VODATEL

(Stock code: 8033)

Annual Report 2013

Characteristics of GEM

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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Corporate Information

Directors

Executive Directors

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

Independent Non-executive Directors

Fung Kee Yue Roger
Wong Tsu An Patrick
Tou Kam Fai

Authorised Representatives of the Company

Yim Hong
Monica Maria Nunes

Company Secretary

Foo Chun Ngai Redford, ACIS, ACMA, ACS, CGMA, FCCA, FCPA

Compliance Officer

Monica Maria Nunes

Audit Committee

Fung Kee Yue Roger
Wong Tsu An Patrick
Tou Kam Fai

Auditor

PricewaterhouseCoopers
Certified Public Accountants
22nd Floor, Prince's Building
Central
Hong Kong

Registered Office

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Head Office and Principal Place of Business

74 da Rua da Felicidade
Edifício Vodatel
Taipa
Macao
Tel: (853) 28721182, 28718033
Fax: (853) 28717800, 28752909

Place of Business in Hong Kong

Room 713B, 7th Floor
Block B, Sea View Estate
2-8 Watson Road
North Point
Tel: (852) 25878868
Fax: (852) 25878033

Website

http://www.vodatelsys.com

Bankers

Banco Nacional Ultramarino, S.A.
Banco Comercial de Macau, S.A.

Share Registrars

Codan Services Limited
Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Tricor Abacus Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

Company Profile

Headquartered in Macao and listed on GEM, the Group carries the vision to deliver high quality communications infrastructural solutions to customers, allowing them to manage their business and reach out for information, anywhere and anytime. The Group principally engages in the provision of network and systems infrastructure and applications, CNMS and customised software solutions.

The Group provides an integrated span of services in network and systems infrastructure and applications and software solutions, ranging from network and systems planning, design, provision of equipment and software, installation and implementation to maintenance and technical support for telecommunications service providers in PRC and enterprises customers in selected vertical markets. In Macao, the Group is also a leading provider of solutions in structured cabling, surveillance, trunking radio and networking solutions for different gaming and hotel operators, governmental authorities and enterprises.

The Group engages in the provision of self-developed CNMS for telecommunications service providers in PRC, which allows various operators to effectively and efficiently manage the performance of and traffic over the networks. The Group also provides data and environmental controlling solutions that allow users to readily and flexibly access, manage and utilise information/data and to conduct effective and improved environmental monitoring. The Group also designs and builds customised software for its clientele base.

The Group currently has operating subsidiaries in Macao, Hong Kong, Guangzhou and Shanghai, providing a full range of products, solutions and support services. The Group also operates a service hub from Guangzhou that offers general 24-hour nationwide support services. The Group has also established representative offices in different major cities in PRC, namely Shanghai, Nanchang, Shenyang, Zhengzhou, Guangzhou, Chongqing and Wuhan, offering products/solutions information and local support services.

Chairman's Statement

Dear fellow Members,

Our Results

2013 was certainly a mixed year at Vodatel. We witnessed solid organic growth to our core operating activities through continuous measures to create better values yet TTSA broke its six consecutive years of dividend paying records. Revenue for the Year was down by 4.61% to HK$259,820,000 but our gross profit improved by a respectable hike of 12.40% to HK$82,291,000 with the largest drivers to our margin stability and growth being the software development projects undertaken by TSTSH and TSTJX and maintenance support services performed by VHL and MDL. Albeit the absence of dividends from TTSA, which has been a major income contributor over the past years, we almost achieved break-even with a mere loss before income tax of HK$265,000. The bottom line certainly dismayed our Members, yet the financial results of 2013 reflected the steps taken to improve our core operations through organic growth to ensure that we can deliver sustainable returns and long-term growth.

I am proud that the team has again made history for Vodatel. Through a lot of hard work, dedication and persistence, we are again nominated by Galaxy Group as their system integrator to design and build their surveillance system at the Galaxy Resort, this contract of which worth over HK$300,000,000. This major milestone and other projects secured will keep us busy well into the new financial year. To conserve cash to support such strong pipeline of works, which are expected to generate handsome returns, the Board does not propose any dividends for the Year.

Our Challenges

Vodatel operates in some of the most robust markets – Macao and Mainland China, but these markets are not without any factors that will negatively impact our operating performance. Keeping talents within the Group and inflationary pressure to the staff costs, especially those in Macao, are major headwinds that we faced. Working against such backdrop, we adopted two avenues. Foremost, we have continued to invest in our people, which without a doubt, is the most important investment we made over the years. On one hand, we offered them with competitive packages. Concurrently, we attempted to unlock more value by encouraging the team to take ownership of new responsibilities and challenging them to set their bar higher. Only with high standards and drive for better knowledge of the market and our products can Vodatel be equipped with the necessary ingredients to approach new opportunities and to achieve a distinctive identity that our customers will appreciate. Secondly, we invested a relentless focus to improve productivity within the Group by restructuring our operations and reorganising human resources across business segments in different geographical locations so as to leverage synergy, scale advantages and competency among people to gain efficiency yet always remain vigilant of never compromising on quality of our services.

Our Appreciation

As a long-standing company with over twenty years of history, one of the greatest challenges is to face ourselves honestly and to constantly reinvent ourselves. Therefore, on behalf of the Board, I would like to express our sincerest gratitude to all our employees who have again worked immensely hard to make Vodatel a success. Everyone involved has put in 110% and they are a group of people we are lucky to have. And to our customers, suppliers, business partners, bankers and of course our Members, I am grateful for your confidence in us.

José Manuel dos Santos
Chairman

Macao, 24th March 2014

Management Discussion and Analysis

REVIEW OF BUSINESS ACTIVITIES

During the Year, the Group continued to operate under the "Multiple Branding" philosophy, with "Vodatel", "Mega Datatech" and "Tidestone" each positioned to achieve market differentiation, yet complementing one another in product and service offerings. Working towards the long-term business goal that aims to become a "One-Stop Shopper", the Group made small, yet critical, steps to customise relationships with its customers as they developed expectations about level of choices and service requirements that match their demands, values and aspirations.

Business in Macao and Hong Kong

The Group has not experienced any radical change to its vendor mix and has continued to focus as being a system integrator that anchors on the distinctive products of its vendors. International renovated manufacturers such as Pelco by Schneider Electric, Juniper Networks, Hewlett-Packard, Microsoft and Motorola remain the dominant vendor category in the products and services mix in Macao and Hong Kong, providing not just surveillance solutions and networking equipment but also a comprehensive range of turnkey solutions to the customers of the Group that have specific needs in enterprise information technology infrastructure and customised applications.

In the Year, the Group achieved a number of landmark projects including being nominated by Galaxy Group again as their subcontractor to design, supply, install, test and commission the surveillance system at the Galaxy Resort, this contract of which worth over HK$300,000,000 (subject to final design and specifications). Other landmark contracts secured included being one of the core system integrators to provide turnkey solutions in networking infrastructure, trunking radio and office networks at the new campus of UM on Hengqin Island and being selected again as one of the key service providers to the Government of Macao to support mission critical events including the Legislative Assembly Election which took place on 15th September 2013. The Group was also elected as the integration partner by the electricity bureau in Macao to install and commission the electric vehicle charging stations, the first of such kind in Macao, and gained the trust of one of the largest banks in Macao to develop a customised documentation control solution to facilitate further efficiency gains in one of their key departments.

During the Year, the Government of Macao continued to be the biggest customer of the Group. Numerous contracts in the areas of surveillance and networking infrastructure, trunking radio, server and office platforms and in the provision of customised software solutions and ongoing maintenance service support were awarded by different bureaus, including Civic and Municipal Affairs Bureau, Public Administration and Civil Service Bureau, Public Security Forces Affairs Bureau, to name a few. Coupled with those contracts secured from different gaming and hospitality operators in Macao and various telecommunications service providers in Hong Kong, the Group built a strong pipeline of works for the Year and the new financial year.

Business in Mainland China

In Mainland China, the main focus of the Group remains in the provision of maintenance support services to the data networks of various telecommunications service providers which carry higher operating margins. During the Year, total maintenance services contracts worth over HK$15,000,000 were awarded by telecommunications service providers in the provinces of Hebei, Shanxi, Liaoning, Guizhou, Anhui, Hunan and Guangdong, the municipality of Shanghai and the autonomous region of Guangxi.

Subsequent to a turnaround in 2012, TSTSH and TSTJX continued to deliver solid results. During the Year, TSTSH and TSTJX focused on completing the final acceptances tests of various contracts previously awarded and concurrently secured new wins from telecommunications service providers in the provinces of Hubei, Jiangxi, Jiangsu, Shanxi, Shandong and Guangdong, municipalities of Chongqing and Shanghai and autonomous region of Inner Mongolia to install various modules of its CNMS, among which included the intelligent environment monitoring system, integrated network and service management system, integrated fault management system and integrated network management system. TSTSH and TSTJX continued to be selected as trusted partners for the armed police force in Mainland China to install its operational control and duty carrying information system. The off-the-shelf food production quality control and trace module of TSTJX continued to be well-received by the market too, successfully selling to over seventy-five manufacturers of wine, tea, additives and health products. Total new contracts secured during the Year exceeded HK$30,000,000.

Investments Holdings Activities

TTSA

Operating performance at TTSA was affected by the competitive dynamics and the aggressive pricing environment brought by the entry of the two new operators who have high financial and operational capacities to invest heavily in infrastructure and marketing with the aim of capturing considerate market share. Notwithstanding the ability to uphold its position as the market leader, the profitability of TTSA has been penalised by pricing pressure as TTSA introduced aggressive marketing campaigns with competitive tariffs to defend its market positioning against competition in the price-sensitive telecommunications market in Timor-Leste.

During the Year, TTSA registered revenue of HK$482,673,000, representing a drop of 16.58% as compared to 2012 with EBITDA sliding 26% to HK$238,680,000. TTSA continued to meet with high depreciation and amortisation charges, attributable to heavy investment made in infrastructure in previous years to expand and enhance its mobile coverage and hefty capital expenditures to improve its distribution networks via launching new shops and renovating existing ones and strengthening its indirect distribution channels. Consequently, net profit of TTSA for the Year fell 62.5% as compared to the previous year.

During the Year, no dividends have been received against the operating results of TTSA for 2012. To maintain adequate financial and operational flexibility to defend its competitive position in the market during 2014, it has been proposed that no dividends will be declared to its shareholders against the operating results of TTSA for the Year.

Albeit the market in Timor-Leste remained resilient, the Group is still confident about the prospect of TTSA, hence in January 2013, the Group exercised its pre-emptive rights to increase its shareholding in TTSA by 0.96% at a consideration of HK$4,709,000. The shareholding of the Group in TTSA now stands at 17.86%.

Other Investments

The Group has holdings in a number of other assets. Vodacabo, which engaged principally in the construction of telecommunications sites, installation of energy structures and provision of network audits, continued to achieve positive operating performance during the Year. Due to changing landscape that could potentially adversely affect the future operating environment in Timor-Leste for companies similar to those of Vodacabo, it is expected that the Group will need to make a critical judgement with respect to its ongoing viability.

Another investment holding pertained to GTGIL, which is principally engaged in the provision of mobile applications and data solutions, trading of electronic parts and components in relation to display modules and touch panel modules, property development and property investment. During the Year, the Group disposed 40,000,000 GTGIL Shares. As a non-core asset of the Group, it is the intention to gradually dispose all its shareholdings in GTGIL during the new financial year. Subsequent to the initial disposal made during the Year, as at 31st December 2013, the Group held 115,419,392 GTGIL Shares.

REVIEW OF OPERATING RESULTS

Turnover and Profitability

During the Year, the Group reported revenue of HK$259,820,000, with the Government of Macao remained the largest customer of the Group. Although this revenue represented a drop of 4.61% as compared to 2012, the Group witnessed continuous improvements to its operating performance, with gross profit reaching HK$82,291,000 or a climb of 12.40% over 2012 and gross profit margin hiking to 31.67% as compared to 26.88% for last year. The improvement in gross profit followed completion of an increased number of software development projects by TSTSH and TSTJX, and the undertaking of various maintenance support services by MDL, VHL and its subsidiaries across key markets in Mainland China, Macao and Hong Kong.

Administrative expenses rose in tandem with the need to ramp up staff costs, in particular to recruit more technical staff and to retain existing talents within the Group in Macao. Staff costs accounted for approximately 70% of total operating expenses. During the Year, the Group experienced an overall increase to its staff costs by 5.90%, of which the increase attributable to the staff costs in Macao exceeding 15%. Higher staff costs experienced in Macao was also the result of the introduction of incentives programmes to motivate employees to engage in training so as to further enhance their skills and knowledge about the products that the Group carried. To align with market practice regarding remuneration packages offered by the competitors of the Group in Macao, the Group restructured its remuneration scheme for the sales teams so that the percentage split of their total package between basic salary and commission will be tilted towards the former. While this also ascribed to an increase in total staff costs, a decrease in total selling and marketing costs, which comprised sales commission paid to the sales teams, was noted.

Albeit improvements to the operating performance of the core business, in the absence of dividends payment from TTSA, the Group reported a small loss before income tax of HK$265,000 for the Year.

Capital Structure and Financial Resources

In the absence of cash inflows in the form of dividends from TTSA, the Group continued to have close monitoring of its level of trade receivables so as to improve its recovery, hence its cashflow. Pledged deposits, cash and cash equivalents and value of yield-enhanced financial instruments aggregated HK$151,901,000 or approximately HK$0.25 per Share as at 31st December 2013. To provide sufficient working capital to be deployed against the pipeline of works, the Group liquidated part of its yield-enhanced financial investments and disposed 40,000,000 GTGIL Shares.

The Group continued to practise prudent financial management and exercise capital discipline. Equity base of the Group stood at HK$283,755,000 or HK$0.46 per Share. The balance sheet of the Group remained strong and healthy with no gearing, which provided room to leverage its balance sheet for financing future growth where necessary.

Employees' Information

As at 31st December 2013, the Group had 294 employees, of which 174, 9 and 111 employees were based in Mainland China, Hong Kong and Macao respectively.

The remuneration and bonus policies of the Group were basically determined by the performance of individual Directors and employees.

The Company adopted the New Scheme whereby certain employees of the Group may be granted options. Details of the Old Scheme and the New Scheme are set out under the section "Options" in the report of the Directors.

The Group also provided various training programmes and product orientation for the marketing and technical employees so as to improve their overall qualifications and to continuously keep them abreast of industry and technological changes.

Capital Commitments and Significant Investments

As at 31st December 2013, the Group had significant investments of which the details are set out in note 19 to the consolidated financial statements. Save as disclosed, the Group did not have any significant capital commitments and significant investments.

Management Discussion and Analysis

Charges on Group Assets

As at 31st December 2013, bank deposit of approximately HK$26,634,000 was pledged for obtaining banking facilities. Save as disclosed, the Group did not have any charges on assets of the Group.

Details of Material Acquisitions and Disposals

During the Year, the Group acquired 4,205 ordinary shares of US$10 each in the share capital of TTSA with a purchase price of approximately HK$4,709,000, and disposed 40,000,000 GTGIL Shares for HK$4,800,000. Save as disclosed, the Group had no material acquisitions or disposals.

Details of Future Plans for Material Investment or Capital Assets

The Directors do not have any future plans for material investments or capital assets.

Foreign Exchange Exposure

The Group mainly earns revenue and incurs cost in HK$, MOP, US$ and RMB. The Group earned net foreign exchange gains of HK$87,000 during the Year.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

José Manuel DOS SANTOS, aged 66, was first appointed as an executive Director on 13th December 1999. He is the founder of the Group and Chairman of the Company. He has experience of over forty years in the telecommunications industry in the Asia Pacific region. He served in a senior position at Direcção dos Serviços de Correcios e Telecomunicações, the telecommunications authority of the Government of Macao, prior to the founding of Zetronic and subsequently the Group. He is a member of Conselho de Ciência e Tecnologia and a member of Fundo Para o Desenvolvimento das Ciências e da Tecnologia in Macao. He is the sole director of ERL, which is a Substantial Shareholder.

YIM Hong, aged 56, was first appointed as an executive Director on 14th December 1999. He is the managing director of the Company in charge of overall operations. He graduated from Queen Mary and Westfield College of the University of London, UK with a Bachelor of Science degree. With more than thirty years of experience in the IT industry, he joined the Group in 1998. Prior to joining the Group, he was the area business director at Newbridge Networks (Asia) Limited and the country manager at 3Com Asia Limited.

KUAN Kin Man, aged 48, was first appointed as an executive Director on 14th December 1999. He is the general manager of the Group in charge of sales and marketing. In 1985, he joined Zetronic as an engineer and was transferred into marketing later. He joined Vodatel Systems (the assets and liabilities of which were assigned to VHL on 1st July 1998) on 8th July 1992 to assume the role of sales manager and was promoted to general manager in 1994.

Monica Maria NUNES, aged 45, was first appointed as an executive Director on 13th December 1999. She is the finance director of the Company and the Compliance Officer. She graduated from the University of Calgary, Canada with a Bachelor of Commerce degree. She joined the Group in 1999 and has over twenty years of accounting and banking experience. She holds a Certified Management Accountant Designation of Certified Management Accountants of Alberta, Canada. She is an associate of CIMA and is entitled to use the description Chartered Management Accountant. She is also entitled to hold and use the designation of CGMA. She is an independent non-executive director of AHL.

Biographical Details of Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS

FUNG Kee Yue Roger, aged 61, was first appointed as an independent non-executive Director on 30th September 2004. He was the managing director of Mitel Networks Asia Pacific Limited, a wholly-owned subsidiary of Mitel Networks Corporation in Canada. Prior to Mitel, he was the President of Newbridge Networks Asia Pacific Limited. He graduated from the University of Toronto, Canada with a Bachelor of Applied Science degree in industrial engineering. He was a member of Professional Engineers Ontario, Canada. He has more than thirty years of experience in the telecommunications and electronics industry.

WONG Tsu An Patrick, aged 40, was first appointed as an independent non-executive Director on 4th June 2008. He is the founder and Chief Executive Officer of Tenacity International Limited, for which he is responsible for its overall strategic development, management and operations. Prior to founding Tenacity International Limited, he has over ten years of investment experience from USA and Asia, working as a portfolio manager for growth-orientated funds at Trust Company of the West, a multi billion US$ (www.tcw.com) fund management company headquartered in Los Angeles, USA. He is a member of the Young Presidents' Organization and also a certified public accountant in USA (qualified by the State Board of Accountancy of the State of Colorado). He is a member of Zhejiang Province Committee, Chinese People's Political Consultative Conference since January 2013.

TOU Kam Fai, aged 56, was first appointed as an independent non-executive Director on 13th May 2009. He first started his own business in seafood processing and trading in 1992 and has since accumulated over fifteen years of experience in the industry with business dealings in the Asia Pacific region and North America. He also liaises business activities between the Bolivarian Republic of Venezuela and PRC and is an investor in both countries.

SENIOR MANAGEMENT (By alphabetical order)

CHAN Chi Pio, aged 44, is the technical support manager of the Group. He joined the Group in 1992 after having graduated from Huaqiao University, PRC with a Bachelor of Science degree in the same year.

CHEONG Kuan Pat, aged 49, is the general manager of MDL. He graduated from CUM, PRC with a Master of Business Administration degree. He is the Vice President of Computer Chamber of Macau since 2006. He has been working in the IT industry in Macao for over twenty years. He joined MDL in 1993 as the chief of product sales and marketing department.

CHUI Yiu Sui, aged 44, is the assistant general manager of MDL. He graduated from CUM, PRC with a degree of Bachelor of Arts. He joined MDL in 1993 as an assistant software manager and was gradually promoted to managerial positions.

SENIOR MANAGEMENT (By alphabetical order) (Continued)

FOO Chun Ngai Redford, aged 40, is the Company Secretary. He joined the Company in September 2003. He is responsible for company secretarial matters and overall financial and accounting management of the Group. He graduated from the University of Hong Kong, PRC with degrees of Bachelor of Business Administration in Accounting and Finance and Master of Arts. He is a fellow of the Association of Chartered Certified Accountants and HKICPA. He is also an associate of the Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Chartered Secretaries. He is an associate of CIMA and is entitled to use the description Chartered Management Accountant. He is also entitled to hold and use the designation of CGMA. Before joining the Company, he worked for another company listed on GEM as the company secretary and qualified accountant and for an international renowned accounting firm.

HO Wai Sam Paul, aged 51, is the director of technical services of the Group. He graduated from CUM, PRC with a Master of Business Administration degree. He had worked in Companhia de Telecomunicações de Macau S.A.R.L. for eighteen years and was head of transport networks covering the international and national engineering such as optical fibre, synchronous and plesiochronous digital hierarchy transmission, submarine cable, microwave and satellite earth station. He joined the Group in June 2000.

KUOK Cheong Ian, aged 66, is the general manger of ZHMDSL in charge of software research and development. He holds a Master Degree in Business Administration from Barrington University, USA. Before joining the Group, he worked for a number of companies including Heng Va Company Limited and Talent Rank Limited as the technical director and general manager respectively.

LOI Man Keong, aged 43, is the sales manager of MDL. He obtained a degree of Bachelor of Economics from JU, PRC and a degree of Bachelor of Laws from China University of Political Science and Law, PRC. He joined MDL in 1994 as a sales executive and was promoted to sales manager in 2006 responsible for product sales of MDL.

Manouchehr MEHRABI, aged 55, is the senior project management consultant of the Group. He obtained his Bachelor of Computer Science degree from Concordia University, Canada in Montreal and his Master of Science degree in Telecommunications from Queen Mary and Westfield College of the University of London, UK. Over the years, he has filled a number of IT positions, including programmer, database administrator, field engineer, system manager, and network consultant. He joined the Group in June 2000.

SENIOR MANAGEMENT (By alphabetical order) (Continued)

MOK Chi Va, aged 48, is the deputy general manager, sales and marketing, Macao of the Group. He has obtained a Diploma in Business Administration jointly organised by UM, PRC and Macau Management Association and a Master of Business Administration - International Business degree from West Coast Institute of Management and Technology, the Commonwealth of Australia. He first joined the Group on 3rd July 2000 as the business development manager principally in charge of the business of AHL and was appointed as an executive director of AHL on 29th January 2003. He was transferred back to the Group on 1st July 2007. Prior to joining the Group, he worked for Charter Kingdom Limited as operation manager and Tung Tat E&M Engineering Co. Limited as project manager.

NG Ka Leung, aged 44, is the assistant technical dicector of the Group. He graduated from UM, PRC with a Bachelor of Science degree in 1994. He has been with the Group since 1995.

WANG Qing, aged 43, is the regional business manager of the Group. He graduated from Nanjing University of Posts and Telecommunications, PRC with a Bachelor of Science degree in 1992. He joined the Group in 1994. He was an engineer at a telecommunications equipment firm before joining the Group.

WONG Chi Ping, aged 64, is the business development director of the Group. He has over thirty years of experience in the audio and electronic industries in PRC. Prior to joining the Group in 1999, he worked for Zetronic for over ten years responsible for the operations and marketing of voice telecommunications business.

WONG Wai Kan, aged 49, is the senior regional business director of the Group in Mainland China. He graduated from JU, PRC with a Bachelor of Science degree. He has been with the Group since 1993. He worked in the fields of purchasing and banking before joining the Group.

WU Wenhua, aged 50, is currently the chief executive officer of TSTSH in charge of overall operations, overseeing the sales and marketing, technical development and management of TSTSH. With a doctoral degree from the University of Waterloo, Canada, he has previously worked for international software development corporations, where he has accumulated over fifteen years of product development experience, in particular, development of network management systems for telecommunications service providers. He has established good connections with different telecommunications service providers in PRC.

1 Corporate governance practices

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

(a) the Nomination Committee did not review the structure, size and composition (including the skills, knowledge and experience) of the Board in the Year;

(b) not all Directors participated in continuous professional development;

(c) the independent non-executive Directors did not attend the AGM held in the Year;

(d) the management do not provide all Directors with monthly updates; and

(e) the Chairman of the Board did not attend the AGM held in the Year.

A.5.2(a)	The Board considers that such review will be necessary only when casual vacancy exists.
A.6.5	The Directors consider that briefing received from the Company Secretary is sufficient for them to render their contribution to the Board.
A.6.7	The independent non-executive Directors consider that such attendance could not help to develop a balanced understanding of the views of the Members because not many Members attended the AGM in past few years.
C.1.2	Management considers that quarterly updates and periodic instant updates when developments arising out of the ordinary business instead of monthly updates are sufficient for the Board to discharge its duties.
E.1.2	The Chairman of the Board was away on a business trip on the date of AGM.

2 Directors' securities transactions

The Company has adopted Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding Directors' securities transactions.

The Company has made specific enquiry of all Directors that they have complied with the required standard of dealings and its code of conduct regarding Directors' securities transactions.

There is no event of non-compliance with the required standard of dealings.

3 Board

The Directors were:

Chairman:	José Manuel dos Santos
Executive Directors:	Yim Hong
	Kuan Kin Man
	Monica Maria Nunes
Independent non-executive Directors:	Fung Kee Yue Roger
	Wong Tsu An Patrick
	Tou Kam Fai

Four meetings were held during the Year.

The attendance record of each Director was as follows:

	Board	**AGM**
José Manuel dos Santos	4/4	Absent
Yim Hong	4/4	Present
Kuan Kin Man	4/4	Present
Monica Maria Nunes	4/4	Present
Fung Kee Yue Roger	3/4	Absent
Wong Tsu An Patrick	4/4	Absent
Tou Kam Fai	4/4	Absent

Matters reserved for the Board are as follows:

(a) Approval of interim and final financial statements.

(b) Approval of the interim dividend and recommendation of the final dividend.

(c) Approval of any significant changes in accounting policies or practices.

(d) Appointment or removal of the Company Secretary.

(e) Remuneration of the Auditor where, as is usual, Members have delegated this power to the Board and recommendations for the appointment or removal of Auditor following recommendations of the Audit Committee.

(f) Resolutions and corresponding documentations to be put forward to Members at general meetings.

(g) Approval of all circulars and listing particulars.

(h) Approval of press releases concerning matters decided by the Board.

(i) Board appointments and removals and any special terms and conditions attached to the appointment subject to the recommendations of the Nomination Committee and the Remuneration Committee.

(j) Terms of reference of Chairman, other executive Directors and Chief Executive.

(k) Terms of reference and membership of Board committees.

3 Board (Continued)

(l) Approval of the long term objectives and commercial strategies of the Group.

(m) Approval of the annual operating and capital expenditure budgets.

(n) Changes relating to the capital structure or its status of the Group.

(o) Terms and conditions of Directors and senior executives.

(p) Changes to the management and control structure of the Group.

(q) Major capital projects.

(r) Material contracts, either by reason of size or strategy, of the Company or any subsidiary in the ordinary course of business, for example, bank borrowings and acquisition or disposal of property, plant and equipment.

(s) Contracts of the Company or any subsidiary not in the ordinary course of business, for example, loans and repayments, foreign currency transactions, major acquisitions or disposals.

(t) Major investments.

(u) Risk management strategy.

(v) Treasury policies, including foreign currency exposure.

(w) Review of the overall corporate governance arrangements of the Company.

(x) Major changes to the rules of the Company pension scheme, and changes of trustees and changes in the fund management arrangements.

(y) Major changes to employee share schemes and the allocation of executive Options.

(z) Formulation of policy regarding charitable donations.

(aa) Political donations.

(ab) Approval of the principal professional advisors of the Company.

(ac) Prosecution, defence or settlement of litigation.

(ad) Internal control arrangements.

(ae) Directors' and officers' liability insurance.

Matters not mentioned above will be delegated to the management.

The Company confirmed that it has received from each of the independent non-executive Directors an annual confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules and it still considers the independent non-executive Directors to be independent.

There is no financial, business or other material/relevant relationships among the Directors.

José Manuel dos Santos, Yim Hong, Kuan Kin Man, Fung Kee Yue Roger, Wong Tsu An Patrick and Tou Kam Fai did not comply with Code A.6.5.

3 Board (Continued)

Monica Maria Nunes complied with Code A.6.5 by attending seminars organised by the Exchange and an international renowned accounting firm.

During the Year, the Board determined the policy for the corporate governance of the Company, and duties performed by the Board under Code D.3.1.

4 Chairman and Chief Executive

Chairman:	José Manuel dos Santos
Chief Executive:	Yim Hong

The roles of the Chairman and the Chief Executive are segregated and are not exercised by the same individual.

5 Non-executive Directors

Wong Tsu An Patrick was re-appointed for a two-year term expiring on 3rd June 2014. Fung Kee Yue Roger was re-appointed for a two-year term expiring on 29th September 2014. Tou Kam Fai was re-appointed for a two-year term expiring on 12th May 2015. Each Director's fee is HK$10,000 per month.

6 Remuneration of Directors

The Remuneration Committee is to assist the Board in determining the policy and structure for the remuneration of executive Directors, evaluating the performance of executive Directors, reviewing incentive schemes and Directors' service contracts and fixing the remuneration packages for all Directors and senior management.

The members of the Remuneration Committee during the Year and up to the date of this report are:

Wong Tsu An Patrick	(Chairman) (independent non-executive Director)
José Manuel dos Santos	(executive Director)
Fung Kee Yue Roger	(independent non-executive Director)
Tou Kam Fai	(independent non-executive Director)

One meeting was held during the Year.

The attendance record of each Director was as follows:

José Manuel dos Santos	1/1
Fung Kee Yue Roger	0/1
Wong Tsu An Patrick	1/1
Tou Kam Fai	1/1

During the Year, the Remuneration Committee determined the policy and structure for the remuneration of the Directors; evaluated their performance and recommended the bonuses for the year ended 31st December 2012 and the salary increment for the Year of all the executive Directors for the consideration of the Board.

7 Nomination of Directors

The purpose of the Nomination Committee is to assist, identify, screen and recommend to the Board appropriate candidates to serve as Directors, to oversee the process for evaluating the performance of the Board and to develop, recommend to the Board and monitor nomination guidelines for the Company.

The members of the Nomination Committee during the Year and up to the date of this report are:

José Manuel dos Santos	(Chairman) (executive Director)
Fung Kee Yue Roger	(independent non-executive Director)
Wong Tsu An Patrick	(independent non-executive Director)
Tou Kam Fai	(independent non-executive Director)

One meeting was held during the Year.

The attendance record of each Director was as follows:

José Manuel dos Santos	1/1
Fung Kee Yue Roger	0/1
Wong Tsu An Patrick	1/1
Tou Kam Fai	1/1

During the Year, the Nomination Committee recommended Fung Kee Yue Roger to be reappointed in the AGM.

With a view to achieving a sustainable and balanced development, the Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. In designing the composition, Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. The composition of the Board (including gender, ethnicity, age, length of service) will be disclosed in the annual report.

8 Auditor's remuneration

Remuneration of audit was HK$1,620,000 for the Year. Other fees paid to entities, which would reasonably be considered as part of the Auditor nationally or internationally, included approximately HK$62,000 to PricewaterhouseCoopers Limited for advice for employment matters in Mainland China.

9 Audit Committee

The Audit Committee is to assist the Board to deal with the matters concerning the Auditor, to review the financial information of the Company, and to oversee the financial reporting system and internal control procedures of the Company.

The members of the Audit Committee during the Year and up to the date of this report are:

Wong Tsu An Patrick	(Chairman) (independent non-executive Director)
Fung Kee Yue Roger	(independent non-executive Director)
Tou Kam Fai	(independent non-executive Director)

Five meetings were held during the Year. Record of individual attendance was as follows:

Fung Kee Yue Roger	4/5
Wong Tsu An Patrick	5/5
Tou Kam Fai	5/5

During the Year, the Audit Committee reviewed the financial reports for the Year, for the six months ended 30th June 2013 and for the quarters ended 31st March 2013 and 30th September 2013. The Audit Committee also reviewed and discussed the report of the Auditor to the Audit Committee for the Year and reviewed the Auditor's statutory audit plan for the Year.

10 Other specific disclosures

The Directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with HKFRS and the disclosure requirements of CO, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

The Auditor's responsibility is to express an opinion on these consolidated financial statements based on its audit and to report its opinion solely to the Members, as a body, in accordance with Section 90 of CA 1981 and for no other purpose. It does not assume responsibility towards or accept liability to any other person for the contents of the independent Auditor's report.

The Board has conducted a review of the effectiveness of the system of internal control of the Group.

11. Members' rights

Members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting the requisitionists themselves may do so in accordance with the provisions of Section 74(3) of CA 1981.

Enquiries in written form may be put to the Board by sending a letter detailing such enquiries to the Company Secretary at Room 713B, 7th Floor, Block B, Sea View Estate, 2-8 Watson Road, North Point, Hong Kong.

Procedures for Members to propose a person for election as a Director are made available on the website of the Company. Members with other proposals could require a special general meeting to be called.

12. Investor relations

There is no changes in the memorandum of association of the Company and the Bye-laws during the Year.

On behalf of the Board

José Manuel dos Santos
Chairman

Macao, 24th March 2014

Report of the Directors

The Directors submit their report together with the audited financial statements for the Year.

Principal activities and geographical analysis of operations

The principal activity of the Company is investment holding. The activities of the subsidiaries are set out in Note 10 to the financial statements.

An analysis of the performance of the Group for the Year by operating segment is set out in Note 5 to the financial statements.

Results and appropriations

The results of the Group for the Year are set out in the consolidated income statement on page 31.

The Directors do not recommend payment of a dividend.

Reserves

Movements in the reserves of the Group and of the Company during the Year are set out in Note 26 to the financial statements.

Property, plant and equipment

Details of the movements in property, plant and equipment of the Group are set out in Note 16 to the financial statements.

Share capital

Details of the movements in share capital of the Company are set out in Note 23 to the financial statements.

Distributable reserves

Distributable reserves of the Company as at 31st December 2013, calculated under CA 1981 (as amended), amounted to HK$168,082,000 (2012: HK$184,028,000).

Five year financial summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 101 of the annual report.

Purchase, sale or redemption of 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.

Options

Options were granted to Directors, employees and consultants at the invitation of the Directors under the Old Scheme. The Old Scheme was to provide incentives and rewards to Participants thereunder for their contribution to the Group and/or to enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group. The New Scheme was to reward Participants who have contributed or will contribute to the Group and to encourage Participants to work towards enhancing the value of the Company and the Share for the benefit of the Company and the Members as a whole.

The total number of Shares available for issue under the New Scheme as at 31st December 2013 was 61,381,900, representing 10% of the issued share capital of the Company as at 31st December 2013.

Pursuant to the Old Scheme, the total number of Shares issued and to be issued upon exercise of the Options granted and to be granted to each Participant, including exercised, cancelled and outstanding Options, in any twelve-month period up to the date of grant must not exceed 1% of the Shares in issue at the date of grant. This also applies to the New Scheme.

Options shall be exercised in a period of three years commencing on the date on which the Option is granted and accepted by the Grantee.

Pursuant to both the Old Scheme and the New Scheme, the Grantee shall pay HK$1 to the Company by way of consideration for the grant.

The Subscription Price shall be no less than the highest of 1. the closing price of the Shares as stated in the daily quotation sheets issued by the Exchange on the Offer Date (under the Old Scheme)/Date of Grant (under the New Scheme), which must be a Business Day; 2. the average closing price of the Shares as stated in the daily quotation sheets issued by the Exchange for the five Business Days immediately preceding the Offer Date (under the Old Scheme)/Date of Grant (under the New Scheme); and 3. the nominal value of a Share on the Date of Grant.

The Old Scheme was terminated in the year ended 31st December 2012. The New Scheme was adopted for period of ten years commencing on 22nd June 2012.

Options (Continued)

Details of the movement of the Options during the Year which were granted under the Old Scheme are as follows:

	Number of Options						
	held as at 1st January 2013	Expired during the Year	held as at 31st December 2013	Exercise Price HK$	Grant date	Exercisable from	Exercisable until
José Manuel dos Santos	800,000	(800,000)	–	0.38	14th June 2010	15th June 2010	14th June 2013
Yim Hong	800,000	(800,000)	–	0.38	14th June 2010	15th June 2010	14th June 2013
Kuan Kin Man	800,000	(800,000)	–	0.38	14th June 2010	15th June 2010	14th June 2013
Monica Maria Nunes	800,000	(800,000)	–	0.38	14th June 2010	15th June 2010	14th June 2013
Fung Kee Yue Roger	500,000	(500,000)	–	0.38	14th June 2010	15th June 2010	14th June 2013
Wong Tsu An Patrick	500,000	(500,000)	–	0.38	14th June 2010	15th June 2010	14th June 2013
Tou Kam Fai	500,000	(500,000)	–	0.38	14th June 2010	15th June 2010	14th June 2013
Continuous contract employees	10,886,000	(10,886,000)	–	0.38	14th June 2010	15th June 2010	14th June 2013
Consultants	120,000	(120,000)	–	0.38	14th June 2010	15th June 2010	14th June 2013
	15,706,000	(15,706,000)	–				

Directors

The Directors during the Year and up to the date of this report were:

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

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

In accordance with Article 87 of the Bye-laws, Monica Maria Nunes and Wong Tsu An Patrick retire by rotation at the forthcoming AGM and, being eligible, offer themselves for re-election.

Fung Kee Yue Roger, Wong Tsu An Patrick and Tou Kam Fai are independent non-executive Directors. Wong Tsu An Patrick was re-appointed for a two-year term expiring on 3rd June 2014. Fung Kee Yue Roger was re-appointed for a two-year term expiring on 29th September 2014. Tou Kam Fai was re-appointed for a two-year term expiring on 12th May 2015.

Directors' service contracts

None of the Directors who were proposed for re-election at the forthcoming AGM has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

Directors' interests in contracts

Details of José Manuel dos Santos's interest in contracts of significance in relation to the business of the Group are set out in Note 33 to the financial statements.

Save for contracts amongst group companies and the aforementioned transactions, no other contracts of significance to which the Company or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted as at 31st December 2013 or at any time during the Year.

Biographical details of Directors and senior management

Brief biographical details of Directors and senior management (including the professional qualifications of the Company Secretary and the Compliance Officer) are set out on pages 11 to 14.

Directors' and Chief Executives' interests and/or short positions in the Shares, underlying Shares and debentures of the Company or any Associated Corporation

As at 31st December 2013, the relevant interests and short positions of the Directors or Chief Executive in the Shares, underlying Shares and debentures of the Company or its Associated Corporations which will be required to be notified to the Company and the Exchange pursuant to Divisions 7 and 8 of Part XV of SFO (including interests and short positions which he took or deemed to have taken under such provisions of SFO) or required pursuant to Section 352 of SFO, to be entered in the register referred to therein or required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors to be notified to the Company and the Exchange were as follows:

Aggregate long positions in the Shares

Name of Director	Nature of interest	Number of Shares held	Approximate % of the issued share capital of the Company
José Manuel dos Santos	Settlor of a discretionary trust (note 1)	301,538,000	49.12
Yim Hong	Personal (note 2)	7,357,500	1.20
Kuan Kin Man	Personal (note 3)	22,112,500	3.60
Monica Maria Nunes	Personal (note 4)	2,452,500	0.40
Fung Kee Yue Roger	Personal (note 5)	210,000	0.03

Directors' and Chief Executives' interests and/or short positions in the Shares, underlying Shares and debentures of the Company or any Associated Corporation (Continued)

Aggregate long positions in the Shares (Continued)

Notes:

1 As at 31st December 2013, these Shares were held in the name of ERL. The entire issued share capital in ERL was held by OHHL, a company wholly-owned by HSBCITL, which is a trustee of the existing trust whereby the family members of José Manuel dos Santos (the settlor of the trust) were the discretionary objects and which assets included a controlling stake of 49.12% of the issued share capital of the Company.

2 The personal interest of Yim Hong comprised 7,357,500 Shares. The aforesaid interest was held by Yim Hong as beneficial owner.

3 The personal interest of Kuan Kin Man comprised 22,112,500 Shares. The aforesaid interest was held by Kuan Kin Man as beneficial owner.

4 The personal interest of Monica Maria Nunes comprised 2,452,500 Shares. The aforesaid interest was held by Monica Maria Nunes as beneficial owner.

5 The personal interest of Fung Kee Yue Roger comprised 210,000 Shares. The aforesaid interest was held by Fung Kee Yue Roger as beneficial owner.

Substantial Shareholders' interests and short positions in the Shares and underlying Shares

The register of Substantial Shareholders required to be kept under Section 336 of Part XV of SFO showed that as at 31st December 2013, the Company was notified of the following Substantial Shareholders' interests, being 5% or more of the issued share capital of the Company. These interests were in addition to those disclosed above in respect of the Directors and Chief Executive:

Aggregate long positions in the Shares

Name	Nature of interest	Number of Shares held	Approximate % of the issued share capital of the Company
ERL	Corporate interest (note 1)	301,538,000	49.12
OHHL	Corporate interest (note 1)	301,538,000	49.12
HSBCITL	Corporate interest (note 1)	301,538,000	49.12
Lei Hon Kin	Family interest (note 2)	301,538,000	49.12

Notes:

1 As at 31st December 2013, these Shares were held in the name of ERL. The entire issued share capital in ERL was held by OHHL, a company wholly-owned by HSBCITL, being the trustee of the existing trust.

2 Lei Hon Kin, the spouse of José Manuel dos Santos, was deemed to be interested in all the interests of José Manuel dos Santos.

Management contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Year.

Major suppliers and customers

The percentages of purchases and sales for the Year attributable to the major suppliers and customers of the Group were as follows:

Purchases	
– the largest supplier	18.64%
– five largest suppliers in aggregate	56.37%
Sales	
– the largest customer	27.09%
– five largest customers in aggregate	55.76%

None of the Directors, their Associates or any Member (which to the knowledge of the Directors owns more than 5% of the share capital of the Company) had an interest in these major suppliers or customers.

Connected transactions

Certain related party transactions as disclosed in Note 33 to the financial statements also constituted exempted connected transactions under Chapter 20 of the GEM Listing Rules.

Sufficiency of public float

Based on the information that was publicly available to the Company and within the knowledge of the Directors, it was confirmed that there is sufficient public float of at least 25% of the issued Shares as at 24th March 2014.

Competing business

As at 31st December 2013, none of the Directors, or any person who was (or group of persons who together were) entitled to exercise or control the exercise of 5% or more of the voting power at general meetings of the Company and who was (or were) able, as a practical matter, to direct or influence the management of the Company or any of their respective Associates had any interest in a business, which competed or might compete with the business of the Group.

Report of the Directors

Corporate governance report

The corporate governance report is set out on pages 15 to 21.

Auditor

The financial statements were audited by PricewaterhouseCoopers who retires and, being eligible, offers itself for re-appointment.

On behalf of the Board

José Manuel dos Santos
Chairman

Macao, 24th March 2014

pwc 羅兵咸永道

TO THE SHAREHOLDERS OF VODATEL NETWORKS HOLDINGS LIMITED
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Vodatel Networks Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 31 to 100, which comprise the consolidated and company balance sheets as at 31st December 2013, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

pwc 羅兵咸永道

TO THE SHAREHOLDERS OF VODATEL NETWORKS HOLDINGS LIMITED (CONTINUED)
(incorporated in Bermuda with limited liability)

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31st December 2013, and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 24th March 2014

Consolidated Income Statement

	Note	2013 HK$'000	2012 HK$'000
		Year ended 31st December	
Revenue	5	**259,820**	272,374
Cost of sales	7	**(177,529)**	(199,161)
Gross profit		**82,291**	73,213
Selling and marketing costs	7	**(5,764)**	(6,439)
Administrative expenses	7	**(83,480)**	(76,386)
Other income	6	**1,929**	33,618
Operating (loss)/profit		**(5,024)**	24,006
Finance income		**3,581**	4,263
Finance expenses		**(28)**	(7)
Finance income - net	9	**3,553**	4,256
Share of profit of associates	11	**1,206**	3,095
(Loss)/profit before income tax		**(265)**	31,357
Income tax expense	12	**(1,609)**	(1,610)
(Loss)/profit for the Year		**(1,874)**	29,747
(Loss)/profit attributable to:			
Owners of the Company		**(3,919)**	29,274
Non-controlling interests		**2,045**	473
		(1,874)	29,747
(Loss)/earnings per Share attributable to owners of the Company for the Year (expressed in HK cents per Share)			
Basic (loss)/earnings per Share	13	**(0.64)**	4.77
Diluted earnings per Share	13	**Not applicable**	4.77

The notes on pages 39 to 100 are an integral part of these consolidated financial statements.

		2013 HK$'000	2012 HK$'000
		Year ended 31st December	
Dividends	29	**—**	15,345

Consolidated Statement of Comprehensive Income

	Note	2013 HK$'000	2012 HK$'000
		Year ended 31st December	
(Loss)/profit for the Year		**(1,874)**	29,747
Other comprehensive (expense)/OCI:			
Items that may be reclassified to profit or loss			
Revaluation - gain	26(a)	**2,277**	66,465
Revaluation transfer to profit or loss	26(a)	**(3,054)**	466
Released upon disposal of subsidiaries	26(a)	**—**	(164)
Currency translation differences		**267**	(106)
Other comprehensive (expense)/OCI for the Year, net of tax		**(510)**	66,661
Total comprehensive (expense)/income for the Year		**(2,384)**	96,408
Attributable to:			
– Owners of the Company		**(4,522)**	95,933
– Non-controlling interests		**2,138**	475
Total comprehensive (expense)/income for the Year		**(2,384)**	96,408

The notes on pages 39 to 100 are an integral part of these consolidated financial statements.

Consolidated Balance Sheet

		As at 31st December	
	Note	**2013** **HK$'000**	2012 HK$'000
Assets			
Non-current assets			
Property, plant and equipment	16	**2,337**	1,705
Investments in associates	11	**4,806**	3,600
Available-for-sale financial assets	19	**135,917**	151,429
		143,060	156,734
Current assets			
Inventories	21	**14,657**	8,606
Trade receivables	20	**86,576**	129,054
Other receivables, deposits and prepayments	20	**22,220**	23,365
Available-for-sale financial assets	19	**5,074**	19,681
Pledged bank deposits	18,22	**26,634**	615
Cash and cash equivalents	18,22	**96,864**	78,328
		252,025	259,649
Liabilities			
Current liabilities			
Trade and bills payables	27	**60,155**	58,524
Other payables and accruals	27	**43,569**	53,508
Current income tax liabilities		**7,606**	5,936
		111,330	117,968
Net current assets		**140,695**	141,681
Total assets less current liabilities		**283,755**	298,415

Consolidated Balance Sheet

	Note	As at 31st December 2013 HK$'000	2012 HK$'000
Financed by:			
Equity			
Equity attributable to owners of the Company			
Shares	23	**61,382**	61,382
Other reserves	26(a)	**231,390**	231,993
(Accumulated losses)/retained earnings			
– Proposed final dividend	29	**—**	6,138
– Proposed special dividend	29	**—**	6,138
– Others		**(12,670)**	(8,751)
		280,102	296,900
Non-controlling interests		**3,653**	1,515
Total equity		**283,755**	298,415

The notes on pages 39 to 100 are an integral part of these consolidated financial statements.

The consolidated financial statements on pages 31 to 100 were approved by the Board on 24th March 2014 and were signed on its behalf.

José Manuel dos Santos
Director

Monica Maria Nunes
Director

Balance Sheet

		As at 31st December	
	Note	**2013** **HK$'000**	2012 HK$'000
Assets			
Non-current assets			
Investments in subsidiaries	10(a)	**76,937**	76,937
Current assets			
Amounts due from subsidiaries	10(b)	**199,962**	200,768
Prepayments	20	**111**	263
Cash and cash equivalents	18,22	**466**	89
		200,539	201,120
Liabilities			
Current liabilities			
Amounts due to subsidiaries	10(b)	**41,309**	26,513
Other payables and accruals	27	**1,465**	1,254
		42,774	27,767
Net current assets		**157,765**	173,353
Total assets less current liabilities		**234,702**	250,290
Financed by:			
Equity			
Equity attributable to owners of the Company			
Shares	23	**61,382**	61,382
Other reserves	26(b)	**176,274**	176,274
(Accumulated losses)/retained earnings			
– Proposed final dividend	29	**—**	6,138
– Proposed special dividend	29	**—**	6,138
– Others		**(2,954)**	358
Total equity		**234,702**	250,290

The notes on pages 39 to 100 are an integral part of these consolidated financial statements.

The consolidated financial statements on pages 31 to 100 were approved by the Board on 24th March 2014 and were signed on its behalf.

José Manuel dos Santos
Director

Monica Maria Nunes
Director

Consolidated Statement of Changes in Equity

	Note	Attributable to owners of the Company				Non-controlling interests	Total equity
		Share capital	Other reserves (Note 26)	(Accumulated losses)/ retained earnings	Total		
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Balance as at 1st January 2012		**61,382**	**165,334**	**(19,611)**	**207,105**	**1,040**	**208,145**
Comprehensive income							
Profit for the year ended 31st December 2012		—	—	29,274	29,274	473	29,747
OCI							
Revaluation - gain	26	—	66,465	—	66,465	—	66,465
Revaluation transfer to profit or loss	26	—	466	—	466	—	466
Released upon disposal of subsidiaries	26	—	(164)	—	(164)	—	(164)
Currency translation differences – Group		—	(108)	—	(108)	2	(106)
Total OCI, net of tax		—	66,659	—	66,659	2	66,661
Total comprehensive income		**—**	**66,659**	**29,274**	**95,933**	**475**	**96,408**
Dividends relating to 2011	29	—	—	(3,069)	(3,069)	—	(3,069)
Dividends relating to 2012	29	—	—	(3,069)	(3,069)	—	(3,069)
Total transactions with owners, recognised directly in equity		**—**	**—**	**(6,138)**	**(6,138)**	**—**	**(6,138)**
Balance as at 31st December 2012		**61,382**	**231,993**	**3,525**	**296,900**	**1,515**	**298,415**

		Attributable to owners of the Company					
	Note	Share capital HK$'000	Other reserves (Note 26) HK$'000	Retained earnings /(accumulated losses) HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance as at 1st January 2013		**61,382**	**231,993**	**3,525**	**296,900**	**1,515**	**298,415**
Comprehensive income							
(Loss)/profit for the Year		—	—	(3,919)	(3,919)	2,045	(1,874)
OCI							
Revaluation - gain	26	—	2,277	—	2,277	—	2,277
Revaluation transfer to profit or loss	26	—	(3,054)	—	(3,054)	—	(3,054)
Currency translation differences – Group		—	174	—	174	93	267
Total other comprehensive expense, net of tax		—	(603)	—	(603)	93	(510)
Total comprehensive (expense)/income		**—**	**(603)**	**(3,919)**	**(4,522)**	**2,138**	**(2,384)**
Dividends relating to 2012	29	—	—	(12,276)	(12,276)	—	(12,276)
Total contributions by and distributions to owners of the Company, recognised directly in equity		**—**	**—**	**(12,276)**	**(12,276)**	**—**	**(12,276)**
Balance as at 31st December 2013		**61,382**	**231,390**	**(12,670)**	**280,102**	**3,653**	**283,755**

The notes on pages 39 to 100 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

	Note	Year ended 31st December 2013 HK$'000	2012 HK$'000
Cash flows from operating activities			
Cash generated from/(used in) operations	30	**24,446**	(16,791)
Interest paid		**(28)**	(7)
Income tax paid		**(155)**	(612)
Net cash generated from/(used in) operating activities		**24,263**	(17,410)
Cash flows from investing activities			
Proceeds from sale of available-for-sale financial assets		**80,340**	15,638
Purchases of available-for-sale financial assets	19	**(50,507)**	(49,716)
Purchases of property, plant and equipment	16	**(1,454)**	(1,145)
Distributions from an associate	11	**—**	1,626
Interest received	9	**3,581**	4,263
Dividends received	6	**170**	32,575
Net cash generated from investing activities		**32,130**	3,241
Cash flows from financing activities			
Proceeds from borrowings		**—**	1,995
Repayments of borrowings		**—**	(1,995)
Pledged bank deposits		**(26,019)**	(5)
Dividends paid to Members		**(12,276)**	(6,138)
Net cash used in financing activities		**(38,295)**	(6,143)
Net increase/(decrease) in cash and cash equivalents		**18,098**	(20,312)
Cash and cash equivalents at beginning of Year		**78,328**	98,752
Exchange gains/(losses) on cash and cash equivalents		**438**	(112)
Cash and cash equivalents at end of Year		**96,864**	78,328

The notes on pages 39 to 100 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

1 General information

The Group carries the vision to deliver high quality communications infrastructural solutions to customers, allowing them to manage their business and reach out for information, anywhere and anytime. The Group principally engages in the provision of network and systems infrastructure and applications, CNMS and customised software solutions.

The Group provides an integrated span of services in network and systems infrastructure and applications and software solutions, ranging from network and systems planning, design, provision of equipment and software, installation and implementation to maintenance and technical support for telecommunications service providers in PRC and enterprises customers in selected vertical markets. In Macao, the Group is also a leading provider of solutions in structured cabling, surveillance, trunking radio and networking solutions for different gaming and hotel operators, governmental authorities and enterprises.

The Group engages in the provision of self-developed CNMS for telecommunications service providers in PRC, which allows various operators to effectively and efficiently manage the performance of and traffic over the networks. The Group also provides data and environmental controlling solutions that allow users to readily and flexibly access, manage and utilise information/data and to conduct effective and improved environmental monitoring. The Group also designs and builds customised software for its clientele base.

The Company is a limited liability company incorporated in Bermuda. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda.

The Company has its listing on GEM.

These financial statements are presented in thousands of units of HK$ (HK$'000), unless otherwise stated. These financial statements are approved for issue by the Board on 24th March 2014.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies were consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

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

The preparation of financial statements in conformity with HKFRS required the use of certain critical accounting estimates. It also required management to exercise its judgement in the process of applying the accounting policies of the Group. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates were significant to the consolidated financial statements are disclosed in Note 4.

(i) Changes in accounting policy and disclosures – New and amended standards adopted by the Group

The following standards were adopted by the Group for the first time for the financial year beginning on or after 1st January 2013 and had a material impact on the Group:

Amendment to HKAS 1, "Presentation of Financial Statements" regarding OCI. The main change resulting from these amendments was a requirement for entities to group items presented in OCI on the basis of whether they were potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The Group presents its financial statements in accordance to this standard.

HKFRS 12, "Disclosures of Interests in Other Entities" included the disclosure requirements for associates. The Group presents its financial statements in accordance to this standard.

2 Summary of significant accounting policies (Continued)

(a) Basis of preparation (Continued)

(i) Changes in accounting policy and disclosures – New and amended standards adopted by the Group (Continued)

The following new standards, interpretations and amendments published were mandatory for the accounting year of the Group beginning on 1st January 2013. The adoption of these new standards, interpretations and amendments had no significant impact on the financial statements.

HKAS 19 (Amendment)	Employee Benefits
HKAS 27 (revised 2011)	Separate Financial Statements
HKAS 28 (revised 2011)	Investments in Associates and Joint Ventures
HKFRS 1 (Amendments)	First-time Adoption of HKFRS – Government Loans
HKFRS 7 (Amendments)	Disclosures – Offsetting Financial Assets and Financial Liabilities
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 10, HKFRS 11 and HKFRS 12 (Amendments)	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interest in Other Entities: Transition Guidance
HKFRS 13	Fair Value Measurement
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine

2 Summary of significant accounting policies (Continued)

(a) Basis of preparation (Continued)

(ii) New standards, interpretations and amendments that are effective for the accounting periods of the Group beginning on or after 1st January 2014 and were not early adopted

HKAS 19 (2011) (Amendment)	Defined Benefit Plans: Employee Contributions [2]
HKAS 32 (Amendment)	Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities [1]
HKAS 36 (Amendment)	Impairment of Assets [1]
HKAS 39 (Amendment)	Financial Instruments: Recognition and Measurement - Novation of Derivatives and Hedge Accounting [1]
HKFRS 7 and HKFRS 9 (Amendments)	Mandatory Effective Date and Transition Disclosures [3]
HKFRS 9	Financial Instruments: Classification and Measurement [3]
HKFRS 9 (Amendment)	Financial Instruments - General Hedge Accounting [4]
HKFRS 10, HKFRS 12 and HKAS 27 (2011) (Amendments)	Exemption from Consolidation for Investment Entities [1]
HKFRS 14	Regulatory Deferral Accounts [5]
HK(IFRIC)-Int 21	Levies [1]
Annual Improvements Project	Annual Improvements 2010 - 2012 Cycle [2]
Annual Improvements Project	Annual Improvements 2011 - 2013 Cycle [2]

(1) Effective for annual periods beginning on or after 1st January 2014
(2) Effective for annual periods beginning on or after 1st July 2014
(3) Effective for annual periods beginning on or after 1st January 2015
(4) No mandatory effective date yet determined but is available for adoption
(5) Effective for annual periods beginning on or after 1st January 2016

2 Summary of significant accounting policies (Continued)

(b) Subsidiaries

(i) Consolidation

A subsidiary was an entity (including a structured entity) over which the Company directly or indirectly had control. The Company directly or indirectly controlled an entity when the Company directly or indirectly was exposed to, or had rights to, variable returns from its involvement with the entity and had the ability to affect those returns through its power over the entity. Subsidiaries were consolidated from the date on which control was transferred to the Company, directly or indirectly. They were deconsolidated from the date that control ceased.

(I) Business combinations

The Group applied the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred included the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination were measured initially at their fair values at the acquisition date. The Group recognised any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the proportionate share of the non-controlling interest of the recognised amounts of the identifiable net assets of the acquiree.

Intra-group transactions, balances and unrealised gains on transactions between Group companies were eliminated. Unrealised losses were also eliminated. When necessary, amounts reported by subsidiaries were adjusted to conform with the accounting policies of the Group.

(II) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that did not result in a loss of control were accounted for as equity transactions – that was, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary was recorded in equity. Gains or losses on disposals to non-controlling interests were also recorded in equity.

2 Summary of significant accounting policies (Continued)

(b) Subsidiaries (Continued)

(i) Consolidation (Continued)

(III) Disposal of subsidiaries

When the Group ceased to have control, any retained interest in the entity was re-measured to its fair value at the date when control was lost, with the change in carrying amount recognised in profit or loss. The fair value was the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in OCI in respect of that entity were accounted for as if the Group had directly disposed of the related assets or liabilities. This might mean that amounts previously recognised in OCI were reclassified to profit or loss.

(ii) Separate financial statements

Investments in subsidiaries were accounted for at cost less impairment. Cost included direct attributable costs of investment. The results of subsidiaries were accounted for by the Company on the basis of dividend and receivable.

Impairment testing of the investments in subsidiaries was required upon receiving a dividend from these investments if the dividend exceeded the total comprehensive income of the subsidiary in the period the dividend was declared or if the carrying amount of the investment in the separate financial statements exceeded the carrying amount in the consolidated financial statements of the net assets of the investee including goodwill.

(c) Associates

An associate was an entity over which the Group had significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates were accounted for using the equity method of accounting. Under the equity method, the investment was initially recognised at cost, and the carrying amount was increased or decreased to recognise the share of the profit or loss of the investee of the investor after the date of acquisition.

If the ownership interest in an associate was reduced but significant influence was retained, only a proportionate share of the amounts previously recognised in OCI was reclassified to profit or loss where appropriate.

2 Summary of significant accounting policies (Continued)

(c) Associates (Continued)

The share of post-acquisition profit or loss of the Group was recognised in the income statement, and its share of post-acquisition movements in OCI was recognised in OCI with a corresponding adjustment to the carrying amount of the investment. When the share of losses of the Group in an associate equaled or exceeded its interest in the associate, including any other unsecured receivables, the Group did not recognise further losses, unless it had incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determined at each reporting date whether there was any objective evidence that the investment in the associate was impaired. If this was the case, the Group calculated the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognised the amount adjacent to "share of profit of associates" in the income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associates were recognised in the financial statements of the Group only to the extent of interests in the associates of unrelated investors. Unrealised losses were eliminated unless the transaction provided evidence of an impairment of the asset transferred. Accounting policies of associates were changed where necessary to ensure consistency with the policies adopted by the Group.

Gain or losses on dilution of equity interest in associates were recognised in the income statement.

(d) Segment reporting

Operating segments were reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who was responsible for allocating resources and assessing performance of the operating segments, was identified as the executive Directors that made strategic decisions.

(e) Foreign currency translation

(i) Functional Currency and presentation currency

Items included in the financial statements of each of the entities of the Group were measured using the Functional Currency. The consolidated financial statements were presented in HK$, which was the Functional Currency of the Company and presentation currency of the Group.

2 Summary of significant accounting policies (Continued)

(e) Foreign currency translation (Continued)

(ii) Transactions and balances

Foreign currency transactions were translated into the Functional Currency using the exchange rates prevailing at the dates of the transactions or valuation where items were re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies were recognised in the income statement.

All foreign exchange gains and losses were presented in the income statement within "administrative expenses".

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale were analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost were recognised in profit or loss, and other changes in carrying amount were recognised in OCI.

Translation differences on non-monetary financial assets, such as equities classified as available for sale, were included in OCI.

(iii) Group companies

The results and financial position of all the Group entities (none of which had the currency of a hyper-inflationary economy) that had a Functional Currency different from the presentation currency were translated into the presentation currency as follows:

(I) assets and liabilities for each balance sheet presented were translated at the closing rate at the date of that balance sheet;

(II) income and expenses for each income statement were translated at average exchange rates (unless this average was not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses were translated at the rate on the dates of the transactions); and

(III) all resulting currency translation differences were recognised in OCI.

(iv) Disposal of foreign operation

On the disposal of a foreign operation (that was, a disposal of the entire interest of the Group in a foreign operation), all of the currency translation differences accumulated in equity in respect of that operation attributable to the owners of the Company were reclassified to profit or loss.

2 Summary of significant accounting policies (Continued)

(f) Property, plant and equipment

Property, plant and equipment were stated at historical cost less depreciation. Historical cost included expenditure that was directly attributable to the acquisition of the items.

Subsequent costs were included in the carrying amount of the asset or recognised as a separate asset, as appropriate, only when it was probable that future economic benefits associated with the item would flow to the Group and the cost of the item could be measured reliably. The carrying amount of the replaced part was derecognised. All other repairs and maintenance were charged to the income statement during the financial period in which they were incurred.

Depreciation on assets was calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

– Leasehold improvements	Five years or over the lease terms, whichever is shorter
– Furniture, fixtures and office equipment	Two to five years
– Motor vehicles	Five years
– Demonstration equipment	Three years

The residual values and useful lives of the assets were reviewed, and adjusted if appropriate, at the end of each reporting period.

The carrying amount of an asset was written down immediately to its recoverable amount if the carrying amount of the asset was greater than its estimated recoverable amount (Note 2(g)).

Gains and losses on disposals were determined by comparing the proceeds with the carrying amount and were recognised within "administrative expenses" in the income statement.

2 Summary of significant accounting policies (Continued)

(g) Impairment of non-financial assets

Assets were reviewed for impairment whenever events or changes in circumstances indicated that the carrying amount might not be recoverable. An impairment loss was recognised for the amount by which the carrying amount of the asset exceeded its recoverable amount. The recoverable amount was the higher of the fair value of an asset less costs to sell and value in use. For the purposes of assessing impairment, assets were grouped at the lowest levels for which there were separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment were reviewed for possible reversal of the impairment at each reporting date.

(h) Financial assets

(i) Classification

The Group classified its financial assets in the following categories: loans and receivables, and available for sale. The classification depended on the purpose for which the financial assets were acquired. Management determined the classification of its financial assets at initial recognition.

(I) Loans and receivables

Loans and receivables were non-derivative financial assets with fixed or determinable payments that were not quoted in an active market. They were included in current assets, except for the amounts that were settled or expected to be settled more than twelve months after the end of the reporting period. These were classified as non-current assets. The loans and receivables of the Group comprised "trade receivables", "other receivables and deposits", "pledged bank deposits" and "cash and cash equivalents" in the balance sheet (Notes 2(l) and 2(m)).

(II) Available-for-sale financial assets

Available-for-sale financial assets were non-derivatives that were either designated in this category or not classified in any of the other categories. They were included in non-current assets unless the investment matured or management intended to dispose of it within twelve months of the end of the reporting period.

2 Summary of significant accounting policies (Continued)

(h) Financial assets (Continued)

(ii) Recognition and measurement

Regular way purchases and sales of financial assets were recognised on the trade-date - the date on which the Group committed to purchase or sell the asset. Investments were initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets were derecognised when the rights to receive cash flows from the investments expired or were transferred and the Group transferred substantially all risks and rewards of ownership. Available-for-sale financial assets were subsequently carried at fair value. Loans and receivables were subsequently carried at amortised cost using the effective interest method.

Changes in the fair value of monetary and non-monetary securities classified as available for sale were recognised in OCI.

When securities classified as available for sale were sold or impaired, the accumulated fair value adjustments recognised in equity were included in the income statement as “other income”.

Interest on available-for-sale securities calculated using the effective interest method was recognised in the income statement as part of finance income. Dividends on available-for-sale equity instruments were recognised in the income statement as part of other income when the right of the Group to receive payments was established.

(i) Offsetting financial instruments

Financial assets and liabilities were offset and the net amount reported in the balance sheet when there was a legally enforceable right to offset the recognised amounts and there was an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

2 Summary of significant accounting policies (Continued)

(j) Impairment of financial assets

(i) Assets carried at amortised cost

The Group assessed at the end of each reporting period whether there was objective evidence that a financial asset or group of financial assets was impaired. A financial asset or a group of financial assets was impaired and impairment losses were incurred only if there was objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) had an impact on the estimated future cash flows of the financial asset or group of financial assets that could be reliably estimated.

Evidence of impairment might include indications that the debtors or a group of debtors was experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they would enter bankruptcy or other financial reorganisation, and where observable data indicate that there was a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlated with defaults.

For loans and receivables category, the amount of the loss was measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows (excluding future credit losses that were not incurred) discounted at the original effective interest rate of the financial asset. The carrying amount of the asset was reduced and the amount of the loss was recognised in the consolidated income statement. If a loan had a variable interest rate, the discount rate for measuring any impairment loss was the current effective interest rate determined under the contract. As a practical expedient, the Group might measure impairment on the basis of the fair value of an instrument using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreased and the decrease could be related objectively to an event occurring after the impairment was recognised (such as an improvement in the credit rating of the debtor), the reversal of the previously recognised impairment loss was recognised in the consolidated income statement.

2 Summary of significant accounting policies (Continued)

(j) Impairment of financial assets (Continued)

(ii) Assets classified as available for sale

The Group assessed at the end of each reporting period whether there was objective evidence that a financial asset or a group of financial assets was impaired. For debt securities, the Group used the criteria referred to in (i) above. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost was also evidence that the assets were impaired. If any such evidence existed for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – was removed from equity and recognised in profit or loss. Impairment losses recognised in the consolidated income statement on equity instruments were not reversed through the consolidated income statement. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increased and the increase could be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss was reversed through the consolidated income statement.

(k) Inventories

Inventories were stated at the lower of cost and net realisable value. Cost was determined using the weighted average basis. The cost comprised invoiced cost of inventories. Net realisable value was the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

(l) Trade and other receivables

Trade receivables were amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables was expected in one year or less (or in the normal operating cycle of the business if longer), they were classified as current assets. If not, they were presented as non-current assets.

Trade and other receivables were recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2 Summary of significant accounting policies (Continued)

(m) Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents included cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

(n) Share capital

Shares were classified as equity.

(o) Trade payables

Trade payables were obligations to pay for goods or services that were acquired in the ordinary course of business from suppliers. Accounts payable were classified as current liabilities if payment was due within one year or less (or in the normal operating cycle of the business if longer). If not, they were presented as non-current liabilities.

Trade payables were recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(p) Borrowings

Borrowings were recognised initially at fair value, net of transactions costs incurred. Borrowings were subsequently carried at amortised cost; any difference between the proceeds (net of transactaion costs) and the redemption value was recognised in the income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities were recognised as transaction costs of the loan to the extent that it was probable that some or all of the facility would be drawn down. In this case, the fee was deferred until the draw-down occurred. To the extent there was no evidence that it was probable that some or all of the facility would be drawn down, the fee was capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it related.

Borrowings were classified as current liabilities unless the Group had an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period.

(q) Borrowing costs

Borrowing costs were recognised in profit or loss in the period in which they were incurred.

2 Summary of significant accounting policies (Continued)

(r) Current and deferred income tax

The tax expense for the period comprised current tax. Tax was recognised in the income statement, except to the extent that it related to items recognised in OCI or directly in equity. In this case the tax was also recognised in OCI or directly in equity, respectively.

(i) Current income tax

The current income tax charge was calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the regions where the subsidiaries and associates of the Company operated and generated taxable income. Management periodically evaluated positions taken in tax returns with respect to situations in which applicable tax regulation was subject to interpretation. It established provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(ii) Deferred income tax

Inside basis differences

Deferred income tax was recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax liabilities were not accounted for if it arose from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affected neither accounting nor taxable profit or loss. Deferred income tax was determined using tax rates (and laws) that were enacted or substantively enacted by the balance sheet date and were expected to apply when the related deferred income tax asset was realised or the deferred income tax liability was settled.

Deferred income tax assets were recognised only to the extent that it was probable that future taxable profit would be available against which the temporary differences could be utilised.

2 Summary of significant accounting policies (Continued)

(r) Current and deferred income tax (Continued)

(ii) Deferred income tax (Continued)

Outside basis differences

Deferred income tax liabilities were provided on taxable temporary differences arising from investments in subsidiaries and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference was controlled by the Group and it was probable that the temporary difference would not reverse in the foreseeable future. Generally the Group was unable to control the reversal of the temporary difference for associates, unless there was an agreement in place that gave the Group the ability to control the reversal of the temporary difference not recognised.

Deferred income tax assets were recognised on deductible temporary differences arising from investments in subsidiaries and associates only to the extent that it was probable the temporary difference would reverse in the future and there was sufficient taxable profit available against which the temporary difference could be utilised.

(iii) Offsetting

Deferred income tax assets and liabilities were offset when there was a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities related to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there was an intention to settle the balances on a net basis.

2 Summary of significant accounting policies (Continued)

(s) Employee benefits

The Group operated various post-employment schemes which were defined contribution pension plans. The schemes were generally funded through payments to insurance companies.

(i) Pension obligations

A defined contribution plan was a pension plan under which the Group paid fixed contributions into a separate entity. The Group had no legal or constructive obligations to pay further contributions if the fund did not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The Group paid contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group had no further payment obligations once the contributions were paid. The contributions were recognised as employee benefit expense when they were due. Prepaid contributions were recognised as an asset to the extent that a cash refund or a reduction in the future payments was available.

(ii) Termination benefits

Termination benefits were payable when employment was terminated by the Group before the normal retirement date, or whenever an employee accepted voluntary redundancy in exchange for these benefits. The Group recognised termination benefits when the Group could no longer withdraw the offer of those benefits. Benefits falling due more than twelve months after the end of the reporting period were discounted to their present value.

(iii) Bonus plan

The Group recognised a liability and an expense for bonuses, based on a formula that took into consideration the profit attributable to the Members after certain adjustments. The Group recognised a provision where contractually obliged or where there was a past practice that created a constructive obligation.

2 Summary of significant accounting policies (Continued)

(t) Share-based payments

(i) Equity-settled share-based payment transactions

The Group operated an equity-settled, share-based compensation plan, under which the entity received services from Directors, employees and consultants as consideration for equity instruments (Options) of the Company. The fair value of the employee services received in exchange for the grant of the Options was recognised as an expense. The total amount to be expensed was determined by reference to the fair value of the Options granted:

(I) including any market performance conditions (for example, the share price of an entity);

(II) excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and

(III) including the impact of any non-vesting conditions (for example, the requirement for employees to save).

(ii) Share-based payment transactions among group entities

The grant by the Company of Options over its equity instruments to the employees of subsidiary undertakings in the Group was treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, was recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the parent entity accounts.

(u) Provisions

Provisions were recognised when: the Group had a present legal or constructive obligation as a result of past events; it was probable that an outflow of resources would be required to settle the obligation; and the amount was reliably estimated. Provisions were not recognised for future operating losses.

Where there were a number of similar obligations, the likelihood that an outflow would be required in settlement was determined by considering the class of obligations as a whole. A provision was recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations might be small.

Provisions were measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflected current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time was recognised as interest expense.

2 Summary of significant accounting policies (Continued)

(v) Revenue recognition

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

(w) Interest income

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

(x) Dividend income

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

(y) Leases

Leases in which a significant portion of the risks and rewards of ownership were retained by the lessor were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to the income statement on a straight-line basis over the period of the lease.

2 Summary of significant accounting policies (Continued)

(z) Dividend distribution

Dividend distribution to the Members was recognised as a liability in the financial statements of the Group and the Company in the period in which the dividends were approved by the Members.

3 Financial risk management

(a) Financial risk factors

The activities of the Group exposed it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The overall risk management programme of the Group focused on the unpredictability of financial markets and sought to minimise potential adverse effects on the financial performance of the Group.

Risk management was carried out by the Directors. The Directors identified and evaluated financial risks in close co-operation with the operating units of the Group.

(i) Market risk

(I) Foreign exchange risk

The Group operated internationally and was exposed to foreign exchange risk arising from various currency exposures, primarily with respect to US$, MOP and RMB. Foreign exchange risk arose from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

The Group had certain investments in foreign operations, whose net assets were exposed to foreign currency translation risk. Fluctuation in such currencies would be reflected in the movement of the translation reserve.

Management considered that foreign exchange risk related to financial assets denominated in US$ and MOP was minimal, since these currencies were pegged to HK$ and exchange rate fluctuation was minimal throughout the Year.

As at 31st December 2013, if HK$ had weakened/strengthened by 5% against RMB with all other variables held constant, post-tax profit for the Year would have been HK$2,278,000 (2012: HK$1,232,000) higher/lower, mainly as a result of foreign exchange gains/losses on translation of RMB-denominated financial assets and liabilities.

3 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(i) Market risk (Continued)

(II) Price risk

The Group was exposed to equity and debt securities price risk because investments held by the Group were classified on the consolidated balance sheet as available for sale. The Group was not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, corporate bonds and debentures, the Group diversified its portfolio. Diversification of the portfolio was done in accordance with the limits set by the Group.

With all other variables held constant, if the market price of available-for-sale financial assets measured at fair value had been 10% higher/lower than the actual closing price as at 31st December 2013, the equity as at 31st December 2013 would increase/decrease by approximately HK$5,160,000 (2012: HK$7,220,000).

(III) Cash flow and fair value interest rate risk

As the Group had no significant interest-bearing assets and liabilities, the income and operating cash flows of the Group were substantially independent of changes in market interest rates.

(ii) Credit risk

Credit risk was managed on group basis, except for credit risk relating to accounts receivable balances. Each local entity was responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions were offered. Credit risk arose from cash and cash equivalents, pledged bank deposits, as well as credit exposures to customers, including outstanding receivables. Risk control assessed the credit quality of the customer, banks and financial institutions, taking into account its financial position, past experience and other factors. Individual risk limits were set based on internal or external ratings in accordance with limits set by the Board. The utilisation of credit limits was regularly monitored.

3 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(iii) Liquidity risk

Prudent liquidity risk management implied maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the Directors maintained flexibility in funding by maintaining availability under committed credit lines.

Management monitored rolling forecasts of the liquidity requirements of the Group to ensure it had sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group did not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting took into consideration the debt financing plans of the Group, covenant compliance, compliance with internal balance sheet ratio targets and, if applicable external regulatory or legal requirements – for example, currency restrictions.

Surplus cash held by the operating entities over and above balance required for working capital management were transferred to interest bearing bank accounts, time deposits and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the above-mentioned forecasts. As at 31st December 2013, the Group held cash and cash equivalents of HK$96,864,000 (2012: HK$78,328,000). In addition, the Group held listed equity securities and corporate bonds of HK$46,528,000 (2012: HK$72,200,000), which could be readily realised to provide a further source of cash if need arose.

3 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(iii) Liquidity risk (Continued)

The table below analyses the financial liabilities of the Group and the Company into relevant maturity groupings based on the remaining period at the balance sheet dates to the contractual maturity date. The amounts disclosed in the table were the contractual undiscounted cash flows.

	Less than one year HK$'000
Group	
As at 31st December 2013	
Trade and bills payables	60,155
Other payables	3,522
As at 31st December 2012	
Trade and bills payables	58,524
Other payables	3,039
Company	
As at 31st December 2013	
Amounts due to subsidiaries	41,309
As at 31st December 2012	
Amounts due to subsidiaries	26,513

(b) Capital management

The objectives of the Group when managing capital were to safeguard the ability of the Group to continue as a going concern in order to provide returns for Members and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group might adjust the amount of dividends paid to Members, return capital to Members, issue new Shares or sell assets to reduce debt.

3 Financial risk management (Continued)

(c) Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels were defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level one).
- Inputs other than quoted prices included within level one that were observable for the asset or liability, either directly (that was, as prices) or indirectly (that was, derived from prices) (level two).
- Inputs for the asset or liability that were not based on observable market data (that was, unobservable inputs) (level three).

The following table presents the financial assets of the Group that were measured at fair value as at 31st December 2013 and 2012.

	2013	2012		
	Level one	Level one	Level two	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Assets				
Available-for sale financial assets				
– Equity securities	**25,481**	29,082	83,217	112,299
– Debt investments	**21,047**	43,118	—	43,118
Total assets	**46,528**	72,200	83,217	155,417

There were no transfers between level one and two during the Year.

3 Financial risk management (Continued)

(c) Fair value estimation (Continued)

(i) Financial instruments in level one

The fair value of financial instruments traded in active markets was based on quoted market prices at the balance sheet date. A market was regarded as active if quoted prices were readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represented actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group was the current bid price. These instruments were included in level one. Instruments included in level one comprised primarily equity investments classified as available for sale.

(ii) Financial instruments in level two

The fair value of financial instruments that were not traded in an active market was determined by using valuation techniques. The Group used its judgement to select a variety of methods and make assumptions that were mainly based on market conditions existing at the end of each reporting period. When there were recent transactions, management made reference to such transaction price in estimating the fair value of these financial instruments. The instruments were included in level two.

Available-for-sale financial assets that were not quoted in an active market were measured at cost less impairment (Note 19).

4 Critical accounting estimates, judgements and assumptions

Estimates and judgements were continually evaluated and were based on historical experience and other factors, including expectations of future events that were believed to be reasonable under the circumstances.

The Group made estimates and assumptions concerning the future. The resulting accounting estimates would, by definition, seldom equal the related actual results. The estimates and assumptions that had a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Provision for impairment of inventories

The Group reviewed an ageing analysis of inventories at each balance sheet date, and made allowance for obsolete and slow-moving inventories identified that were no longer recoverable or suitable for use. Management estimated the net realisable value for inventories based primarily on the latest invoice prices and current market conditions. The Group carried out a review of inventories on a product-by-product basis at each balance sheet date and made allowances for obsolete items.

(b) Provision for impairment of trade and other receivables

The provisioning policy for trade and other receivables of the Group was based on the evaluation of the collectability of those receivables and on management's judgment. A considerable amount of judgment was required in assessing the ultimate realisation of the receivables, including the current creditworthiness and the past collection history of each customer and the realisation of any repayment pattern promised. If the financial conditions of these customers were to deteriorate, resulting in an impairment of their individual ability to make payments, additional provision might be required.

(c) Income taxes

The Group was subject to income taxes in a few jurisdictions. Significant judgement was required in determining the worldwide provision for income taxes. There were many transactions and calculations for which the ultimate tax determination was uncertain. The Group recognised liabilities for anticipated tax audit issues based on estimates of whether additional taxes would be due. Where the final tax outcome of these matters was different from the amounts that were initially recorded, such differences would impact the current and deferred income tax assets and liabilities in the period in which such determination was made.

5 Segment information

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

The executive Directors considered the business from both a 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 integration; and provision of technical support services and the segment of CNMS. The first segment was further evaluated on a geographic basis (Mainland China, and Hong Kong and Macao).

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

Revenue

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

	Revenue from external customers	
	2013 HK$'000	2012 HK$'000
Design, sale and implementation of network and systems infrastructure; customer data automation, customisation and integration; and provision of technical support services:		
– Mainland China	**38,006**	52,058
– Hong Kong and Macao	**186,870**	195,063
CNMS	**34,944**	25,253
Total	**259,820**	272,374

5 Segment information (Continued)

EBITDA

	Adjusted EBITDA	
	2013 HK$'000	2012 HK$'000
Design, sale and implementation of network and systems infrastructure; customer data automation, customisation and integration; and provision of technical support services:		
– Mainland China	**5,253**	4,381
– Hong Kong and Macao	**(22,421)**	(15,248)
CNMS	**13,535**	5,530
	(3,633)	(5,337)
Dividend income	**170**	32,575
Total	**(3,463)**	27,238
Depreciation	**(846)**	(685)
Finance income – net	**3,553**	4,256
Profit on disposal of available-for-sale financial assets	**491**	187
Profit on disposal of subsidiaries	**—**	361
(Loss)/profit before income tax	**(265)**	31,357

Other profit and loss disclosures

	2013			2012		
	Depreciation HK$'000	**Income tax expense HK$'000**	**Share of profit of associates HK$'000**	Depreciation HK$'000	Income tax expense HK$'000	Share of profit of associates HK$'000
Design, sale and implementation of network and systems infrastructure; customer data automation, customisation and integration; and provision of technical support services:						
– Mainland China	(138)	(31)	—	(44)	(15)	—
– Hong Kong and Macao	(346)	—	1,206	(317)	33	3,095
CNMS	(362)	(1,578)	—	(324)	(1,628)	—
Total	(846)	(1,609)	1,206	(685)	(1,610)	3,095

5 Segment information (Continued)

Assets

	2013			2012		
	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	34,126	—	212	41,186	—	346
– Hong Kong and Macao	198,132	4,806	751	187,301	3,600	349
CNMS	21,836	—	491	16,786	—	450
Total	254,094	4,806	1,454	245,273	3,600	1,145
Unallocated						
Available-for-sale financial assets	140,991			171,110		
Total assets per the balance sheet	395,085			416,383		

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

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

5 Segment information (Continued)

Entity-wide information

Breakdown of the revenue from all services is as follows:

Analysis of revenue by category

	2013 HK$'000	2012 HK$'000
Design, sale and implementation of network and systems infrastructure; customer data automation, customisation and integration; and provision of technical support services	**224,876**	247,121
CNMS	**34,944**	25,253
	259,820	272,374

Revenue of approximately HK$70,387,000 (2012: HK$71,085,000) was derived from a single group of 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.

6 Other income

	2013 HK$'000	2012 HK$'000
Dividend income on available-for-sale financial assets (note a)	**170**	32,575
Profit on disposal of available-for-sale financial assets	**491**	187
Profit on disposal of subsidiaries	**—**	361
Government subsidies (note b)	**840**	344
Others	**428**	151
	1,929	33,618

Note:

(a) The dividend income from listed investments for the Year was HK$170,000 (2012: HK$168,000). There was no dividend income from unlisted investments for the Year (2012: HK$32,407,000).

(b) Government subsidies mainly represented cash received from the local municipal government in Mainland China for the Year as incentives to encourage self-developed software in Mainland China, the conditions attached thereto were fully complied with.

7 Expenses by nature

	2013 HK$'000	2012 HK$'000
Auditor's remuneration		
– Audit services	**1,620**	1,530
– Non-audit services	**62**	—
Changes in inventories	**146,612**	172,612
Depreciation (Note 16)	**846**	685
Employee benefit expense and independent non-executive Directors' emoluments (Note 8)	**57,581**	54,375
Provision/(reversal of provision) on inventories	**2,433**	(3,166)
Provision/(reversal of provision) on trade receivables (Note 20)	**788**	(1,188)
Loss on disposal of property, plant and equipment	**21**	58
Operating lease payments	**3,313**	3,049
Transportation expenses	**1,981**	1,916
Other expenses	**51,516**	52,115
Total cost of sales, selling and marketing costs and administrative expenses	**266,773**	281,986

8 Employee benefit expense and independent non-executive Directors' emoluments

	2013 HK$'000	2012 HK$'000
Wages and salaries	**53,981**	50,922
Directors' fees	**880**	880
Social security costs	**2,561**	2,448
Pension costs – defined contribution plans	**159**	125
	57,581	54,375

(a) Pensions – defined contribution plans

There were no forfeited contributions.

Contributions totaling HK$159,000 (2012: HK$125,000) were payable to the fund as at 31st December 2013.

8 Employee benefit expense and independent non-executive Directors' emoluments (Continued)

(b) Directors' emoluments

The remuneration of every Director for the Year is set out below:

Name	Fees HK$'000	Salary HK$'000	Employer's contribution to pension scheme HK$'000	Total HK$'000
José Manuel dos Santos	**130**	**3,836**	**—**	**3,966**
Yim Hong (note (i))	**130**	**1,761**	**22**	**1,913**
Kuan Kin Man	**130**	**897**	**—**	**1,027**
Monica Maria Nunes	**130**	**1,221**	**19**	**1,370**
Fung Kee Yue Roger	**120**	**—**	**—**	**120**
Wong Tsu An Patrick	**120**	**—**	**—**	**120**
Tou Kam Fai	**120**	**—**	**—**	**120**

The remuneration of every Director for the year ended 31st December 2012 is set out below:

Name	Fees HK$'000	Salary HK$'000	Discretionary bonuses HK$'000	Employer's contribution to pension scheme HK$'000	Total HK$'000
José Manuel dos Santos	130	4,130	500	—	4,760
Yim Hong (note (i))	130	1,761	500	20	2,411
Kuan Kin Man	130	815	500	—	1,445
Monica Maria Nunes	130	815	500	13	1,458
Fung Kee Yue Roger	120	—	—	—	120
Wong Tsu An Patrick	120	—	—	—	120
Tou Kam Fai	120	—	—	—	120

Note:

(i) Also managing director

No Director waived or agreed to waive any of their emoluments in respect of the Year (2012: Nil).

8 Employee benefit expense and independent non-executive Directors' emoluments (Continued)

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the Year included four (2012: four) Directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining one (2012: one) individual during the Year are as follows:

	2013 HK$'000	2012 HK$'000
Basic salaries and allowances	**1,324**	926

(d) Remuneration payable to members of senior management by band

	Number of individual	
	2013	2012
Emolument band (in HK$)		
<HK$500,001	**4**	3
HK$500,001 - HK$1,000,000	**9**	11
>HK$1,000,000	**1**	—

9 Finance income and costs

	2013 HK$'000	2012 HK$'000
Interest expense:		
– Bank borrowings wholly repayable within five years	**(28)**	(7)
Total finance expenses	**(28)**	(7)
Finance income:		
– Interest income on short-term bank deposits	**886**	752
– Interest income on available-for-sale financial assets	**2,695**	2,430
– Others	**—**	1,081
Finance income	**3,581**	4,263
Net finance income	**3,553**	4,256

10 Investments in and amounts due from/to subsidiaries – Company

(a) Investments in subsidiaries

	2013 HK$'000	2012 HK$'000
Investments, at cost, unlisted shares	**73,918**	73,918
Capital contribution relating to share-based payment	**3,019**	3,019
	76,937	76,937

Investments in group undertakings were recorded at cost, which was the fair value of the consideration paid.

The following is a list of the principal subsidiaries as at 31st December 2013:

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital/ registered capital	Approximate effective interest held
泰思通軟件(江西)有限公司 ("TSTJX")	PRC, limited liability company	Research and development of software and related software consultancy services in Mainland China	RMB5,000,000	76%
泰思通軟件(上海)有限公司 ("TSTSH")	PRC, limited liability company	Investment holding, research and development of software and related software consultancy services in Mainland China	US$1,510,000	76%
廣州市愛達利發展有限公司 ("GVDL")	PRC, limited liability company	Design, sale and implementation of network and systems infrastructure; customer data automation, customisation and integration; and provision of technical support services in Mainland China	RMB3,000,000	54%
廣州市圖文資訊有限公司 ("GZIC")	PRC, limited liability company	Provision of Internet related data services in Mainland China	RMB1,000,000	44% (Note (i))
廣州愛達利科技有限公司	PRC, limited liability company	Design, sale and implementation of network and systems infrastructure; customer data automation, customisation and integration; and provision of technical support services in Mainland China	HK$3,000,000	100%
Guangzhou Thinker Vodatel Limited	PRC, limited liability company	Research and development of wireless data communications and Internet related products in Mainland China	US$1,505,000	82%

10 Investments in and amounts due from/to subsidiaries – Company (Continued)

(a) Investments in subsidiaries (Continued)

The following is a list of the principal subsidiaries as at 31st December 2013: (Continued)

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital/ registered capital	Approximate effective interest held
Mega Datatech Limited ("MDL")	Macao, limited liability company	Provision of computer software, hardware and system integration in Macao	MOP100,000	100%
Power Express (Macau) Limited	Macao, limited liability company	Investment holding in Timor-Leste	MOP1,685,400	100%
Tidestone Science & Technology (Hong Kong) Company Limited	Hong Kong, limited liability company	Investment holding in Mainland China and software consultancy services in Hong Kong	1,000 ordinary shares of HK$1 each	76%
Vodatel Holdings Limited ("VHL")	BVI, limited liability company	Investment holding and design, sale and implementation of network and systems infrastructure, customer data automation, customisation and integration; and provision of technical support services in Macao	10,000 ordinary shares of US$1 each	100% (Note (ii))
VDT Operator Holdings Limited	BVI, limited liability company	Investment holding in Hong Kong and Timor-Leste	1,000 ordinary shares of US$1 each	100%
Vodatel Networks (H.K.) Limited	Hong Kong, limited liability company	Sale of data networking systems and provision of related engineering services in Hong Kong	2 ordinary shares of HK$1 each	100%
Vodatel Systems Inc.	BVI, limited liability company	Design, sale and implementation of network and systems infrastructure; customer data automation, customisation and integration; and provision of technical support services in Macao	1,000 ordinary shares of US$1 each	100%
Vodatel Systems (HK) Limited	BVI, limited liability company	Provision of warehouse services in Hong Kong	1,000 ordinary shares of US$1 each	100%
Zhuhai MegaSoft Software Development Co., Ltd. ("ZHMSDL")	PRC, limited liability company	Research and development of software and related software consultancy services in Mainland China	HK$3,200,000	100%

Notes:

(i) GVDL held 81.82% interest directly in GZIC.

(ii) Shares held directly by the Company.

10 Investments in and amounts due from/to subsidiaries – Company (Continued)

(b) Amounts due from/to subsidiaries

The amounts due from/to subsidiaries were unsecured, interest free, denominated in HK$ and repayable on demand. The carrying amounts of these balances approximated their fair values due to their short maturities.

(c) Material non-controlling interests

The total non-controlling interest as at 31st December 2013 was HK$3,563,000, of which HK$743,000 was for TSTJX, HK$63,000 was for TSTSH and HK$2,879,000 was for GVDL. The non-controlling interests in respect of other subsidiaries were not material.

Summarised financial information on subsidiaries with material non-controlling interests

Set out below are the summarised financial information for each subsidiary that had non-controlling interests that were material to the Group.

Summarised balance sheet

	TSTJX		TSTSH		GVDL	
	2013 HK$'000	2012 HK$'000	**2013 HK$'000**	2012 HK$'000	**2013 HK$'000**	2012 HK$'000
Current						
Assets	**16,008**	10,102	**10,338**	9,545	**23,524**	24,942
Liabilities	**(7,565)**	(9,552)	**(15,327)**	(18,108)	**(17,174)**	(27,421)
Total current net assets/ (liabilities)	**8,443**	550	**(4,989)**	(8,563)	**6,350**	(2,479)
Non-current assets	**890**	1,005	**6,700**	6,367	**6,503**	16,100
Net assets/(liabilities)	**9,333**	1,555	**1,711**	(2,196)	**12,853**	13,621

Significant restrictions

Included in the assets are cash and bank deposits of HK$17,794,000 which were held in Mainland China and were subject to local exchange control regulations. These local exchange control regulations provided for restrictions on exporting capital from the region, other than through normal dividends or remittance of revenue income through import/export companies.

10 Investments in and amounts due from/to subsidiaries – Company (Continued)

(c) Material non-controlling interests (Continued)

Summarised financial information on subsidiaries with material non-controlling interests (Continued)

Summarised income statement and statement of comprehensive income

	TSTJX		TSTSH		GVDL	
	2013 HK$'000	2012 HK$'000	**2013 HK$'000**	2012 HK$'000	**2013 HK$'000**	2012 HK$'000
Revenue	**20,121**	13,560	**16,188**	14,236	**17,099**	31,748
Profit/(loss) before income tax	**7,623**	(1,049)	**5,505**	6,092	**(1,193)**	(662)
Income tax expense	**—**	(339)	**(1,578)**	(1,289)	**(15)**	(42)
Post-tax profit/(loss)	**7,623**	(1,388)	**3,927**	4,803	**(1,208)**	(704)
OCI/other comprehensive (expense)	**156**	16	**(21)**	(38)	**440**	77
Total comprehensive income/(expense)	**7,779**	(1,372)	**3,906**	4,765	**(768)**	(627)
Total comprehensive income/(expense) allocated to non-controlling interests	**1,891**	(334)	**950**	1,158	**(353)**	(288)

10 Investments in and amounts due from/to subsidiaries – Company (Continued)

(c) Material non-controlling interests (Continued)

Summarised financial information on subsidiaries with material non-controlling interests (Continued)

Summarised cash flows

	TSTJX 2013 HK$'000	TSTSH 2013 HK$'000	GVDL 2013 HK$'000
Cash flows from operating activities			
Cash used in operations	(74)	(581)	(7,846)
Income tax paid	—	—	(16)
Net cash used in operating activities	(74)	(581)	(7,862)
Net cash (used in)/generated from investing activities	(257)	(424)	9,917
Net cash generated from financing activities	—	—	615
Net (decrease)/increase in cash and cash equivalents	(331)	(1,005)	2,670
Cash and cash equivalents at beginning of Year	3,040	3,879	5,448
Exchange gains on cash and cash equivalents	122	43	350
Cash and cash equivalents at end of Year	2,831	2,917	8,468

The information above is the amount before inter-company eliminations.

11 Investments in associates

	2013 HK$'000	2012 HK$'000
As at 1st January	**3,600**	2,131
Share of profit	**1,206**	3,095
Distributions from an associate	**—**	(1,626)
As at 31st December	**4,806**	3,600

11 Investments in associates (Continued)

Set out below is the associate of the Group as at 31st December 2013, which, in the opinion of the Directors, was material to the Group. The associate as listed below had share capital consisting solely of ordinary shares, which were held directly by the Group; the country of incorporation was also its principal place of business.

Nature of material investment in an associate as at 31st December 2013 and 2012

Name of entity	Place of business/ country of incorporation	% of ownership interest	Nature of relationship	Measurement method
Vodacabo, S A ("Vodacabo")	Timor-Leste	30	Note	Equity

Note:

Vodacabo is principally engaged in the construction of telecommunications towers for one of the telecommunications operators in Timor-Leste. Vodacabo was a private company and there was no quoted market price available for its shares.

There were no contingent liabilities relating to the interest of the Group in the associate.

Summarised financial information for an associate

Set out below are the summarised financial information for Vodacabo which was accounted for using the equity method.

Summarised balance sheet

	2013 HK$'000	2012 HK$'000
Total non-current assets	**1,309**	1,938
Total current assets	**12,913**	13,136
Total current liabilities	**(562)**	(5,264)
Net assets	**13,660**	9,810
Share of net assets by the Group	**4,098**	2,943

11 Investments in associates (Continued)

Summarised financial information for an associate (Continued)

Summarised income statement and statement of comprehensive income

	2013 HK$'000	2012 HK$'000
Revenue	**21,556**	41,420
Profit before income tax, profit for the Year and total comprehensive income	**3,850**	10,286
Dividends received from associate	**—**	(1,560)

The information above reflects the amounts presented in the financial statements of Vodacabo.

12 Income tax expense

Hong Kong profits tax was provided at the rate of 16.5% (2012: 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.

	2013 HK$'000	2012 HK$'000
Current tax:		
Current tax on profits for the Year		
– Macao complementary profits tax	**—**	109
– Mainland China corporate income tax	**1,594**	1,670
Adjustments in respect of prior years	**15**	(169)
Income tax expense	**1,609**	1,610

12 Income tax expense (Continued)

The tax on the (loss)/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:

	2013 HK$'000	2012 HK$'000
(Loss)/profit before tax	**(265)**	31,357
Tax calculated at the domestic tax rates applicable to profits in the respective regions	**(581)**	2,946
Tax effects of:		
– Income not subject to tax	**(184)**	(3,286)
– Expenses not deductible for tax purposes	**331**	1,257
– Utilisation of previously unrecognised tax losses	**(865)**	(662)
– Tax losses for which no deferred income tax asset was recognised	**2,893**	1,524
Adjustments in respect of prior years	**15**	(169)
Tax charge	**1,609**	1,610

The weighted average applicable tax rate was 11.08% (2012: 7.72%). 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 OCI during the Year (2012: Nil).

13 (Loss)/earnings per Share

(a) Basic

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

	2013 HK$'000	2012 HK$'000
(Loss)/profit attributable to owners of the Company	**(3,919)**	29,274
Weighted average number of Shares in issue (thousands)	**613,819**	613,819

13 (Loss)/earnings per Share (Continued)

(b) Diluted

Diluted earnings per Share was calculated by adjusting the weighted average number of Shares outstanding to assume conversion of all dilutive potential Shares. No diluted earnings per Share for the Year was presented as all the Options expired during the Year and there were no outstanding options as at 31st December 2013. As at 31st December 2012, the Company had 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 ended 31st December 2012. Accordingly, diluted earnings per Share was identical to basic earnings per Share for the year ended 31st December 2012.

14 Net foreign exchange gains

The exchange differences credited to the income statement are included as follows:

	2013 **HK$'000**	2012 HK$'000
Administrative expenses	**87**	81

15 (Loss)/profit attributable to owners of the Company

The loss attributable to owners of the Company is dealt with in the financial statements of the Company to the extent of HK$3,312,000 (2012: profit of HK$13,459,000).

16 Property, plant and equipment – Group

	Leasehold improvements HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Demon-stration equipment HK$'000	Total HK$'000
As at 1st January 2012					
Cost	3,301	10,744	2,586	843	17,474
Accumulated depreciation	(3,284)	(9,807)	(2,340)	(746)	(16,177)
Net book amount	17	937	246	97	1,297
Year ended 31st December 2012					
Opening net book amount	17	937	246	97	1,297
Currency translation differences	—	4	2	—	6
Additions	—	889	91	165	1,145
Disposals	—	(58)	—	—	(58)
Depreciation charge (Note 7)	(12)	(526)	(55)	(92)	(685)
Closing net book amount	5	1,246	284	170	1,705
As at 31st December 2012					
Cost	3,301	10,933	2,578	1,008	17,820
Accumulated depreciation	(3,296)	(9,687)	(2,294)	(838)	(16,115)
Net book amount	5	1,246	284	170	1,705
Year					
Opening net book amount	5	1,246	284	170	1,705
Currency translation differences	—	36	9	—	45
Additions	398	616	420	20	1,454
Disposals	—	(21)	—	—	(21)
Depreciation charge (Note 7)	(54)	(576)	(104)	(112)	(846)
Closing net book amount	349	1,301	609	78	2,337
As at 31st December 2013					
Cost	3,699	11,367	3,052	1,027	19,145
Accumulated depreciation	(3,350)	(10,066)	(2,443)	(949)	(16,808)
Net book amount	349	1,301	609	78	2,337

17 Financial instruments by category – Group and Company

(a) Group

	Loans and receivables HK$'000	Available-for-sale HK$'000	Total HK$'000
As at 31st December 2013			
Assets as per balance sheet			
Available-for-sale financial assets	—	140,991	140,991
Trade and other receivables and deposits excluding prepayments	105,934	—	105,934
Pledged bank deposits	26,634	—	26,634
Cash and cash equivalents	96,864	—	96,864
Total	**229,432**	**140,991**	**370,423**

	Financial liabilities at amortised cost HK$'000
Liabilities as per balance sheet	
Trade, bills and other payables excluding non-financial liabilities	**63,677**

17 Financial instruments by category – Group and Company (Continued)

(a) Group (Continued)

	Loans and receivables HK$'000	Available-for-sale HK$'000	Total HK$'000
As at 31st December 2012			
Assets as per balance sheet			
Available-for-sale financial assets	—	171,110	171,110
Trade and other receivables and deposits excluding prepayments	149,959	—	149,959
Pledged bank deposits	615	—	615
Cash and cash equivalents	78,328	—	78,328
Total	**228,902**	**171,110**	**400,012**

	Financial liabilities at amortised cost HK$'000
Liabilities as per balance sheet	
Trade, bills and other payables excluding non-financial liabilities	61,563

17 Financial instruments by category – Group and Company (Continued)

(b) Company

	Loans and receivables	
	2013	2012
	HK$'000	HK$'000
Assets as per balance sheet		
Amounts due from subsidiaries	**199,962**	200,768
Cash and cash equivalents	**466**	89
Total	**200,428**	200,857

	Financial liabilities at amortised cost	
	2013	2012
	HK$'000	HK$'000
Liabilities as per balance sheet		
Amounts due to subsidiaries	**41,309**	26,513
Other payables	**67**	—
Total	**41,376**	26,513

18 Credit quality of financial assets – Group and Company

The credit quality of financial assets that were neither past due nor impaired could be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

Pledged bank deposits

	Group	
	2013 **HK$'000**	2012 HK$'000
Banks with external credit rating (Moody's)		
A1	**—**	615
A3	**26,634**	—
	26,634	615

Cash and cash equivalents

	Group		Company	
	2013 **HK$'000**	2012 HK$'000	**2013** **HK$'000**	2012 HK$'000
Banks with external credit rating (Moody's)				
A1	**5,798**	10,191	**—**	—
A2	**32,998**	8,423	**—**	—
A3	**8,750**	41,182	**—**	—
Aa2	**10,351**	1,769	**—**	—
Aa3	**14,762**	3,151	**466**	89
Ba2	**637**	547	**—**	—
Ba3	**19,627**	8,842	**—**	—
Baa3	**2,863**	3,061	**—**	—
Bank in Mainland China without external credit rating	**—**	2	**—**	—
Cash	**1,078**	1,160	**—**	—
	96,864	78,328	**466**	89

19 Available-for-sale financial assets – Group

	2013 HK$'000	2012 HK$'000
As at 1st January	**171,110**	69,914
Additions	**50,507**	49,716
Disposals	**(79,920)**	(14,985)
Redemption	**(2,983)**	—
Net gains transfer to equity (note 26(a))	**2,277**	66,465
As at 31st December	**140,991**	171,110
Less: non-current portion	**(135,917)**	(151,429)
Current portion	**5,074**	19,681

Profits of HK$3,054,000 (2012: losses of HK$466,000) were transferred from equity into the income statement upon disposal of available-for-sale financial assets.

Available-for-sale financial assets included the following:

	2013 HK$'000	2012 HK$'000
Listed securities:		
– Equity securities – Hong Kong	**25,481**	29,082
– Corporate bonds (note a)	**21,047**	40,656
– Debentures with fixed interest of 3.75% and maturity date in May 2013	**—**	2,462
Unlisted securities		
– Equity securities (note b)	**89,389**	84,674
– Debt securities (note c)	**5,074**	14,236
	140,991	171,110
Market value of listed securities	**46,528**	72,200

Note:

(a) The corporate bonds were debt investments with fixed interest ranging from 4.5% to 7% and maturity dates between December 2014 and January 2018 (2012: ranging from 4.63% to 8% and maturity dates between December 2014 and April 2016).

(b) As at 31st December 2013, investment in unquoted equity securities of HK$87,933,000 (2012: HK$83,217,000) was measured at fair value as at 31st December 2012 based on a recent transaction at that time. There had since been no recent transactions nor market data available to reliably measure its fair value. In accordance with HKAS 39 paragraph 54, under these circumstances, the carrying amount of the investment in unquoted securities of HK$87,933,000 became its new cost.

(c) The debt securities were debt investments with fixed interest ranging from 4.2% to 6.89% and maturity dates in January 2014 (2012: ranging from 4.21% to 4.74% and maturity dates between January 2013 and February 2013).

19 Available-for-sale financial assets – Group (Continued)

Available-for-sale financial assets were denominated in the following currencies:

	2013 HK$'000	2012 HK$'000
HK$	**23,199**	26,733
MOP	**1,456**	1,456
RMB	**8,751**	26,864
US$	**107,585**	116,057
	140,991	171,110

The maximum exposure to credit risk at the reporting date was the carrying value of the debt securities classified as available for sale.

None of these financial assets was either past due or impaired.

As at 31st December 2013, the carrying amounts of interests in the following company exceeded 10% of total assets of the Group.

Name	Place of incorporation	Principal activities	Particulars of issued shares held	Approximate effective interest held
Timor Telecom, S.A. ("TTSA")	Timor-Leste	Provision of telecommunication services	78,565 ordinary shares of US$10 each	17.86%

20 Trade and other receivables, deposits and prepayments – Group and Company

	Group		Company	
	2013 HK$'000	2012 HK$'000	**2013 HK$'000**	2012 HK$'000
Trade receivables	**101,220**	197,114	**—**	—
Less: allowance for impairment of trade receivables	**(14,644)**	(68,060)	**—**	—
Trade receivables – net	**86,576**	129,054	**—**	—
Other receivables, deposits and prepayments	**22,220**	20,019	**111**	263
Loan receivable	**—**	3,346	**—**	—
	22,220	23,365	**111**	263
	108,796	152,419	**111**	263

The carrying amounts of the trade, other receivables and deposits approximated their fair values.

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 2013 and 2012, the ageing analysis of the trade receivables based on invoice date was as follows:

	2013 HK$'000	2012 HK$'000
Within three months	**75,425**	83,948
> Three months but ≤ six months	**5,989**	14,998
> Six months but ≤ twelve months	**2,566**	4,247
Over twelve months	**17,240**	93,921
	101,220	197,114

20 Trade and other receivables, deposits and prepayments – Group and Company (Continued)

As at 31st December 2013, trade receivables of HK$58,630,000 (2012: HK$129,054,000) were past due but not impaired. These related to a number of independent customers for whom there was no recent history of default. The ageing analysis of these trade receivables is as follows:

	2013 **HK$'000**	2012 HK$'000
Within three months	**47,479**	83,948
> Three months but ≤ six months	**5,989**	14,998
> Six months but ≤ twelve months	**2,566**	4,247
Over twelve months	**2,596**	25,861
	58,630	129,054

As at 31st December 2013, trade receivables of HK$14,644,000 (2012: HK$68,060,000) were considered to be impaired and were fully provided for. These trade receivables were aged more than twelve months.

The carrying amounts of the trade and other receivables, deposits and prepayments of the Group were denominated in the following currencies:

	2013 **HK$000**	2012 HK$000
HK$	**4,131**	5,884
US$	**20,691**	41,206
MOP	**57,631**	80,666
RMB	**26,343**	24,663
	108,796	152,419

20 Trade and other receivables, deposits and prepayments – Group and Company (Continued)

Movements on the allowance for impairment of trade receivables of the Group are as follows:

	2013 HK$000	2012 HK$000
As at 1st January	**68,060**	69,256
Translation difference	**416**	23
Provision for receivables impairment	**788**	1,874
Receivables written off during the Year as uncollectible	**(54,620)**	(31)
Unused amounts reversed	**—**	(3,062)
As at 31st December	**14,644**	68,060

The creation and release of provision for impaired receivables were included in "administrative expenses" in the income statement (Note 7). Amounts charged to the allowance account were generally written off, when there was no expectation of recovering additional cash.

The other classes within trade and other receivables, deposits and prepayments did not contain impaired assets.

The maximum exposure to credit risk at the reporting date was the carrying value of each class of receivable mentioned above. The Group did not hold any collateral as security.

21 Inventories – Group

	2013 HK$'000	2012 HK$'000
Networking equipment	**14,657**	8,606

The cost of inventories recognised as expense and included in "cost of sales" amounted to HK$146,612,000 (2012: HK$172,612,000).

A provision of HK$2,433,000 (2012: reversal of HK$3,166,000) for the Year was included in "cost of sales" in the income statement.

22 Cash and bank balances – Group and Company

(a) Cash and cash equivalents

	Group		Company	
	2013 HK$'000	2012 HK$'000	**2013 HK$'000**	2012 HK$'000
Cash at banks and on hand	**94,626**	65,612	**466**	89
Short-term bank deposits	**28,872**	13,331	**—**	—
	123,498	78,943	**466**	89
Less: Pledged bank deposits	**(26,634)**	(615)	**—**	—
Cash and cash equivalents	**96,864**	78,328	**466**	89

Cash and cash equivalents included the following for the purposes of the statement of cash flows:

	Group	
	2013 HK$'000	2012 HK$'000
Cash and cash equivalents	**96,864**	78,328

The carrying amounts of cash and bank balances of the Group and the Company were denominated in the following currencies:

	Group		Company	
	2013 HK$'000	2012 HK$'000	**2013 HK$'000**	2012 HK$'000
HK$	**7,266**	11,825	**430**	48
US$	**25,520**	12,304	**36**	41
MOP	**23,359**	25,385	**—**	—
RMB	**67,347**	29,423	**—**	—
Others	**6**	6	**—**	—
	123,498	78,943	**466**	89

22 Cash and bank balances – Group and Company (Continued)

(a) Cash and cash equivalents (Continued)

The conversion of bank and cash balances denominated in RMB into foreign currencies and the remittance of these deposits or cash out of Mainland China were subject to the relevant rules and regulations of foreign exchange control promulgated by the Government of PRC. As at 31 December 2013, the cash at banks of HK$20,481,000 (2012: HK$15,308,000) were deposited in banks in Mainland China.

(b) Restricted cash

As at 31st December 2013, HK$26,634,000 (2012: HK$615,000) were restricted deposits held by bank for obtaining banking facilities.

23 Shares

	Number of Shares	Ordinary Shares HK$'000
As at 1st January 2012, 31st December 2012 and 2013	**613,819,000**	**61,382**

The total authorised number of Shares was 2,000,000,000 (2012: 2,000,000,000) with a par value of HK$0.10 per Share (2012: HK$0.10 per Share). All issued Shares were fully paid.

24 Share-based payments – Group

Options were granted to Directors, certain consultants and selected employees. The exercise price of the granted Options was equal to the market price of the Shares on the date of the grant. The Options were exercisable starting three years from the grant date. The Group had no legal or constructive obligation to repurchase or settle the Options in cash.

Movements in the number of Options outstanding and their related exercise prices were as follows:

	2013		2012	
	Exercise price in HK$ per Option	**Options**	Exercise price in HK$ per Option	Options
As at 1st January	**0.38**	**15,706,000**	0.38	16,322,000
Expired	**0.38**	**(15,706,000)**	0.38	(616,000)
As at 31st December	**—**	**—**	0.38	15,706,000

25 Retained earnings – Group and Company

	Group HK$'000	Company HK$'000
As at 1st January 2012	(19,611)	5,313
Profit for the year ended 31st December 2012	29,274	13,459
Dividends paid relating to 2011	(3,069)	(3,069)
Dividends paid relating to 2012	(3,069)	(3,069)
As at 31st December 2012	3,525	12,634
Loss for the Year	(3,919)	(3,312)
Dividends paid relating to 2012	(12,276)	(12,276)
As at 31st December 2013	**(12,670)**	**(2,954)**

26 Other reserves – Group and Company

(a) Group

	Contributed surplus HK$'000	Other reserve HK$'000	Capital redemption reserve HK$'000	Available-for-sale investments HK$'000	Merger reserve HK$'000 (note (i))	Statutory reserve HK$'000 (note (ii))	Translation HK$'000	Total HK$'000
As at 1st January 2012	97,676	4,178	702	23,730	35,549	49	3,450	165,334
Revaluation - gain	—	—	—	66,465	—	—	—	66,465
Revaluation transfer to profit or loss	—	—	—	466	—	—	—	466
Released upon disposal of subsidiaries	—	—	—	—	—	—	(164)	(164)
Currency translation differences	—	—	—	—	—	—	(108)	(108)
As at 31st December 2012	97,676	4,178	702	90,661	35,549	49	3,178	231,993
Revaluation - gain	—	—	—	2,277	—	—	—	2,277
Revaluation transfer to profit or loss	—	—	—	(3,054)	—	—	—	(3,054)
Currency translation differences	—	—	—	—	—	—	174	174
As at 31st December 2013	**97,676**	**4,178**	**702**	**89,884**	**35,549**	**49**	**3,352**	**231,390**

26 Other reserves – Group and Company (Continued)

(a) Group (Continued)

Notes:

(i) The merger reserve of the Group included the difference between the nominal value of the share capital of a subsidiary acquired and the nominal value of the Shares in exchange thereof together with an existing balance on the share premium account of a subsidiary.

(ii) The Macao Decreto-Lei n° 40/99/M Código Comercial (Commercial Code) required a company incorporated in Macao to set aside a minimum of 25% of the profit after income tax expense to the statutory reserve each financial year until the balance of the reserve reached a level equivalent to 50% of the capital of the company. Statutory reserve represented the amount set aside and not distributable to the Members.

(b) Company

	Contributed surplus HK$'000 (note)	Other reserve HK$'000	Capital redemption reserve HK$'000	Total HK$'000
Balance as at 1st January 2012, 31st December 2012 and 2013	**171,394**	**4,178**	**702**	**176,274**

Note:

The contributed surplus represented the difference between the consolidated shareholders' funds of the subsidiaries and the nominal value of the Shares issued for the acquisition at the time of the group reorganisation and the entire amount standing to the credit of share premium account of the Company reduced and credited to contributed surplus. Under CA 1981 (as amended), contributed surplus was distributable to the Members, subject to the condition that the Company could not declare or pay a dividend, or make a distribution out of contributed surplus if it was, or would after the payment be, unable to pay its liabilities as they become due, or the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium account.

Distributable reserves of the Company as at 31st December 2013 amounted to approximately HK$168,440,000 (2012: HK$184,028,000).

27 Trade, bills and other payables and accruals – Group and Company

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade and bills payables	**60,155**	58,524	**—**	—
Other payables and accruals	**43,569**	53,508	**1,465**	1,254
	103,724	112,032	**1,465**	1,254

As at 31st December 2013, the ageing analysis of the trade and bills payables (including amounts due to related parties of a trading nature) based on invoice date was as follows:

	2013	2012
	HK$'000	HK$'000
Within three months	**52,104**	50,513
> Three months but ≤ six months	**277**	1,038
> Six months but ≤ twelve months	**52**	138
Over twelve months	**7,722**	6,835
	60,155	58,524

The carrying amounts of the trade, bills and other payables and accruals of the Group were denominated in the following currencies:

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
HK$	**25,637**	25,890	**1,465**	1,254
US$	**21,508**	8,898	**—**	—
MOP	**21,055**	27,549	**—**	—
RMB	**34,892**	49,695	**—**	—
Others	**632**	—	**—**	—
	103,724	112,032	**1,465**	1,254

28 Deferred income tax – Group

Deferred income tax assets were recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits was probable. The Group did not recognise deferred income tax assets of HK$10,097,000 (2012: HK$8,162,000) in respect of losses amounting to HK$43,424,000 (2012: HK$41,254,000) that could be carried forward against future taxable income. Losses amounting to HK$4,000 (2012: HK$227,000), HK$3,467,000 (2012: HK$2,796,000), HK$1,995,000 (2012: HK$3,999,000), HK$5,950,000 (2012: HK$2,148,000), HK$3,368,000 (2012: HK$6,049,000) and HK$1,888,000 (2012: HK$3,374,000) expire in the years ending 31st December 2014, 2015, 2016, 2017, 2018 and 2019 respectively, and the remaining tax losses of HK$26,752,000 (2012: HK$22,661,000) have no expiry.

There was no other material unprovided deferred income tax as at 31st December 2013.

29 Dividends

The dividends paid in the Year and the year ended 31st December 2012 were HK$12,276,000 (HK$0.02 per Share) and HK$6,138,000 (HK$0.01 per Share) respectively. The Directors do not recommend payment of a dividend for the Year.

	2013 **HK$'000**	2012 HK$'000
No interim dividend paid (2012: HK$0.005 per Share)	—	3,069
No proposed final dividend (2012: HK$0.01 per Share)	—	6,138
No proposed special dividend (2012: HK$0.01 per Share)	—	6,138
	—	15,345

The aggregate amounts of the dividends paid and proposed during the Year and the year ended 31st December 2012 are disclosed in the consolidated income statement in accordance with CO.

30 Cash used in operations

	2013 HK$'000	2012 HK$'000
(Loss)/profit before income tax	**(265)**	31,357
Adjustments for:		
– Depreciation of property, plant and equipment (Note 16)	**846**	685
– Profit on disposal of available-for-sale financial assets (Note 6)	**(491)**	(187)
– Loss on disposal of property, plant and equipment	**21**	58
– Profit on disposal of subsidiaries (Note 6)	**—**	(361)
– Dividend income on available-for-sale financial assets (Note 6)	**(170)**	(32,575)
– Finance income - net (Note 9)	**(3,553)**	(4,256)
– Share of profit from associates (Note 11)	**(1,206)**	(3,095)
– Provision/(reversal of provision) of inventories (Note 7)	**2,433**	(3,166)
– Provision/(reversal of provision) of trade receivables, net (Note 20)	**788**	(1,188)
	(1,597)	(12,728)
Changes in working capital (excluding the effects of currency translation differences on consolidation)		
– Inventories	**(8,484)**	7,634
– Trade and other receivables, deposits and prepayments	**42,835**	(28,720)
– Trade and bills payables	**1,631**	8,866
– Other payables and accruals	**(9,939)**	8,157
Cash generated from/(used in) operations	**24,446**	(16,791)

31 Contingencies

The Company gave guarantees in the ordinary course of business amounting to approximately HK$135,302,000 (2012: HK$118,591,000) to its subsidiaries.

The Company executed guarantees amounting to approximately HK$11,215,000 (2012: HK$2,961,000) with respect to banking facilities and trade credits made available to its subsidiaries.

It was not anticipated that any material liabilities would arise from these guarantees.

32 Operating lease commitments – Group as lessee

The Group leased various offices and a warehouse under non-cancellable operating lease agreements. The leases had varying terms and renewal rights.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

Group	2013 HK$'000	2012 HK$'000
No later than one year	1,372	2,356
Later than one year and no later than five years	358	691
	1,730	3,047

33 Related party transactions

The following transactions were carried out with related parties:

(a) Sale of goods and services

	2013 HK$'000	2012 HK$'000
Sale of goods:		
– An entity controlled by key management personnel	300	332
Sale of services:		
– An associate (management services)	23	23
Total	323	355

Goods were sold based on the price lists in force and terms that would be available to third parties. Goods were sold to an entity controlled by key management personnel on normal commercial terms and conditions. The entity controlled by key management personnel is a firm belonging to José Manuel dos Santos, a Director. Sales of services were negotiated with related parties at terms determined and agreed by both parties and carried out in the normal course of business.

33 Related party transactions (Continued)

(b) Purchases of goods

	2013 HK$'000	2012 HK$'000
– An entity controlled by key management personnel	75	182

Goods were bought from an entity controlled by key management personnel on normal commercial terms and conditions. The entity controlled by key management personnel is a firm belonging to José Manuel dos Santos, a Director.

(c) Sale of subsidiaries

On 31st March 2012, two subsidiaries with aggregare net liabilities of HK$196,000 were disposed of to a close family member of José Manuel dos Santos, a Director at consideration of HK$1,000.

(d) Operating lease payments

	2013 HK$'000	2012 HK$'000
– A Director	963	910

Operating lease payments were paid to a Director, José Manuel dos Santos, on normal commercial terms and conditions.

(e) Key management compensation

Management considered remuneration to all key management of the Group is disclosed in Note 8 to the financial statements.

33 Related party transactions (Continued)

(f) Year-end balances

	2013 HK$'000	2012 HK$'000
Receivables from related parties:		
– An entity controlled by key management personnel	**8**	99
Payables to related parties:		
– An entity controlled by key management personnel	**352**	350
– Directors	**1,267**	2,809

The receivables from related parties arose mainly from sale transactions. These balances were denominated in MOP and HK$, unsecured in nature, bore no interest and repayable on demand. No provisions were held against receivables from related parties (2012: Nil).

As at 31st December 2013, the payables to related parties arose mainly from purchase transactions. As at 31st December 2012, the payables to related parties arose mainly from purchase transactions and discretionary bonuses. The payables bore no interest.

Five Year Financial Summary

Results	Year ended 31st December				
	2013	2012	2011	2010	2009
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
(Loss)/profit attributable to:					
– Equity holders	**(3,919)**	29,274	26,685	25,933	34,173
– Non-controlling interests	**2,045**	473	(1,292)	(1,989)	(1,316)
Assets and liabilities					
Total assets	**395,085**	416,383	308,290	268,840	225,883
Total liabilities	**(111,330)**	(117,968)	(100,145)	(95,172)	(83,215)
Total equity	**283,755**	298,415	208,145	173,668	142,668

Definitions

In this annual report (excluding the "Independent Auditor's Report to the shareholders of the Company"), unless the context otherwise requires, the following expressions shall have the following meanings:

"AGM"	annual general meeting
"AHL"	AGTech Holdings Limited, a company incorporated in Bermuda with limited liability and ordinary shares of HK$0.002 each in the share capital of AHL are listed on GEM
"Associate"	has the meaning ascribed thereto in the GEM Listing Rules
"Associated Corporation"	a corporation: 1 which is a subsidiary or holding company of the Company or a subsidiary of the holding company of the Company; or 2 (not being a subsidiary of the Company) in which the Company has an interest in the shares of a class comprised in its share capital exceeding in nominal value one-fifth of the nominal value of the issued share of that class
"Audit Committee"	the audit committee of the Company
"Auditor"	the auditor of the Company
"Board"	the board of Directors (not applicable to Main Board)
"Business Day"	any day (excluding Saturday and Sunday) on which licensed banks are generally open for business in Hong Kong
"BVI"	the British Virgin Islands
"Bye-law"	the bye-laws of the Company
"CA 1981"	the Companies Act 1981 of Bermuda
"CGMA"	Chartered Global Management Accountant
"Chief Executive"	a person who either alone or together with one or more other persons is or will be responsible under the immediate authority of the Board for the conduct of the business of the Company
"CIMA"	Chartered Institute of Management Accountants
"CNMS"	customer network management system
"CO"	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) as amended from time to time

"Code"	the Corporate Governance Code set out in Appendix 15 of the GEM Listing Rules
"Company"	Vodatel Networks Holdings Limited
"Company Secretary"	the company secretary of the Company
"Compliance Officer"	the compliance officer of the Company
"CUM"	City University of Macau
"Date of Grant"	in respect of an option and unless otherwise specified in the letter of grant, the Business Day on which the Board resolves to make an Offer to a Participant, whether or not the Offer is subject to Members' approval on the terms of the New Scheme
"Director"	the director of the Company
"EBITDA"	earnings before interest, tax, depreciation and amortisation
"ERL"	Eve Resources Limited, a company incorporated in BVI with limited liability
"Exchange"	The Stock Exchange of Hong Kong Limited, a company incorporated in Hong Kong with limited liability
"Functional Currency"	the currency of the primary economic environment in which an entity operates
"Galaxy Group"	Galaxy Entertainment Group Limited, a company incorporated in Hong Kong with limited liability and ordinary share of HK$0.10 each in its share capital are listed on the Main Board, and its subsidiaries
"Galaxy Resort"	Galaxy Resort & Casino, Cotai City, Macao
"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
"Grantee"	any Participant who has been offered and has accepted an offer of the grant of an Option made pursuant to both the Old Scheme and the New Scheme in accordance with its terms, or (where the context so permits) any person who is entitled to any such Option in consequence of the death of the original Grantee
"Group" or "Vodatel"	the Company and its subsidiaries (not applicable to Galaxy Group, Galaxy Entertainment Group Limited and Gold Tat Group International Limited)

Definitions

"GTGIL"	Gold Tat Group International Limited, a company incorporated in the Cayman Islands with limited liability and GTGIL Shares are listed on GEM
"GTGIL Share"	ordinary share of US$0.001 each in the share capital of GTGIL
"GVDL"	廣州市愛達利發展有限公司, details of which can be referred to in note 10(a) to the financial statements
"GZIC"	廣州市圖文資訊有限公司, details of which can be referred to in note 10(a) to the financial statements
"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, the Hong Kong Institute of Chartered Secretaries, The Stock Exchange of Hong Kong Limited, Tidestone Science and Technology (Hong Kong) Company Limited and the University of Hong Kong)
"HSBCITL"	HSBC International Trustee Limited, a company incorporated in BVI with limited liability
"JU"	Jinan University
"Macao"	the Macao Special Administrative Region of PRC (not applicable to Vodatel Systems Inc. – Macao Commercial Offshore)
"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, details of which can be referred to in Note 10(a) to the financial statements
"Member"	the holder of the Shares
"MOP"	Patacas, the lawful currency of Macao
"New Scheme"	the share option scheme approved by the Members at the AGM on 22nd June 2012
"Nomination Committee"	the nomination committee of the Company
"OCI"	other comprehensive income
"Offer Date"	the date of which the offer of the grant of an Option made pursuant to the Old Scheme is made to a Participant
"OHHL"	Ocean Hope Holdings Limited, a company incorporated in BVI with limited liability
"Old Scheme"	the share option scheme approved by the Members at a special general meeting on 5th November 2002
"Option"	a right to subscribe for the Shares granted pursuant to the Old Scheme
"Participant"	for the Old Scheme, any employee of the Group, including Directors, at the time when the Option is granted to such employee, and certain consultants, suppliers or customers of the Group and in addition, for the New Scheme, also including any advisors, distributors, contractors, agents, business partners, joint venture business partners, promoters and service providers who, in the sole discretion of the Board, have contributed or will contribute or can contribute to the Group
"PRC"	The People's Republic of China
"Remuneration Committee"	the remuneration committee of the Company
"RMB"	Renminbi, the lawful currency of Mainland China
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended from time to time
"Share"	ordinary share of HK$0.10 each in the share capital of the Company (not applicable to GTGIL Share)
"Subscription Price"	the price per Share at which a Grantee may subscribe for Shares on the exercise of an option under the Old Scheme and the New Scheme

Definitions

"Substantial Shareholder"	in relation to a company means a person who is entitled to exercise, or control the exercise of, 10% or more of the voting power at any general meeting of the Company
"Timor-Leste"	The Democratic Republic of Timor-Leste
"TSTJX"	泰思通軟件(江西)有限公司, details of which can be referred to in Note 10(a) to the financial statements
"TSTSH"	泰思通軟件(上海)有限公司, details of which can be referred to in Note 10(a) to the financial statements
"TTSA"	Timor Telecom, S.A., details of which can be refered to in Note 19 to the financial statements
"UK"	The United Kingdom of Great Britain and Northern Ireland
"UM"	University of Macau
"US$"	United States Dollar, the lawful currency of USA
"USA"	The United States of America
"VHL"	Vodatel Holdings Limited, details of which can be referred to in Note 10(a) to the financial statements
"Vodacabo"	Vodacabo, S A, details of which can be referred to in Note 11 to the financial statements
"Year"	the year ended 31st December 2013
"Zetronic"	Zetronic Communications (Macau) Limited, a company incorporated in Macao with limited liability
"ZHMSDL"	Zhuhai MegaSoft Software Development Co. Ltd., details of which can be referred to in Note 10(a) to the financial statements