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

- Despite a strong fourth quarter, with the impact of the financial turmoil still at large, the Group reported turnover of HK$231,792,000, similar to the level of turnover of last year
- With continued focus on the higher margin businesses and conclusion of the installation and service part of a major structured cabling system, gross profit margin improved considerably to over 30%
- Received dividend income of HK$19,723,000 from TTSA during the Year
- Attributable to a strong fourth quarter, hefty dividend income from TTSA, the absence of impairment to the carrying costs of MTNHL and reversal of tax overprovided in prior years, the Group reported operating profit of HK$22,890,000 and net profit of HK$32,857,000
- Continued to be chosen as the solution provider-of-choice, with a series of landmark projects completed during the Year
- The Government of Macao remains a core customer of the Group
- TSTSH successfully extended its reach in the sector of armed force police and marked its first win from China Unicom
- Recognised over HK$30,000,000 worth of maintenance and support service income
- Operating performance of TTSA remained strong with revenue and EBITDA growing by 26.1% and 21.1% on a year-on-year basis
- As at 31st December 2009, cash balances (including pledged deposits) of the Group amounted to HK$102,604,000 with over HK$35,000,000 of receivables outstanding as at year-end settled as at the Latest Practicable Date
- The Board recommended payment of a final dividend of HK$3,069,000 for the Year

RESULTS

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

Consolidated Balance Sheet

		As at 31st December	
		2009	2008
	Note	**HK$'000**	HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**759**	1,046
Investment in an associate		**661**	656
Available-for-sale financial assets		**19,820**	16,226
		21,240	17,928
Current assets			
Inventories		**5,856**	13,620
Current income tax prepaid		**251**	—
Trade receivables	2	**84,801**	70,254
Other receivables, deposits and prepayments		**11,131**	18,454
Pledged bank deposits		**6,934**	9,108
Cash and cash equivalents		**95,670**	89,961
		204,643	201,397
LIABILITIES			
Current liabilities			
Trade and bills payables	3	**35,035**	50,796
Other payables and accruals		**42,358**	45,151
Current income tax liabilities		**5,822**	17,172
		83,215	113,119
Net current assets		**121,428**	88,278
Total assets less current liabilities		**142,668**	106,206

		As at 31st December	
		2009	2008
	Note	**HK$'000**	HK$'000
Financed by:			
EQUITY			
Equity attributable to owners of the parent			
Shares		**61,382**	61,382
Other reserves	12	**143,393**	139,792
Accumulated losses	12		
— Proposed final dividends		**3,069**	—
— Other		**(69,160)**	(100,264)
		138,684	100,910
Minority interest		**3,984**	5,296
Total equity		**142,668**	106,206

Consolidated Income Statement

		Year ended 31st December	
		2009	2008
	Note	**HK$'000**	HK$'000
Continuing operations			
Revenue	4	**231,792**	232,395
Cost of sales	6	**(160,241)**	(185,527)
Gross profit		**71,551**	46,868
Selling and marketing costs	6	**(5,810)**	(5,690)
Administrative expenses	6	**(65,092)**	(63,382)
Other gains/(losses) - net	7	**22,241**	(562)
Operating profit/(loss)		**22,890**	(22,766)
Finance income	8	**394**	995
Finance costs	8	**—**	(1)
Finance income - net	8	**394**	994
Share of profit of an associate		**5**	84
Profit/(loss) before income tax		**23,289**	(21,688)
Income tax credit	9	**9,568**	11,696
Profit/(loss) for the Year from continuing operations		**32,857**	(9,992)
Discontinued operations			
Profit for the Year from discontinued operations	13	**—**	1,670
Profit/(loss) for the Year		**32,857**	(8,322)
Attributable to:			
Equity holders of the Company		**34,173**	(6,887)
Minority interest		**(1,316)**	(1,435)
		32,857	(8,322)

	Note	Year ended 31st December 2009	2008
Earnings per Share from continuing and discontinued operations attributable to the equity holders of the Company during the Year (expressed in HK cents per Share)			
Basic and diluted earnings/(loss) per Share			
From continuing operations	10	**5.57**	(1.39)
From discontinued operations	10	**Not applicable**	0.27
		5.57	(1.12)
Dividends (expressed in HK$'000)	11	**3,069**	—

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.

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) *New and amended standards adopted by the Group*

The Group adopted the following new and amended HKFRS as at 1st January 2009:

- HKFRS 7 (Amendment) "Financial Instruments — Disclosures" — effective 1st January 2009. The amendment required enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment required disclosure of fair value measurements by level of a fair value measurement hierarchy. As the change in accounting policy only resulted in additional disclosures, there was no impact on earnings per Share.

- HKAS 1 (Revised) "Presentation of Financial Statements" — effective 1st January 2009. The revised standard prohibited the presentation of items of income and expenses (that was, "non-owner changes in equity") in the statement of changes in equity, requiring "non-owner changes in equity" to be presented separately from owner changes in equity in a statement of comprehensive income. As a result the Group presented in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity were presented in the consolidated statement of comprehensive income. Since the change in accounting policy only impacted presentation aspects, there was no impact on earnings per Share.

- HKFRS 8 "Operating Segments" - effective 1st January 2009. HKFRS 8 replaced HKAS 14 'Segment Reporting'. It required a "management approach", under which segment information was presented on the same basis as that used for internal reporting purposes. This resulted in an increase in the number of reportable segments presented. In addition, the segments were reported in a manner that was more consistent with the internal reporting provided to the chief operating decision-maker. Comparatives for 2008 in note 5 were restated. However, such restatement in note disclosure did not have any impact on the balance sheets.

(b) *Amendments to existing standards and interpretations effective in the Year but not relevant to the operations of the Group*

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

- HKFRS 1 (Amendment) "First-time Adoption of HKFRS" and HKAS 27 "Consolidated and Separate Financial Statements"
- HKFRS 2 (Amendment) "Share-based Payment"
- HK(IFRIC)-Int 9 "Reassessment of Embedded Derivatives" and HKAS 39 (Amendment) "Financial Instruments: Recognition and Measurement"
- HK(IFRIC)-Int 13 "Customer Loyalty Programmes"
- HK(IFRIC)-Int 15 "Agreements for the Construction of Real Estate"
- HK(IFRIC)-Int 16 "Hedges of a Net Investment in a Foreign Operation"
- HK(IFRIC)-Int 18 "Transfer of Assets from Customers"
- HKAS 16 (Amendment) "Property, Plant and Equipment" (and consequential amendment to HKAS 7 "Statements of Cash Flows")
- HKAS 19 (Amendment) "Employment Benefits"
- HKAS 20 (Amendment) "Accounting for Government Grants and Disclosure of Government Assistance"
- HKAS 23 (Amendment) "Borrowing Costs"
- HKAS 23 (Revised)
- HKAS 28 (Amendment) "Investments in Associates" (and consequential amendments to HKAS 32 and HKFRS 7)
- HKAS 29 (Amendment) "Financial Reporting in Hyperinflationary Economies"
- HKAS 31 (Amendment) "Interests in Joint Ventures" (and consequential amendments to HKAS 32 and HKFRS 7)

- HKAS 32 (Amendment) "Financial Instruments: Presentation" and HKAS 1 (Amendment)
- HKAS 38 (Amendment) "Intangible Assets"
- HKAS 39 (Amendment)
- HKAS 40 (Amendment) "Investment Property" (and consequential amendments to HKAS 16)
- HKAS 41 (Amendment) "Agriculture"

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

- HK(IFRIC) - Int 17 "Distributions of Non-cash Assets to Owners" - effective for accounting periods on or after 1st July 2009. This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. HKFRS 5 "Non Current Assets Held for Sale and Discontinued Operations" has also been amended to require that assets are classified as held for distribution only when they are available for distribution in their present condition and the distribution is highly probable.
- HKFRS 1 (Amendment), "Additional Exemptions for First-time Adopters" - effective for accounting periods on or after 1st January 2010. The amendments address the retrospective application of HKFRS to particular situations and aims to ensure that entities applying HKFRS will not face undue cost or effort in the transition process.
- HKAS 27 (Revised) - effective for accounting periods on or after 1st July 2009. The amendment requires the effects of all transactions with non-controlling interests, to be recorded in equity if there is no change in control (economic entity model). These transactions will no longer result in goodwill or gains and losses. When control over a previous subsidiary is lost, any remaining interest in the entity is re-measured to fair value, and the resulting gain or loss is recognised in the income statement. It also provides additional guidance given on linked transactions.
- HKFRS 3 (Revised) "Business Combinations" - effective for accounting periods on or after 1st July 2009. The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the proportionate share of the non-controlling interest of the net assets of the acquiree. When a business combination achieved in stages, the acquirer should remeasure its previously held interest in the acquiree at its fair value at the date when control is obtained, recognising a gain/loss in the income statement. All acquisition-related costs should be expensed.
- HKAS 39 (Amendment), "Eligible Hedge Items" - effective for accounting periods on or after 1st July 2009. It prohibits designating inflation as a hedgeable component of a fixed rate debt. It prohibits including time value in a one-sided hedged risk when designating options as hedges. An entity may only designate the change in the intrinsic value of an option as the hedging instrument of a one-sided risk arising from a forecast transaction in a hedging relationship. A one-sided risk is that changes in cash flows or fair value of a hedged item is above or below a specified price or other variable.
- HKFRS 2 (Amendments), "Group Cash-settled Share-based Payment Transactions" - effective for accounting periods on or after 1st January 2010. In addition to incorporating HK(IFRIC)-Int 8 "Scope of HKFRS 2" and HK(IFRIC) - Int 11 "HKFRS 2 - Group and Treasury Share Transactions", the amendments expand on the guidance in HK(IFRIC) - Int 11 to address the classification of group arrangements that were not covered by the interpretation.

- HKAS 32 (Amendment), "Classification of Rights Issues" - effective for accounting periods on or after 1st February 2010. Rights issues are now required to be classified as equity if they are issued for a fixed amount of cash regardless of the currency in which the exercise price is denominated, provided they are offered on a pro rata basis to all owners of the same class of equity. Entities will no longer classify rights issues, for which the exercise price is denominated in a foreign currency, as derivative liabilities with fair value changes being recorded in profit or loss. Rather, entities will be able to classify these rights in equity with no re-measurement. The scope of the amendment does not extend to foreign currency-denominated convertible bonds.

- HK(IFRIC)-Int 19 "Extinguishing Financial Liabilities with Equity Instruments" - effective for accounting periods on or after 1st July 2010. The interpretation clarifies the accounting by the debtor when the debtor renegotiates the terms of its debt with the result that the liability is extinguished through issuing its own equity instruments to the creditor (that is a "debt for equity swap"). A gain or loss recognised in profit or loss is the difference between the fair value of the equity instruments issued and the carrying amount of the financial liability. The amount of the gain or loss should be separately disclosed on the face of the statement of comprehensive income or in the notes. This interpretation applies to all debtors that enter into debt for equity swap transactions in full or partial settlement of a financial liability.

- HKAS 24 (Revised) "Related Party Disclosures" - effective for accounting periods on or after 1st January 2011. The amendment introduces an exemption from all of the disclosure requirements of HKAS 24 for transactions among government-related entities and the government. It also clarifies and simplifies the definition of a related party.

- HK(IFRIC)-Int 14 (Amendment) "HKAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction", "Prepayments of a Minimum Funding Requirement" - effective for accounting periods on or after 1st January 2011. Some entities that are subject to a minimum funding requirement have elected to prepay their pension contributions. The amendment requires that an asset is recognised in these circumstances.

- HKFRS 9 "Financial Instruments" - effective for accounting periods on or after 1st January 2013. Financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently at amortised cost. The decision is to be made at initial recognition. The classification depends on the business model of the entity for managing its financial instruments and the contractual cash flow characteristics of the instrument.

  An instrument is subsequently measured at amortised cost only if it is a debt instrument and both the objective of the business model of the entity is to hold the asset to collect the contractual cash flows, and the contractual cash flows of the asset represent only payments of principal and interest (that is, it has only "basic loan features"). All other debt instruments are to be measured at fair value through profit or loss.

  All equity instruments are to be measured subsequently at fair value. Equity instruments that are held for trading will be measured at fair value through profit or loss. For all other equity investments, an irrevocable election can be made at initial recognition, to recognise unrealised and realised fair value gains and losses through other comprehensive income rather than profit or loss. There is to be no recycling of fair value gains and losses to profit or loss. This election may be made on an instrument-by-instrument basis. Dividends are to be presented in profit or loss, as long as they represent a return on investment.

- Improvements to HKFRS published by HKICPA in October 2008

    - HKFRS 5 (Amendment) (and consequential amendment to HKFRS 1) - effective for accounting periods on or after 1st July 2009. The amendment clarifies that all of the assets and liabilities of a subsidiary are classified as held for sale if a partial disposal sale plan results in loss of control, and relevant disclosure should be made for this subsidiary if the definition of a discontinued operation is met. A consequential amendment to HKFRS 1 states that these amendments are applied prospectively from the date of transition to HKFRS.

- Improvements to HKFRS published by HKICPA in May 2009

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

    - HKAS 36 (Amendment), "Unit of accounting for goodwill impairment test" - effective for accounting periods on or after 1st January 2010. This amendment clarifies that the largest cash-generating unit (or group of units) to which goodwill should be allocated for the purposes of impairment testing is an operating segment as defined by HKFRS 8.

    - HKAS 38 (Amendment), "Additional consequential amendments arising from HKFRS 3 (Revised) and measuring the fair value of an intangible asset acquired in business combination" - effective for accounting periods on or after 1st July 2009. This clarifies the description of the valuation techniques commonly used to measure intangible assets acquired in a business combination when they are not traded in an active market. In addition, an intangible asset acquired in a business combination might be separable but only together with a related contract, identifiable asset or liability. In such cases, the intangible asset is recognised separately from goodwill but together with the related item.

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

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

    - HK(IFRIC) - Int 16 (Amendment) - effective for accounting periods on or after 1st July 2009. The amendment states that, in a hedge of a net investment in a foreign operation, qualifying hedging instruments may be held by any entity or entities within the group, including the foreign operation itself, as long as the designation, documentation and effectiveness requirements of HKAS 39 that relate to a net investment hedge are satisfied.

    - HKFRS 2 (Amendment), "Scope of HKFRS 2 and HKFRS 3 (Revised)" - effective for accounting periods on or after 1st July 2009. This amendment confirms that, in addition to business combinations as defined by HKFRS 3 (Revised), contributions of a business on formation of a joint venture and common control transactions are excluded from the scope of HKFRS 2.

- HKAS 39 (Amendment), "Scope exemption for business combination contracts" - effective for accounting periods on or after 1st January 2010. These amendments clarify that: (i) it only applies to binding (forward) contracts between an acquirer and a vendor in a business combination to buy an acquiree at a future date; (ii) the term of the forward contract should not exceed a reasonable period normally necessary to obtain any required approvals and to complete the transaction; and (iii) the exemption should not be applied to option contracts (whether or not currently exercisable) that on exercise will result in control of an entity, nor by analogy to investments in associates and similar transactions.

- HK(IFRIC) - Int 9 and HKFRS 3 (Revised) - effective for accounting periods on or after 1st July 2009. The amendment clarifies that it does not apply to possible reassessment, at the date of acquisition, to embedded derivatives in contracts acquired in a combination between entities or businesses under common control or the formation of a joint venture.

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

- HKAS 1 (Amendment), "Current/non-current classification of convertible instruments" - effective for accounting periods on or after 1st January 2010. Regarding the liability component of convertible instruments, it clarifies that the holder's option which will result in the settlement by the issue of equity instruments is not relevant to its classification as current or non-current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least twelve months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time.

- HKAS 7 (Amendment), "Classification of expenditures on unrecognised assets" - effective for accounting periods on or after 1st January 2010. This amendment requires that only expenditures that result in a recognised asset in the statement of financial position can be classified as investing activities.

- HKAS 17 (Amendment) "Leases", "Classification of leases of land and buildings" - effective for accounting periods on or after 1st January 2010. This amendment deletes specific guidance regarding classification of leases of land, so as to eliminate inconsistency with the general guidance on lease classification. As a result, leases of land should be classified as either finance or operating using the general principles of HKAS 17.

The Group has already commenced an assessment of the impact of these new or amended HKFRS but is not yet in a position to state whether these new or amended HKFRS would have a significant impact on its results of operations and financial position.

2. **Trade receivables**

Sales of the Group were on receipts in advance, letter of credit documents against payment and open terms credit. The credit terms granted to customers varied and were generally the result of negotiations between individual customers and the Group. As at 31st December 2009 and 2008, the ageing analysis of the trade receivables was as follows:

	2009	2008
	HK$'000	HK$'000
Within three months	**73,804**	58,226
> Three months but ≤ six months	**3,545**	2,110
> Six months but ≤ twelve months	**4,759**	4,715
Over twelve months	**70,624**	71,509
Gross trade receivables	**152,732**	136,560

3. **Trade and bills payables**

As at 31st December 2009 and 2008, the ageing analysis of the trade and bills payables (including amounts due to related parties of trading in nature) was as follows:

	2009	2008
	HK$'000	HK$'000
Within three months	**22,118**	25,959
> Three months but ≤ six months	**213**	1,137
> Six months but ≤ twelve months	**1,680**	1,709
Over twelve months	**11,024**	21,991
	35,035	50,796

4. **Revenue**

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

The Group recognised revenue when the amount of the revenue could be reliably measured, it was probable that future economic benefits would flow to the entity and specific criteria were met for each of the activities of the Group as described below. The Group based its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

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

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

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

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

Revenue from the provision of digital image processing management solutions was recognised upon the transfer of risks and rewards of ownership, which generally coincided with the time when the goods were delivered to the customer and the title had passed.

(b) *Interest income*

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

(c) *Dividend income*

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

5. **Segment information**

Management determined the operating segments based on the reports reviewed by the executive Directors that were used to make strategic decisions.

The executive Directors considered the business from both a geographic and product perspective. From a product perspective, management assessed the performance of the segment of design, sale and implementation of network and systems infrastructure; customer data automation, customisation and 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 expenditure from the operating segments such as impairment loss on available-for-sale financial assets. Interest income and expenditure were not allocated to segments, as this type of activity is driven by the executive Directors, who managed the cash position of the Group. Since the executive Directors reviewed adjusted EBITDA, the results of discontinued operations were not included in the measure of adjusted EBITDA.

The segment information provided to the executive Directors for the reportable segments for the Year is as follows:

	Design, sale and implementation of network and systems infrastructure; customer data automation, customisation and integration; and provision of technical support services			
	Mainland China	**Hong Kong and Macao**	**CNMS**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Revenue from external customers	36,647	173,973	21,172	231,792
Adjusted EBITDA	(9,146)	23,322	9,139	23,315
Depreciation	(112)	(158)	(150)	(420)
Finance income - net	172	207	15	394
Share of profit of an associate	—	5	—	5
Total assets (exclude available-for-sale financial assets)	39,410	150,657	15,996	206,063
Total assets included:				
Investment in an associate	—	661	—	661
Additions to non-current assets (other than financial instruments)	47	54	57	158
Total liabilities	(30,386)	(31,801)	(21,028)	(83,215)

The segment information for the year ended 31st December 2008 was as follows:

	Design, sale and implementation of networks and systems infrastructure; customer data automation, customisation and integration; and provision of technical support services					
	Mainland China	**Hong Kong and Macao**	**CNMS**	**Total continuing operations**	**Total discontinued operations**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue from external customers	**49,527**	**172,183**	**10,685**	**232,395**	**10,563**	**242,958**
Adjusted EBITDA	7,442	(17,841)	(743)	(11,142)	1,689	(9,453)
Depreciation	(107)	(256)	(172)	(535)	(19)	(554)
Finance income - net	208	750	36	994	—	994
Share of profit of an associate	—	84	—	84	—	84
Total assets (exclude available-for-sale financial assets)	**47,330**	**144,339**	**11,430**	**203,099**	**—**	**203,099**
Total assets included:						
Investment in an associate	—	656	—	656	—	656
Additions to non-current assets (other than financial instruments)	32	82	79	193	—	193
Total liabilities	**(32,822)**	**(55,612)**	**(24,685)**	**(113,119)**	**—**	**(113,119)**

The revenue from external customers reported to the executive Directors was measured in a manner consistent with that in the consolidated income statement. There were no inter-segment sales during the Year (2008: Nil).

A reconciliation of adjusted EBITDA to profit before tax and discontinued operations is provided as follows:

	2009 HK$'000	2008 HK$'000
Adjusted EBITDA for reportable segments	**23,315**	(11,142)
Depreciation	**(420)**	(535)
Finance income - net	**394**	994
Impairment loss on available-for-sale financial assets	**—**	(11,005)
Profit/(loss) before income tax and discontinued operations	**23,289**	(21,688)

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 or the physical location of the asset.

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

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

	2009 HK$'000	2008 HK$'000
Segment assets for reportable segments	**206,063**	203,099
Unallocated:		
Available-for-sale financial assets	**19,820**	16,226
Total assets per balance sheet	**225,883**	219,325

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

Revenues from external customers were derived from design, sale and implementation of network and systems infrastructure; customer data automation, customisation and integration; and provision of technical support services and CNMS.

Breakdown of the revenue from all services is as follows:

Analysis of revenue by category

	2009	2008
	HK$'000	HK$'000
Continuing operations		
Revenue from design, sale and implementation of network and systems infrastructure; customer data automation, customisation and integration; and provision of technical support services	**210,620**	221,710
Revenue from CNMS	**21,172**	10,685
	231,792	232,395
Discontinued operations		
Sale of mobile phones	**—**	10,563

The entity is domiciled in Bermuda. There was no revenue from external customers in Bermuda for the Year and the year ended 31st December 2008, and the total of its revenue from external customers from other regions was HK$231,792,000 (2008: HK$232,395,000). The breakdown of the total of revenue from external customers from other regions is disclosed above.

As at 31st December 2009 and 2008, there was no non-current assets other than financial instruments located in Bermuda, and the total of these non-current assets located in other regions was HK$1,420,000 (2008: HK$1,702,000).

Revenues of approximately HK$67,370,000 (2008: HK$43,186,000) were derived from a single external customer. These revenues were attributable to the segment of design, sale and implementation of network and systems infrastructure; customer data automation, customisation and integration; and provision of technical support services in Hong Kong and Macao.

6. **Expenses by nature**

	2009	2008
	HK$'000	HK$'000
Cost of inventories	**126,462**	155,967
Depreciation	**420**	535
(Reversal of impairment)/ impairment of inventories	**(1,326)**	2,419
Impairment/(reversal of impairment) of trade receivables	**1,616**	(6,674)
Employee benefit expense (including Directors' emoluments)	**46,183**	48,558

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

Other gains/(losses) - net included dividend income from unlisted investments of HK$19,723,000 (2008: HK$8,228,000). There was no impairment of available-for-sale financial assets in the Year (2008: HK$11,005,000).

8. **Finance income and costs**

	2009	2008
	HK$'000	HK$'000
Interest expense:		
- bank overdrafts - wholly repayable within five years	**—**	(1)
Finance costs	**—**	(1)
Interest income on short-term bank deposits	**394**	995
Finance income - net	**394**	994

9. **Income tax credit**

Hong Kong profits tax was provided at the rate of 16.5% (2008: 16.5%) on the estimated assessable profit for the Year. Taxation on overseas profits was calculated on the estimated assessable profit for the Year at the rates of taxation prevailing in the regions in which the Group operated.

	2009	2008
	HK$'000	HK$'000
Current tax:		
Current tax on profits for the Year		
- Hong Kong profits tax	**87**	68
- Macao complementary profits tax	**959**	619
- Mainland China enterprise income tax	**959**	850
- Over-provision in prior years	**(11,573)**	(13,233)
Income tax credit	**(9,568)**	(11,696)

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

	2009	2008
	HK$'000	HK$'000
Profit/(loss) before income tax	**23,289**	(21,688)
Tax calculated at the domestic tax rates applicable to profits/(losses) in the respective regions	**8,162**	(1,308)
Tax effects of:		
Income not subject to tax	**(9,413)**	(1,803)
Expenses not deductible for tax purposes	**2,800**	4,533
Utilisation of previously unrecognised tax losses	**(657)**	(270)
Tax losses for which no deferred income tax asset was recognised	**1,113**	385
Over-provision in prior years	**(11,573)**	(13,233)
Tax credit	**(9,568)**	(11,696)

The weighted average applicable tax rate was 12.14% (2008: 16.69%). The change was caused by a change in the profitability of the subsidiaries of the Group in the respective regions.

There was no taxation impact relating to components of other comprehensive income during the Year (2008: Nil).

10. **Earnings per Share**

(a) *Basic*

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

	2009	2008
	HK$'000	HK$'000
Profit/(loss) from continuing operations attributable to equity holders of the Company	**34,173**	(8,557)
Profit from discontinued operation attributable to equity holders of the Company	**Not applicable**	1,670
	34,173	(6,887)
Weighted average number of Shares in issue (thousands)	**613,819**	613,819

(b) *Diluted*

Diluted earnings per Share was calculated by adjusting the weighted average number of Shares outstanding to assume conversion of all dilutive potential Shares. The Company has Options as dilutive potential Shares. A calculation was done to determine the number of Shares that could have been acquired at fair value (determined as the average annual market price of the Shares) based on the monetary value of the subscription rights attached to the outstanding Options. The number of Shares calculated as above was compared with the number of Shares that would have been issued assuming the exercise of the Options. The conversion of all potential Shares arising from the Options would have an anti-dilutive effect on the earnings/(loss) per Share for the Year and the year ended 31st December 2008. Accordingly, diluted earnings/(loss) per Share was identical to basic earnings/(loss) per Share for the Year and the year ended 31st December 2008.

11. **Dividends**

The Directors recommend the payment of a final dividend of HK$0.005 per Share, totalling HK$3,069,000. Such dividend is to be approved by the Members at the annual general meeting. These financial statements do not reflect this dividend payable.

	2009	2008
	HK$'000	HK$'000
Proposed final dividend of HK$0.005 (2008: Nil) per Share	3,069	—

12. **Reserves and accumulated losses**

	Contributed surplus HK$'000	Other reserve HK$'000	Capital redemption reserve HK$'000	Available-for-sale investments reserve HK$'000	Merger reserve HK$'000	Statutory reserve HK$'000	Exchange reserve HK$'000	Total HK$'000	Accumulated losses HK$'000
As at 1st January 2008	97,676	2,289	702	(918)	35,549	49	1,371	136,718	(93,377)
Reserves transferred to income statement upon impairment of available-for-sale financial assets	—	—	—	1,264	—	—	—	1,264	—
Currency translation differences	—	—	—	—	—	—	1,810	1,810	—
Loss for the year ended 31st December 2008	—	—	—	—	—	—	—	—	(6,887)
As at 31st December 2008	97,676	2,289	702	346	35,549	49	3,181	139,792	(100,264)
Fair value gains on available-for-sale financial assets	—	—	—	3,594	—	—	—	3,594	—
Currency translation differences	—	—	—	—	—	—	7	7	—
Profit for the Year	—	—	—	—	—	—	—	—	34,173
As at 31st December 2009	97,676	2,289	702	3,940	35,549	49	3,188	143,393	(66,091)

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

The Group disposed of Communications Appliances Ou Chung Limited, a company incorporated in Macao with limited liability, which was presented as a separate segment for sale of mobile phones, on 30th June 2008.

	2008 HK$'000
Operating cash flows	(781)
Investing cash flows	(35)
Total cash flows	(816)

Analysis of the results of discontinued operations is as follows:

	2008
	HK$'000
Revenue	10,563
Cost of sales	(10,634)
Gross loss	(71)
Selling and marketing costs	(41)
Administrative expenses	(930)
Other gains - net	2,712
Profit for the year ended 31st December 2008 from discontinued operations	1,670

There were no discontinued operations in the Year.

REVIEW OF BUSINESS ACTIVITIES

Gaming and Hospitality Sector in Macao

During the Year, gaming operators remained cautious as they carefully studied the aftermath of the financial turmoil on their own financial standing and on the number of visitors visiting Macao. Consequently, different gaming and hotel operators amended the size and momentum of their capital expenditures when it came to upgrade, development and expansion of premises and integrated resorts. Despite so, the Group successfully completed a handful of contracts for different gaming operators, including a project that involved the installation of a radio trunking system at an urban integrated entertainment resort in the Cotai area and another project that called for the construction of a structured cabling system and a radio trunking system at a newly renovated gaming premises in the Macao peninsula.

With gaming revenue generated from casinos in Macao soaring to new heights during the Year and number of visitors to Macao growing, the Group is confident that, with an upbeat to market sentiments, gaming and hotel operators will gradually resume their development and expansion plans, translating to new business opportunities for the Group.

The work of the Group with the customers does not stop right upon the completion of each project. As an experienced solution provider that involved in the design, installation and commissioning of some of the most sophisticated surveillance systems for casinos, the Group continued to be engaged by the gaming operators to reposition and realign their surveillance systems as they implemented changes to the floor plans of the gaming halls to support different marketing strategies. Capitalising on the foothold as one of the solution providers that gaming and hotel operators engaged when building their flagships, the Group advanced further by taking a proactive role in introducing to gaming and hotel operators additions, upgrades or enhancements to their existing data and office networks, storage and backup systems so that the performance of their networks and systems will always be at their optimal levels.

Public Sector in Macao

In the domestic territory, to drive economic activities, the Government of Macao has been actively investing in infrastructure, creating numerous business opportunities for local enterprises. As a well-established enterprise in Macao with a strong marketing team and a group of professional and experienced engineers, the Group is able to enjoy an advantageous position and successfully secure a number of projects from the Government of Macao. Today, not only the Group is consecutively serving the Government of Macao for over fifteen years, the two operating subsidiaries wholly owned by the Company, namely Vodatel Holdings Limited (incorporated in the British Virgin Islands with limited liability) and MDL, are solution providers to over twenty departments, including but not limited to the Office of the Chief Executive, Identification Bureau, Civic and Municipal Affairs Bureau, Macao Customs Service, Public Security Police Force, Judiciary Police, Health Bureau and Land, Public Works and Transport Bureau, to name a few. Among the projects secured, which covered systems in the areas of structured cabling, surveillance, trunking radio, data and office networks, and storage and backup systems, MDL in particular, completed a series of projects for the Government of Macao. Landmark projects included enhancements to the one-stop application system for the Civic and Municipal Affairs Bureau, and installation of a structured cabling and networks switching system for the Macao Science Centre. MDL is also an active participant in the automatic passenger clearance system project that involved the expansion of the electronic channels for passengers entering and departing Macao at the Macao ferry terminal and the Macao-Zhuhai border and is proud to be selected as a solution provider to support the legislative election held in Macao on 20th September 2009.

In addition to serving the Government of Macao, MDL is also a key solution provider to the local electricity bureau and a number of educational institutions. During the Year, MDL completed the implementation of an office network and a document management system for the Institute for Tourism Studies and participated in the installation and commissioning of a data networking system for the local electricity bureau.

Telecommunications Sector in Hong Kong and Mainland China

In Hong Kong, the Group is proud to be chosen by a renowned communications and security service provider in the Asia Pacific region to participate in a major project upgrade to their network infrastructure which involved replacement of certain legacy network equipment and migration of data traffic. With the upgrade, the communications and security service provider can now leverage its fully meshed networks, maximise their quality, performance and security, and enable delivery of increased bandwidth capacity in Internet connections.

In Mainland China, although the traditional business of data networking continued to be under pressure, TSTSH and its holding company reported solid performance during the Year with revenue generated from the sale of CNMS reaching HK$21,172,000. In addition to successfully passing the final acceptance tests of its CNMS installed at China Telecom in the provinces of Shaanxi, Hebei and Jiangxi, the municipalities of Chongqing and Shanghai and the autonomous region of Xinjiang, TSTSH continued to secure contracts to install its CNMS at different telecommunications service providers, including China Telecom in the province of Shanxi and China Telecom in the municipality of Chongqing, the latter of which involved the deploying of the CNMS of TSTSH to manage and monitor five hundred and twenty-five code division multiple access (CDMA) station rooms.

During the Year, TSTSH broke new grounds and successfully sold its CNMS to China Unicom in the province of Shandong. This win is crucial as it marks the first win of TSTSH from China Unicom. In the sector of armed force police, subsequent to receiving positive responses from the implementation of its CNMS at the armed force police in the province of Jiangxi, TSTSH extended its reach during the Year to other provinces and municipalities and secured contracts to sell the Intelligent Data Collection Module and the Information Collection and Analysis module of its CNMS to the armed force police in the province of Zhejiang and the municipality of Shanghai respectively.

Building a Solid Service Support Team

The continuous investment made to the support service team allows the Group to evolve as a trusted partner when it comes to provision of support and maintenance services. As a solution provider that chartered some of the most stringent and mission critical systems, such as data networking systems for telecommunications service providers in Mainland China, surveillance systems for gaming operators, trunking radio systems for police force and electronic channels for daily use by the general public of Macao at different entry points, today, the Group has built a team of highly trained and experienced engineers that provides 24/7 support services. 2009 has been a good year as the Group recognised aggregate maintenance service income worth over HK$30,000,000 from the Government of Macao, different gaming and hotel operators and telecommunications service providers. The customers that engage the Group and the kind of systems that the Group is required to monitor reassure the capability and reliability of the Group as a trusted provider of support services.

Investments Holding Activities

With respect to the investment of the Group in MTNHL, which is a mobile data solutions provider that engages in the development and provision of mobile data solutions, the operating performance of MTNHL was adversely affected by the global economic turmoil. Turnover for the nine-month period ended 31st December 2009 stood at HK$13,453,000, representing a decrease of approximately 11.92% over the same corresponding period of last year, with net loss of HK$145,000 reported as compared to net profit of HK$630,000 for the same corresponding period of last year.

As the stock performance of MTNHL during 2008 was undermined by prolonged depressed market conditions, during 2008, the Group recorded an impairment of HK$11,005,000 to the carrying costs of MTNHL. With the stock performance of MTNHL stabilising during the Year, no further impairment is warranted.

Among the investments that the Group made over the years, our equity participation in TTSA is the most outstanding of all. First, with the receipt of the dividend payment during 2008, the Group fully recovered its capital investments in TTSA. Second, during the Year, the

Group received another hefty dividend payment of HK$19,723,000. Third, attributable to the strong increase in the number of mobile customers, the operating performance of TTSA remained exceptionally sound during the Year, with revenue and EBITDA edging up by 26.1% and 21.1% on a year-on-year basis to approximately US$49,000,000 (HK$379,857,000) and US$25,000,000 (HK$193,805,000) respectively and EBITDA margin standing at 51.4%. Net additions of mobile customers reached approximately 226,000, bringing total customer base to approximately 351,000 as at the end of December 2009 or an increase of 180.7% over last year. The strong growth was the result of launch of new commercial offers and investment made to extend network coverage. With the strong customer growth, mobile average revenue per user dropped by 31.2% to US$17.9 (approximately HK$139).

With an established foothold, the Group extended its reach to explore other business opportunities in the telecommunications and energy sectors in Timor-Leste. To tap these new challenges, during January 2010, the Group intended to form a partnership with a Portuguese company that principally engages in design, engineering, construction, installation to operation and maintenance of telecommunications and energy networks.

REVIEW OF OPERATING RESULTS

Turnover and Profitability

Despite a strong fourth quarter, with the aftermath of the financial turmoil still at large, revenue of the Group for the Year levelled against 2008 to stand at HK$231,792,000. Revenue derived from markets in Macao and Hong Kong was at similar levels for both years, while weak operating performance of the traditional business in data networking in Mainland China was compensated by higher revenue generated from sale of CNMS. Although undertaking projects still represented a major component of the revenue base of the Group, with increasing focus on the higher margin businesses, that is, sale of self-developed software and provision of support services, the Group is able to enjoy improved gross profit margin. Together with the conclusion of installation and service part of a major structured cabling system during the Year, gross profit margin improved considerably to over 30%.

During 2008, reversal of impairment of trade receivables of HK$6,674,000 was noted. During the Year, impairment of trade receivables of HK$1,616,000 was recognised. Consequently, aggregate selling, marketing and administrative expenses for the Year amounted to HK$70,902,000 as compared to HK$69,072,000 for 2008. Should the impact of provision against trade receivables were excluded, total selling, marketing and administrative expenses for the Year and 2008 will be adjusted to HK$69,286,000 and HK$75,746,000 respectively and an improvement to the overall cost structure of HK$6,460,000 will be noted. This cost improvement stemmed from a series of exercises undertaken during the Year to streamline the operations, reduce redundancy and maximise utilisation of resources, such moves of which became necessary as the Group experienced uncertain market conditions during the first quarter of the Year due to the lagging effects of the financial turmoil.

Nevertheless, a strong fourth quarter, hefty dividend income of HK$19,723,000 received from TTSA and the absence of further impairment to the carrying costs of MTNHL contributed to a noticeable financial improvement of the Group as compared to 2008. During the Year, the Group successfully turned around its operating performance from reporting an operating loss of HK$22,766,000 for 2008 to reporting an operating profit of HK$22,890,000 for the Year.

With nil borrowings, together with overprovided income taxes from prior years being reversed, the Group registered net profit of HK$32,857,000.

Capital Structure and Financial Resources

With net profit of HK$32,857,000 reported during the Year, equity base of the Group strengthened considerably from HK$106,206,000 to HK$142,668,000. The Group continued to maintain a debt-free capital structure with nil bank borrowings. The practice of prudent cash management proved effective as this careful approach weathered the Group against turbulent and uncertain market conditions. Going forward, such approach will continue to be applied when managing the capital structure of the Group.

Level of inventory dropped considerably during the Year from HK$13,620,000 to HK$5,856,000, which was in line with the focus of the Group geared towards business activities involving sale of self-developed software and provision of support services. Special care has also been put to control level of inventory so as to avoid risk of potential stock obsolescence.

A strong fourth quarter in revenue created a hike to the level of trade receivables by over 20.7% as at 31st December 2009 as compared to the level as at 31st December 2008. As at the Latest Practicable Date, over HK$35,000,000 of trade receivables have subsequently been settled. Efforts to ensure timing recovery of trade receivables will remain a top priority.

CORPORATE GOVERNANCE PRACTICES

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

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

"Board"	the board of the Directors
"CNMS"	customer network management system
"Company"	Vodatel Networks Holdings Limited
"Directors"	the directors 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
"GEM"	the Growth Enterprise Market operated by the Exchange
"GEM Listing Rules"	the Rules Governing the Listing of Securities on GEM made by the Exchange from time to time
"Group"	the Company and its subsidiaries
"HK cents"	Hong Kong cents, where 100 HK cents equal HK$1
"HK$"	Hong Kong Dollar, the lawful currency of Hong Kong
"HKAS"	Hong Kong Accounting Standard
"HKFRS"	standards and interpretations issued by HKICPA. They comprise 1. Hong Kong Financial Reporting Standards, 2. HKAS (formerly Statement of Standard Accounting Practice), and 3. Interpretations
"HKICPA"	the Hong Kong Institute of Certified Public Accountants, established under the Professional Accountants Ordinance (Chapter 50 of the Laws Hong Kong)
"HK(IFRIC)-Int"	Hong Kong (IFRIC) Interpretation
"Hong Kong"	the Hong Kong Special Administrative Region of PRC (not applicable to Hong Kong Financial Reporting Standards, Hong Kong Accounting Standard, Hong Kong (IFRIC) Interpretation, Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and the Hong Kong Institute of Certified Public Accountants)
"Latest Practicable Date"	19th March 2010, being the latest practicable date prior to the printing of this announcement for ascertaining certain information contained herein
"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

"Members"	the holders of the Shares
"MTNHL"	Mobile Telecom Network (Holdings) Limited, a company incorporated in the Cayman Islands with limited liability and shares of US$0.01 each in the capital of MTNHL are listed on GEM
"Option"	a right 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
"PRC"	The People's Republic of China
"Share"	share of HK$0.10 each in the capital of the Company
"Timor-Leste"	The Democratic Republic of Timor-Leste
"TSTSH"	泰思通軟件(上海)有限公司, incorporated in PRC with limited liability and an indirectly owned subsidiary of the Company
"TTSA"	Timor Telecom, S A , a company incorporated in Timor-Leste with limited liability
"US$"	United States Dollar, the lawful currency of the United States of America
"Year"	the year ended 31st December 2009

By order of the Board
José Manuel dos Santos
Chairman

Macao, 23rd March 2010

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: 1. the information contained in this announcement is accurate and complete in all material respects and not misleading; 2. there are no other matters the omission of which would make any statement in this document misleading; and 3. all opinions expressed in this document have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

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

** for identification purpose only*