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

- Revenue grew from HK$215,341,000 to HK$289,506,000, representing an increase of 34.44% over the preceding year
- Although net loss at TSTSH widened, improved operating performance for business activities in Mainland China and hefty dividend income of HK$30,541,000 from TTSA helped lift net profit of the Group to reach HK$25,393,000
- Net profit and increase in the fair value of MTNHL Shares pushed equity base to HK$208,145,000, with aggregate cash and yield-enhanced financial instruments exceeding HK$122,000,000
- Successfully completed the installation and commissioning of a major surveillance system at a mega gaming and hospitality resort at the Cotai Strip
- MDL adds Financial Services Bureau to the list of departments under the Government of Macao that it supports
- Different modules of the integrated network and service management system of TSTSH deployed at the National City Sport Competition in Nanchang and by armed police force in selected provinces and municipalities
- TTSA reported record high revenue and net profit, hitting HK$527,233,000 and HK$192,207,000 respectively. Dividend income expected to be received by the Group during 2012 approximated HK$32,000,000
- The Board recommended payment of a final dividend of HK$0.005 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 2011 HK$'000	2010 HK$'000
Revenue	2	**289,506**	215,341
Cost of sales	4	**(216,617)**	(148,822)
Gross profit		**72,889**	66,519
Selling and marketing costs	4	**(6,472)**	(5,470)
Administrative expenses	4	**(74,410)**	(66,874)
Other income	5	**31,037**	31,508
Operating profit		**23,044**	25,683
Finance income	6	**1,691**	449
Share of profit/(loss) of associates		**1,522**	(1,341)
Profit before income tax		**26,257**	24,791
Income tax expense	7	**(864)**	(847)
Profit for the Year		**25,393**	23,944
Profit/(loss) attributable to:			
Owners of the Company		**26,685**	25,933
Non-controlling interests		**(1,292)**	(1,989)
		25,393	23,944
Earnings per Share attributable to owners of the Company during the Year (expressed in HK cents per Share)			
Basic and diluted earnings per Share	8	**4.35**	4.22
Dividends (expressed in HK$'000)	9	**3,069**	3,069

Consolidated Balance Sheet

	Note	As at 31st December 2011 HK$'000	2010 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**1,297**	1,054
Investments in associates		**2,131**	609
Available-for-sale financial assets		**69,914**	26,047
		73,342	27,710
Current assets			
Inventories		**13,074**	30,055
Current income tax prepaid		**—**	87
Trade receivables	10	**104,368**	73,928
Other receivables, deposits and prepayments		**18,144**	12,271
Pledged bank deposits		**610**	543
Cash and cash equivalents		**98,752**	124,246
		234,948	241,130
LIABILITIES			
Current liabilities			
Trade and bills payables	11	**49,658**	51,235
Other payables and accruals		**45,549**	39,118
Current income tax liabilities		**4,938**	4,819
		100,145	95,172
Net current assets		**134,803**	145,958
Total assets less current liabilities		**208,145**	173,668

	Note	As at 31st December 2011 HK$'000	2010 HK$'000
Financed by:			
EQUITY			
Equity attributable to owners of the Company			
Shares		**61,382**	61,382
Other reserves	12	**165,334**	153,330
Accumulated losses	12		
— Proposed final dividend		**3,069**	3,069
— Others		**(22,680)**	(46,296)
		207,105	171,485
Non-controlling interests		**1,040**	2,183
Total equity		**208,145**	173,668

The 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) *Changes in accounting policy and disclosures - Amended standard adopted by the Group*

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

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

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

(b) *Changes in accounting policy and disclosures - New and amended standards and interpretations mandatory for the first time for the financial year beginning 1st January 2011 but not currently relevant to the Group (although they may affect the account for future transactions and events)*

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

- HKFRS 1 (Amendment) "First-time Adoption of HKFRS", "Limited exemption from comparative HKFRS 7 disclosures for first-time adopters" provided first-time adopters with the same transition provisions as included in the amendment to HKFRS 7 "Financial Instruments: Disclosures" in relation to relief from presenting comparative information that ended before 31st December 2010 for new fair value disclosures requirements. This was required to be applied for annual periods beginning on or after 1st July 2010. Early adoption was permitted.

- HK(IFRIC)-Int 14 (Amendment) "HKAS 19-The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction", "Prepayments of a minimum funding requirement". The amendments corrected an unintended consequence of HK(IFRIC)-Int 14. Without the amendments, entities were not permitted to recognise some voluntary prepayments for minimum funding contributions as an asset. This was not intended when HK(IFRIC)-Int 14 was issued, and the amendments corrected this. Earlier application was permitted. The amendments should be applied retrospectively to the earliest comparative period presented.

- HK(IFRIC)-Int 19 "Extinguishing Financial Liabilities with Equity Instruments". The interpretation clarified the accounting by an entity when the terms of a financial liability were renegotiated and resulted in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability (debt for equity swap). It required a gain or loss to be recognised in profit or loss, which was measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued. If the fair value of the equity instruments issued could not be reliably measured, the equity instruments should be measured to reflect the fair value of the financial liability extinguished.

- Improvements to HKFRS published by HKICPA in May 2010

  - HKFRS 1 (Amendment), "Accounting policy changes in the year of adoption". This amendment amended HKFRS 1 to state that HKAS 8 did not apply both to the selection of accounting policies of the entity at the date of transition to HKFRS and to any changes to those policies made to the first annual HKFRS financial statements. Further, the reconciliations required in HKFRS 1 had to be updated for changes the entity made during the year of first time adoption in accounting policies and in transitional choices made in accordance with HKFRS.

  - HKFRS 1 (Amendment), "Revaluation basis as deemed cost". It allowed first-time adopters to use an event-driven fair value as deemed cost, even if the event occurred after the date of transition, but before the first HKFRS financial statements were issued. When such remeasurement occurred after the date of transition to HKFRS but during the period covered by its first HKFRS financial statements, any subsequent adjustment to that event-driven fair value was recognised in equity.

  - HKFRS 1 (Amendment), "Use of deemed cost for operations subject to rate regulation". It amended HKFRS 1 to provide exemption for entities with operations subject to rate regulation such that the entity could elect to use the carrying amount of items of property, plant and equipment or intangible assets determined under the previous generally accepted accounting principles of the entity, even if the amount was not qualified for capitalisation under HKFRS, as their deemed cost at the date of transition to HKFRS. Entities that used this exemption were required to test each item for impairment under HKAS 36 "Impairment of Assets" at the date of transition.

  - HKFRS 3 (Amendment) "Business Combinations", "Transition requirements for contingent consideration from a business combination that occurred before the effective date of the revised HKFRS". This amendment clarified that entities should apply the rules in HKFRS 3 (not HKFRS 7, HKAS 32 or HKAS 39 "Financial Instruments: Recognition and Measurement") to contingent consideration that arose from a business combination with acquisition dates that preceded the application of HKFRS 3 (Revised).

  - HKFRS 3 (Amendment), "Measurement of non-controlling interests". This amendment clarified that only entities with present ownership instruments that entitled their holders to a pro rata share of the net assets of the entity in the event of liquidation could choose to measure the non-controlling interest at fair value or the proportionate share of the non-controlling interest of the identifiable net assets of the acquiree.

  - HKFRS 3 (Amendment), "Un-replaced and voluntarily replaced share-based payment awards". This amendment clarified that the application guidance in HKFRS 3 (Revised) applied to all unexpired share-based payment awards that formed part of a business combination, regardless of whether the acquirer was obliged to replace the award.

  - HKFRS 7 (Amendment), "Clarifications of disclosures". It clarified seven disclosure requirements for financial instruments, with a particular focus on the qualitative disclosures and credit risk disclosures.

- HKAS 1 (Amendment) "Presentation of Financial Statements", "Clarification of statement of changes in equity". It confirmed that entities might present either in the statement of changes in equity or within the notes an analysis of the components of other comprehensive income by item.

- HKAS 27 (Amendment) "Consolidated and Separate Financial Statements", "Transition requirements for amendments arising as a result of HKAS 27". It clarified that the consequential amendments from HKAS 27 made to HKAS 21 "The Effects of Changes in Foreign Exchange Rates", HKAS 28 "Investments in Associates" and HKAS 31 "Interests in Joint Ventures" applied retrospectively since the date that the entity applied HKAS 27.

- HKAS 34 (Amendment) "Interim Financial Reporting", "Significant events and transactions". It provided guidance to illustrate how to apply disclosure principles in HKAS 34 and added disclosure requirements around the circumstances likely to affect fair values of financial instruments and their classification, transfers of financial instruments between different levels of the fair value hierarchy, changes in classification of financial assets, and changes in contingent liabilities and assets.

- HK(IFRIC)-Int 13 (Amendment) "Customer Loyalty Programmes", "Fair value of award credits". It clarified that when measuring the fair value of an award credit, entities should take into account both the value of the award that would be offered to customers and the proportion of the award credit that was not expected to be redeemed by customers.

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

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

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

- HKAS 12 (Amendment) "Income Taxes", "Deferred tax: recovery of underlying assets". The amendment introduces an exception to the principle for the measurement of deferred tax assets or liabilities arising on an investment property measured at fair value. It is effective for accounting periods beginning on or after 1st January 2012. Early adoption is permitted.

  Prior to the amendment, HKAS 12 requires an entity to measure the deferred tax relating to an asset/liability depending on whether the entity expects to recover/settle the carrying amount of the asset/liability through use or sale. The amendment introduces a rebuttable presumption that an investment property measured at fair value is recovered entirely by sale. This presumption is rebutted if the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

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

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

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

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

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

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

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

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

- HKFRS 7 (Amendment), “Disclosures — Transfers of Financial Assets” helps users of financial statements to evaluate the risk exposures relating to transfers of financial assets and the effect of those risks on the financial position of an entity and will promote transparency in the reporting of transfer transactions, particularly those that involve securitisation of financial assets. It is effective for accounting periods beginning on or after 1st July 2011.

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

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

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

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

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

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

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

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

2. **Revenue**

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

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

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

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

3. Segment information

Management determined the operating segments based on the information reviewed by the executive Directors for the purpose of allocating resources and assessing performance.

The executive Directors considered the business from both a geographic and product perspective. From a product perspective, management assessed the performance of the segment of design, sale and implementation of network and systems infrastructure; customer data automation, customisation and 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 was not allocated to segments, as this type of activity was managed by the executive Directors, who managed the cash position of the Group.

Revenue

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

	Revenue form external customers	
	2011	2010
	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	**37,825**	46,119
- Hong Kong and Macao	**241,344**	156,310
CNMS	**10,337**	12,912
Total	**289,506**	215,341

EBITDA

	Adjusted EBITDA	
	2011	2010
	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	**685**	(5,309)
- Hong Kong and Macao	**30,368**	24,819
CNMS	**(5,931)**	(862)
Total	**25,122**	18,648
Depreciation	**(556)**	(476)
Finance income	**1,691**	449
Profit on disposal of available-for-sale financial assets	**—**	6,170
Profit before income tax	**26,257**	24,791

Other profit and loss disclosures

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

Assets

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

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

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

Entity-wide information

Breakdown of revenue from all services is as follows:

Analysis of revenue by category

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

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

As at 31st December 2011 and 2010, there was no non-current assets located in Bermuda, and the total of non-current assets other than financial instruments located in other regions was HK$3,428,000 (2010: HK$1,663,000).

Revenue of approximately HK$70,250,000 (2010: HK$51,315,000) was derived from a single external customer. The revenue was attributable to the segment of design, sale and implementation of network and systems infrastructure; customer data automation, customisation and integration; and provision of technical support services in Hong Kong and Macao.

4. Expenses by nature

	2011	2010
	HK$'000	HK$'000
Changes in inventories	**186,705**	121,415
Depreciation	**556**	476
Impairment/(reversal of impairment) of inventories	**15**	(143)
(Reversal of impairment)/impairment of trade receivables	**(748)**	1,428
Employee benefit expense and independent non-executive Directors' emoluments	**52,272**	49,202

5. Other income

Other income included dividend income on an available-for-sale financial asset, unlisted of HK$30,670,000 (2010: HK$23,617,000). For the year ended 31st December 2010, it included profit on disposal of an available-for-sale financial asset, listed of HK$6,170,000.

6. Finance income

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

7. **Income tax expense**

Hong Kong profits tax was provided at the rate of 16.5% (2010: 16.5%) on the estimated assessable profit for the Year. Taxation on overseas profits was calculated on the estimated assessable profit for the Year at the rates of taxation prevailing in the regions in which the Group operated.

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

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

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

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

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

8. Earnings per Share

(a) *Basic*

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

	2011	2010
	HK$'000	HK$'000
Profit attributable to owners of the Company	**26,685**	25,933
Weighted average number of Shares in issue (thousands)	**613,819**	613,819

(b) *Diluted*

Diluted earnings per Share was calculated by adjusting the weighted average number of Shares outstanding to assume conversion of all dilutive potential Shares. The Company 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 Share price of the Shares) based on the monetary value of the subscription rights attached to the outstanding Options. The number of Shares calculated as above was compared with the number of Shares that would have been issued assuming the exercise of the Options. The conversion of all potential Shares arising from the Options would have an anti-dilutive effect on the earnings per Share for the Year and the year ended 31st December 2010. Accordingly, diluted earnings per Share was identical to basic earnings per Share for the Year and the year ended 31st December 2010.

9. Dividends

The dividends paid in the Year and the year ended 31st December 2010 were HK$3,069,000 (HK$0.005 per Share) and HK$3,069,000 (HK$0.005 per Share) respectively. A dividend in respect of the Year of HK$0.005 per Share, amounting to a total dividend of HK$3,069,000, is to be proposed at the coming AGM. The Company will give notice of the closure of its register of Members once the date of the AGM is determined. Such notice will be given at least ten business days before such closure, pursuant to rule 17.78 of the GEM Listing Rules. These financial statements do not reflect this dividend payable.

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

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 individual customers and the Group. As at 31st December 2011 and 2010, the ageing analysis of the trade receivables based on invoice date was as follows:

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

11. **Trade and bills payables**

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

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

12. **Other reserves and accumulated losses**

	Contributed surplus	Other reserve	Capital redemption reserve	Available-for-sale investments	Merger reserve	Statutory reserve	Translation	Total	Accumulated losses
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 1st January 2010	97,676	2,289	702	3,940	35,549	49	3,188	143,393	(66,091)
Revaluation - gross	—	—	—	9,160	—	—	—	9,160	—
Revaluation transfer - gross	—	—	—	(1,332)	—	—	—	(1,332)	—
Currency translation differences	—	—	—	—	—	—	220	220	—
Scheme: value of services	—	1,889	—	—	—	—	—	1,889	—
Profit for the year ended 31st December 2010	—	—	—	—	—	—	—	—	25,933
Dividends relating to 2009	—	—	—	—	—	—	—	—	(3,069)
As at 31st December 2010	97,676	4,178	702	11,768	35,549	49	3,408	153,330	(43,227)
Revaluation - gross	—	—	—	11,962	—	—	—	11,962	—
Currency translation differences	—	—	—	—	—	—	42	42	—
Profit for the Year	—	—	—	—	—	—	—	—	26,685
Dividends relating to 2010	—	—	—	—	—	—	—	—	(3,069)
As at 31st December 2011	97,676	4,178	702	23,730	35,549	49	3,450	165,334	(19,611)

REVIEW OF BUSINESS ACTIVITIES

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

Business in Macao and Hong Kong

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

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

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

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

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

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

TSTSH

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

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

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

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

— projects from armed police force for operational control and duty carrying information functions; and

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

Investments in Timor-Leste

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

TTSA

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

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

Vodacabo

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

New Business Opportunity in Power Sector

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

Available-For-Sale Financial Assets

MTNHL

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

Yield-enhanced Instruments

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

REVIEW OF OPERATING RESULTS

Turnover and Profitability

During the Year, strong project sales from the Government of Macao, gaming operators in Macao and telecommunications service providers in Hong Kong, coupled with the successful disposal of long ageing equipment, helped lift up revenue of the Group by 34.44% from HK$215,341,000 to HK$289,506,000. Gross profit edged up by 9.58% from HK$66,519,000 to HK$72,889,000, translating to gross profit margin of 25.18%. Albeit business focus in the Mainland China geared towards provision of networking infrastructure maintenance support services to different telecommunications service providers, which carried higher margins gross profit margin for the Year trailed the preceding year of 30.89% as only approximately

HK$2,500,000 of exchange gain from appreciation of Renminbi, the lawful currency of Mainland China, was reported as compared to over HK$6,000,000 for the preceding year, and a number of software projects at TSTSH still pending final acceptance as at 31st December 2011.

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

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

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

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

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

Capital Structure and Financial Resources

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

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

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

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

CORPORATE GOVERNANCE PRACTICES

The Company complied with the Code Provisions of the Code on Corporate Governance Practices set out in Appendix 15 of the GEM Listing Rules, except that the Chairman of the Board did not attend the AGM held in the Year.

E.1.2. The Chairman of the Board was ill on the date of AGM.

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

“3G”	third generation of mobile telephony technology
“AGM”	annual general meeting
“Board”	the board of Directors (not applicable to Main Board)
“CNMS”	customer network management system
“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
"Functional Currency"	the currency of the primary economic environment in which an entity operates
"GEM"	the Growth Enterprise Market operated by the Exchange
"GEM Listing Rules"	the Rules Governing the Listing of Securities on GEM made by the Exchange from time to time
"Group"	the Company and its subsidiaries
"HK cent"	Hong Kong Cent, where 100 HK cents equal HK$1
"HK$"	Hong Kong Dollar, the lawful currency of Hong Kong
"HKAS"	Hong Kong Accounting Standard
"HKFRS"	financial reporting standards and interpretations issued by HKICPA. They comprise 1. Hong Kong Financial Reporting Standards, 2. HKAS, and 3. Interpretations
"HKICPA"	the Hong Kong Institute of Certified Public Accountants, established under the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong)
"HK(IFRIC)-Int"	Hong Kong (IFRIC) Interpretation
"Hong Kong"	the Hong Kong Special Administrative Region of PRC (not applicable to Hong Kong Accounting Standard, Hong Kong Exchanges and Clearing Limited, Hong Kong Financial Reporting Standards, Hong Kong (IFRIC) Interpretation, the Hong Kong Institute of Certified Public Accountants and The Stock Exchange of Hong Kong Limited)
"IDC"	Internet data centre
"Macao"	the Macao Special Administrative Region of PRC
"Main Board"	the stock market operated by the Exchange prior to the establishment of GEM (excluding the options market) and which stock market continues to be operated by the Exchange in parallel with GEM. For the avoidance of doubt, the Main Board excludes GEM
"Mainland China"	PRC, other than the regions of Hong Kong, Macao and Taiwan

"MDL"	Mega Datatech Limited, incorporated in Macao with limited liability and an indirect wholly-owned subsidiary of the Company
"Member"	the holder of the Shares
"MTNHL"	Mobile Telecom Network (Holdings) Limited, a company incorporated in the Cayman Islands with limited liability and MTNHL Shares are listed on GEM
"MTNHL Shares"	ordinary shares of US$0.01 each in the share capital of MTNHL
"OCI"	other comprehensive income
"Option"	a right to subscribe for the Shares granted pursuant to the Scheme
"PON"	passive optical network
"PRC"	the People's Republic of China
"Scheme"	the share option scheme approved by the Members at a special general meeting on 5th November 2002
"Share"	ordinary share of HK$0.10 each in the share capital of the Company
"Timor-Leste"	the Democratic Republic of Timor-Leste
"TSTSH"	泰思通軟件(上海)有限公司, incorporated in PRC with limited liability and an indirectly owned subsidiary of the Company
"TTSA"	Timor Telecom, S.A., a company incorporated in Timor-Leste with limited liability
"US$"	United States Dollar, the lawful currency of the United States of America
"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 2011

By order of the Board
José Manuel dos Santos
Chairman

Macao, 21st March 2012

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.

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*