**	**—**	(362)	(1,578)	—
Total	**(1,167)**	**(3,621)**	**(9)**	(846)	(1,609)	1,206

Assets

	2014			2013		
	Total assets HK$'000	**Investments in associates HK$'000**	**Additions to non-current assets HK$'000**	Total assets HK$'000	Investments in associates HK$'000	Additions to non-current assets HK$'000
Design, sale and implementation of network and systems infrastructure; customer data automation, customisation and integration; and provision of technical support services:						
- Mainland China	**58,341**	**—**	**159**	34,126	—	212
- Hong Kong and Macao	**313,785**	**3,647**	**744**	198,132	4,806	751
CNMS	**18,976**	**—**	**236**	21,836	—	491
Total	**391,102**	**3,647**	**1,139**	254,094	4,806	1,454
Unallocated						
Available-for-sale financial assets	**126,615**			140,991		
Total assets per the balance sheet	**517,717**			395,085		

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

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

Entity-wide information

Breakdown of the revenue from all services is as follows:

Analysis of revenue by category

	2014	2013
	HK$'000	HK$'000
Design, sale and implementation of network and systems infrastructure; customer data automation, customisation and integration; and provision of technical support services	**456,100**	224,876
CNMS	**15,946**	34,944
	472,046	259,820

Non-current assets, other than available-for-sale financial assets, were located in PRC.

Revenues of approximately HK$141,416,000 (2013: HK$70,387,000) were derived from a single group of external customers. These revenues were attributable to the segment of design, sale and implementation of network and systems infrastructure; customer data automation, customisation and integration; and provision of technical support services in Hong Kong and Macao.

4 **Expenses by nature**

	2014	2013
	HK$'000	HK$'000
Changes in inventories	**295,882**	146,612
Depreciation	**1,167**	846
(Reversal of provision)/provision on inventories	**(207)**	2,433
Provision on trade receivables, net	**266**	788
Employee benefit expense and independent non-executive Directors' emoluments	**71,694**	57,581

5 **Other income**

Other income included dividend income on a listed available-for-sale financial asset of HK$134,000 (2013: HK$170,000). There was no profit on disposal of unlisted available-for-sale financial assets (2013: loss of HK$409,000). It included profit on disposal of listed available-for-sale financial assets of HK$5,137,000 (2013: HK$900,000).

6 Finance income — net

	2014	2013
	HK$'000	HK$'000
Finance expenses:		
— Bank borrowing wholly repayable within five years	**(231)**	(28)
Finance income:		
— Interest income on short-term bank deposits	**1,540**	886
— Interest income on available-for-sale financial assets	**2,706**	2,695
Finance income	**4,246**	3,581
Finance income — net	**4,015**	3,553

7 Income tax expense

Hong Kong profits tax was provided at the rate of 16.5% (2013: 16.5%) on the estimated assessable profit for the Year. Taxation on non-Hong Kong profits was calculated on the estimated assessable profit for the Year at the rates of taxation prevailing in the regions in which the Group operated.

	2014	2013
	HK$'000	HK$'000
Current tax:		
Current tax on profits for the Year		
- Hong Kong profits tax	**251**	—
- Macao complementary profits tax	**1,906**	—
- Mainland China corporate income tax	**1,420**	1,594
Adjustments in respect of prior years	**44**	15
Income tax expense	**3,621**	1,609

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

	2014	2013
	HK$'000	HK$'000
Profit/(loss) before tax	**32,185**	(265)
Tax calculated at the domestic tax rates applicable to profits in the respective regions	**2,900**	(581)
Tax effects of:		
- Income not subject to tax	**(244)**	(184)
- Expenses not deductible for tax purposes	**834**	331
- Utilisation of previously unrecognised tax losses	**(2,747)**	(865)
- Tax losses for which no deferred income tax asset was recognised	**2,834**	2,893
Adjustments in respect of prior years	**44**	15
Tax charge	**3,621**	1,609

The weighted average applicable tax rate was 11.21% (2013: 11.08%). The change was caused by a change in the profitability of the subsidiaries of the Company in the respective regions.

8 **Earnings/(loss) per Share**

(a) *Basic*

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

	2014	2013
	HK$'000	HK$'000
Profit/(loss) attributable to owners of the Company	**29,746**	(3,919)
Weighted average number of Shares in issue (thousands)	**613,819**	613,819

(b) *Diluted*

Diluted earnings per Share was calculated by adjusting the weighted average number of Shares outstanding to assume conversion of all dilutive potential Shares. No diluted earnings per Share for the Year and the year ended 31st December 2013 was presented as all the rights to subscribe for the Shares granted pursuant to the share option scheme approved by the Members at a special general meeting on 5th November 2002 expired during the year ended 31st December 2013 and there were no outstanding options as at 31st December 2014.

9 **Dividends**

No dividend was paid in the Year. The dividends paid in the year ended 31st December 2013 were HK$12,276,000 (HK$0.02 per Share). A final dividend in respect of the Year of HK$0.01 per Share, amounting to a total dividend of HK$6,138,000 is to be proposed at the upcoming AGM. The Company will give notice of the closure of its register of Members once the date of the AGM is determined. Such notice will be given at least ten days (excluding Saturday and Sunday) on which banks in Hong Kong are generally open for business, before such closure, pursuant to Rule 17.78 of the GEM Listing Rules. These financial statements do not reflect this dividend payable.

	2014	2013
	HK$'000	HK$'000
Proposed final dividend of HK$0.01 (2013: Nil) per Share	**6,138**	—

10 **Trade receivables**

Sales of the Group were on receipts in advance, letter of credit documents against payment and open terms credit. The credit terms granted to customers varied and were generally the result of negotiations between the individual customers and the Group. As at 31st December 2014 and 2013, the ageing analysis of the trade receivables based on invoice date was as follows:

	2014	2013
	HK$'000	HK$'000
Within three months	**155,821**	75,425
> Three months but ≤ six months	**24,617**	5,989
> Six months but ≤ twelve months	**8,828**	2,566
Over twelve months	**19,965**	17,240
	209,231	101,220
Less: allowance for impairment of trade receivables	**(14,832)**	(14,644)
	194,399	86,576

11 **Trade and bills payables**

As at 31st December 2014, the ageing analysis of the trade and bills payables (including amounts due to related parties of a trading nature) based on invoice date was as follows:

	2014	2013
	HK$'000	HK$'000
Within three months	**110,483**	52,104
> Three months but ≤ six months	**10,954**	277
> Six months but ≤ twelve months	**1,386**	52
Over twelve months	**7,332**	7,722
	130,155	60,155

12 **Other reserves and (accumulated losses)/retained earnings**

	Contributed surplus	Other reserve	Capital redemption reserve	Available-for-sale investments	Merger reserve	Statutory reserve	Translation	Total	(Accumulated losses)/ retained earnings
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 1st January 2013	97,676	4,178	702	90,661	35,549	49	3,178	231,993	3,525
Revaluation gain	—	—	—	2,277	—	—	—	2,277	—
Revaluation transfer to profit or loss	—	—	—	(3,054)	—	—	—	(3,054)	—
Currency translation differences	—	—	—	—	—	—	174	174	—
Loss for the year ended 31st December 2013	—	—	—	—	—	—	—	—	(3,919)
Dividends paid relating to 2012	—	—	—	—	—	—	—	—	(12,276)
As at 31st December 2013	97,676	4,178	702	89,884	35,549	49	3,352	231,390	(12,670)
Revaluation loss	—	—	—	(29,495)	—	—	—	(29,495)	—
Revaluation transfer to profit or loss	—	—	—	(3,674)	—	—	—	(3,674)	—
Currency translation differences	—	—	—	—	—	—	(68)	(68)	—
Profit for the Year	—	—	—	—	—	—	—	—	29,746
As at 31st December 2014	**97,676**	**4,178**	**702**	**56,715**	**35,549**	**49**	**3,284**	**198,153**	**17,076**

MANAGEMENT DISCUSSION AND ANALYSIS

VODATEL — AT A GLANCE!

Headquartered in Macao, "Vodatel" is an integrated company that operates under the "Multiple Branding" philosophy, with "Vodatel", "Mega Datatech" and "Tidestone" each positions to achieve market differentiation, yet complementing one another in product and service offerings. Always putting customers first, the slogan "Your Trusted Local Partner" is the primary driver of the mandate at the Group, which is to become the partner-of-choice of its customers when seeking a local partner for turnkey solutions or service provisioning that aligns their expectations in level of choices and service requirements and matches their demands, values and aspirations.

REVIEW OF BUSINESS ACTIVITIES

Business in Macao and Hong Kong

As a system integrator and service provider representing different international renowned manufacturers such as Juniper Networks, Pelco by Schneider Electric, Hewlett-Packard, Microsoft, Motorola and Extreme Networks, the reservoir of some 70+ engineers at VHL and MDL has over thirty professional certifications obtained from different manufacturers. This has made the Group among one of the very few companies in Macao to house such a high number of engineers with recognised certifications. Coupled with the engineers having accumulated years of practical experience from direct engagement in fieldworks of different major projects, the Group is among the forerunners in the local market that is able to combine theories and experiences in the rollout of sophisticated turnkey solutions and in the provision of timely and effective resolutions to system issues.

The sub-contract to design, supply, installation, testing, commissioning and maintenance of the surveillance system for the Galaxy Group topped the queue of projects that the Group worked on during the Year. Through a series of careful planning and high quality service deliverables, the Group successfully completed some major retrofit works included in the sub-contract, both within the anticipated timeframe and with very minimal business impact to the live environment. Excluding this landmark project which clearly demonstrates the aptitudes of the Group to make prudent planning and to successfully execute works in some very challenging environments, the introduction of new gaming regulations to better govern slot machines during the last quarter of the Year has again allowed the Group to prove its capabilities, in particular in the immediate mobilisation of equipment and human resources, to concurrently install and commission works in the area of surveillance for different gaming operators within very short timeframe. These schemes of works that the Group successfully pulled together give a positive twist to the strengthening of the market reputation of the "Vodatel" branding as a reliable and trusted partner for its local customers.

During the Year, the Group was awarded approximately HK$80,000,000 worth of contracts by different gaming and hotel operators in the areas of surveillance, trunking radio and networking and in the provision of service support and received orders valued HK$30,000,000 from various regional telecommunications service providers in Hong Kong in the area of networking infrastructure and in the construction of data centres. The aggregate of these contracts still fell short of the total works of over HK$130,000,000 awarded to the Group by the Government of Macao, who has again become the biggest customer of the Group during the Year. In Macao, in addition to over HK$7,000,000 value of works performed at the University of Macao on Hengqin Island in the areas of networking, cabling, surveillance and a variety of back-end systems, different Government bureaus, such as Civic and Municipal Affairs Bureau, Public Administration and Civil Service Bureau, Public Security Forces Affairs Bureau, Legal Affairs Bureau, to name a few, continued to choose VHL and MDL as their system integrator and service provider in the areas of surveillance and networking infrastructure, trunking radio, server and office platforms and in the provision of customised software solutions and on-going maintenance service support.

Business in Mainland China

In Mainland China, provision of maintenance support services to the data networks of various telecommunications service providers continued to be the core focus of the subsidiaries of VHL, with over HK$22,000,000 worth of maintenance services contracts awarded by different telecommunications service providers in the provinces of Hunan, Hebei, Jiangxi and Guangdong, the municipality of Shanghai and the autonomous region of Guangxi.

As for TSTSH and TSTJX, the Year could have been better should the official award of three major contracts with total value of HK$10,000,000 to install different modules of its CNMS have not been delayed by the logistics involved at the side of the customers. Consequently, total contracts awarded to TSTSH and TSTJX for the Year amounted to HK$25,000,000, falling short by HK$5,000,000 as compared to total works awarded during 2013. The "TideStone Intelligent Environment Monitoring System", the "TideStone Integrated Network and Service Management System", the "TideStone Integrated Fault Management System/Customer Service Management System" and the "TideStone Operation Command and Performing On-Duty Informatisation System" continued to be among some of the more popular modules selected by the customers, with the "TideStone Operation Command and Performing On-Duty Informatisation System" well received by different armed police forces in Mainland China while the other modules have been deployed by different telecommunications service providers in the provinces of Guangdong, Jiangxi, Jiangsu, Shandong, Hubei, Henan and Sichuan, and the municipalities of Chongqing and Shanghai, and Hong Kong.

To expand the applicability of the CNMS of TSTSH to the gaming sector in Macao, the development of a new module that will meet the needs to effectively manage the information technology systems of gaming and hotel operators is underway. During the third quarter of the Year a workshop in Macao was setup to introduce and demonstrate different modules of the CNMS of TSTSH to the Government of Macao and different hotel and gaming operators. Proof of concept was subsequently requested to be demonstrated to two potential customers.

Other Investments Holdings

TTSA The business performance of TTSA continued to be adversely affected by the two new market entrants, who invested heavily in infrastructure building and marketing, launching aggressive advertising campaigns and introducing competitive tariffs packages. Profitability of TTSA remained under pressure as it took initiatives to defend its market positioning and to improve its service deliverables, including collaborating with a global satellite services provider to rollout higher-quality and lower-latency Internet services, operating a new call centre and remodeling and renovating its stores to strengthen its sales channels.

During the Year, TTSA reported revenue of HK$346,813,000, representing a drop of 28.1% as compared to 2013. Net profit slid over 90% to HK$4,164,000 as compared to 2013. To ensure that TTSA will have adequate financial and operational flexibility to defend its position in a highly competitive and price-sensitive market, TTSA has proposed to continue to suspend, for two consecutive years, payment of any dividends. As at 31st December 2014, the Group is holding 17.86% of TTSA.

Vodacabo Despite operating in an uncertain business landscape in Timor-Leste and failure to expand its market reach from the construction of telecommunications sites, installation of energy structure and provision of network audits in the telecommunications sector to construction of power infrastructure in the power sector, Vodacabo continued to report an operating profit for the Year. The decision over its business continuity is expected to put to a vote by its shareholders during 2015.

GTGIL Another investments holding is pertained to GTGIL which, subsequent to the disposal of its mobile application development and information technology consultant services in November 2014, is now principally engaged in the trading of electronic hardware components (display and touch panel modules) with compatibility solutions advisory services and real estate development and investment. As a non-core asset of the Group, it has been the intention to gradually dispose all its shareholdings in GTGIL in the open market. During the Year, the Group disposed 33,024,000 GTGIL Shares. As at 31st December 2014, the Group is holding 82,395,392 GTGIL Shares.

REVIEW OF OPERATING RESULTS

Turnover and Profitability

2014 is an exceptional year for the Group in terms of financial returns. The increase in value of sub-contracts work performed in Macao and Hong Kong, including the contract to design, supply, installation, testing, commissioning and maintenance of the surveillance system for the Galaxy Group by VHL, the undertaking of an increased number of major projects for the Government of Macao and gaming and hotel operators by VHL and MDL during the last quarter of the Year, and the further penetration by the Hong Kong subsidiary into the construction of data centres for regional telecommunications service providers drove up the revenue of the Group for the Year. Revenue reached HK$472,046,000, or a hike of 81.68% as compared to 2013, with business activities from the fourth quarter accounting 41.71% of the total revenue of the Group for the Year.

Gross profit margin is closely tied to margins of its sales mix — hardware sales, software development projects and service provisioning. Although less than 5% of its revenue was derived from the software development projects at TSTSH and TSTJX, which carried higher margins, an increased number of works, which included the provision of maintenance, system support and service retrofits and relocations across the key markets in Macao, Hong Kong and Mainland China, completed by VHL and MDL balanced out the hardware sales, which carried lower margins. With overall gross profit margin at 27.12%, gross profit generated by the Group from its core operating activities grew 55.59% over the preceding year to reach HK$128,036,000 for the Year.

Rising in tandem with increased business activities for the Year was higher selling, marketing costs and administrative expenses, which rose by a whopping HK$18,385,000, or a climb of 20.60% over 2013. Staff costs (including staff benefits and welfare) continued to be the biggest piece of the total cost structure of the Group, accounting for 66.61% of total selling, marketing costs and administrative expenses. Major factors affecting the cost hike included higher bank charges and transportation costs to support the stronger orders book, an increase in overtime claims by the technical teams to accommodate a number of projects where customers required service deployment within very short timeframe or during non-office hours, introduction of incentives programmes to motivate employees to engage in technical and product training and to align remuneration packages with local competitors. Other factors also contributing to the upsurge of selling, marketing costs and administrative expenses included those beyond the control of the Group, such general level of inflation, in particular that in Macao, that drove up overall level of salary.

During the Year, the Group also reported stronger other income and net finance income, with the former brought from higher profits generated from the disposal of GTGIL Shares at higher selling prices and the latter from more effective deployment of its cash in non-risky financial instruments, generating net finance income of HK$4,015,000 as compared to HK$3,553,000 for the preceding year. Coupled with a solid operating performance of its core business, the Group reported net profit of HK$28,564,000 for the Year, representing a significant improvement over a net loss of HK$1,874,000 for 2013.

Capital Structure and Financial Resources

Aligned with a stronger operating year, the Group witnessed a surge to its level of inventories, trade receivables and trade payables. The built-up of level of inventories by HK$41,843,000 was necessary to support the equipment needed to complete contracts awarded by the Government of Macao and different gaming and hotel operators, in particular the sub-contract to design, supply, installation, testing, commissioning and maintenance of the surveillance system for the Galaxy Group. While the increase in trade receivables to HK$194,399,000 corresponded to heightened business activities, in particular business generated during the last quarter of the Year, higher trade payables of HK$130,155,000 was the result of better negotiations with vendors to obtain extended trade terms.

As with prudent financial management habitually practiced during the years, although enjoying a premium clientele comprising of the Government of Macao, gaming and hotel operators in Macao and telecommunications service providers in Hong Kong and Mainland China, the Group will continue to closely monitor its level of inventories and recoverability of its trade receivables and to strike better trade terms with vendors so as to minimise risks of stock obsolescence and bad debts and to improve its cashflow.

Despite generating net profit of HK$28,564,000 for the Year, the equity base of the Group dropped from HK$283,755,000 to HK$279,058,000, or to HK$0.45 per Share, subsequent to the revaluation of TTSA that resulted in a downward adjustment to its carrying cost by HK$26,445,000. During the Year, the Group continued to exercise capital discipline. Through taking advantage of the low interest environment, the Group lightly leveraged its balance sheet to support interim financing needs. The balance sheet has nevertheless remained strong and healthy with little gearing, which provided ample room to further leverage its balance sheet to finance future growth where necessary. Net cash and cash equivalents (including restricted cash) and value of yield-enhanced financial instruments aggregated HK$155,278,000 or approximately HK$0.25 per Share as at 31st December 2014.

CORPORATE GOVERNANCE

The Company applied the principles in the Code by complying with the Code throughout the Year, except that:

1 the nomination committee of the Company did not review the structure, size and composition (including the skills, knowledge and experience) of the Board in the Year;

2 not all Directors participated in continuous professional development;

3 the independent non-executive Directors did not attend the AGM held in the Year;

4 the management do not provide all Directors with monthly updates; and

5 the Chairman of the Board did not attend the AGM held in the Year.

A.5.2(a) The Board considers that such review will be necessary only when casual vacancy exists.

A.6.5 The Directors consider that briefing received from the company secretary of the Company is sufficient for them to render their contribution to the Board.

A.6.7 The independent non-executive Directors consider that such attendance could not help to develop a balanced understanding of the views of the Members because not many Members attended the AGM in past few years.

C.1.2 Management considers that quarterly updates and periodic instant updates when developments arising out of the ordinary business instead of monthly updates are sufficient for the Board to discharge its duties.

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

DEFINITIONS

"AGM"	annual general meeting
"Board"	the board of Directors
"CNMS"	customer network management system
"Code"	the Corporate Governance Code set out in Appendix 15 of the GEM Listing Rules
"Company"	Vodatel Networks Holdings Limited
"Director"	the director of the Company
"EBITDA"	earnings before interest, tax, depreciation and amortisation
"Exchange"	The Stock Exchange of Hong Kong Limited, a company incorporated in Hong Kong with limited liability
"Galaxy Group"	Galaxy Entertainment Group Limited, a company incorporated in Hong Kong with limited liability and ordinary shares in its share capital are listed on the Exchange, and its subsidiaries
"GEM"	the Growth Enterprise Market operated by the Exchange
"GEM Listing Rules"	the Rules Governing the Listing of Securities on GEM made by the Exchange from time to time
"Group"	the Company and its subsidiaries (not applicable to Galaxy Group, Galaxy Entertainment Group Limited and Gold Tat Group International Limited)
"GTGIL"	Gold Tat Group International Limited, a company incorporated in the Cayman Islands with limited liability and GTGIL Shares are listed on GEM
"GTGIL Share"	ordinary share of US$0.001 each in the share capital of GTGIL
"HK cent"	Hong Kong Cent, where 100 HK cents equal HK$1
"HK$"	Hong Kong Dollar, the lawful currency of Hong Kong
"HKAS"	Hong Kong Accounting Standard

"HKFRS"	financial reporting standards and interpretations issued by the Hong Kong Institute of Certified Public Accountants, established under the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong). They comprise 1. Hong Kong Financial Reporting Standards, 2. HKAS, and 3. Interpretations
"Hong Kong"	the Hong Kong Special Administrative Region of PRC (not applicable to Hong Kong Accounting Standard, Hong Kong Exchanges and Clearing Limited, Hong Kong Financial Reporting Standards, Hong Kong (IFRIC) Interpretation, the Hong Kong Institute of Certified Public Accountants and The Stock Exchange of Hong Kong Limited)
"Macao"	the Macao Special Administrative Region of PRC
"Mainland China"	PRC, other than the regions of Hong Kong, Macao and Taiwan
"MDL"	Mega Datatech Limited, incorporated in Macao with limited liability and an indirect wholly-owned subsidiary of the Company
"Member"	the holder of the Shares
"OCI"	other comprehensive income
"PRC"	The People's Republic of China
"Share"	ordinary share of HK$0.10 each in the share capital of the Company (not applicable to GTGIL Share)
"Timor-Leste"	The Democratic Republic of Timor-Leste
"TSTJX"	泰思通軟件(江西)有限公司, incorporated in PRC with limited liability and an indirectly owned subsidiary of the Company
"TSTSH"	泰思通軟件(上海)有限公司, incorporated in PRC with limited liability and an indirectly owned subsidiary of the Company
"TTSA"	Timor Telecom, S.A., a company incorporated in Timor-Leste with limited liability
"US$"	United States Dollar, the lawful currency of the United States of America
"VHL"	Vodatel Holdings Limited, incorporated in the British Virgin Islands with limited liability and a direct wholly-owned subsidiary of the Company
"Vodacabo"	Vodacabo, S A, incorporated in Timor-Leste with limited liability and an indirectly owned associate of the Company

"Year"	the year ended 31st December 2014

By order of the Board
José Manuel dos Santos
Chairman

Macao, 23rd March 2015

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

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

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this document misleading.

** for identification purpose only*