VODATEL

(Stock code: 8033)

Your Trusted Local Partner

ANNUAL REPORT 2014

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

Share Registrars
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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,

When we look back on 2014, I can truly say that it is an opportunity for Vodatel to clearly demonstrate to our Members that the steps taken over the years to improve our core operations and the investments made in our people have produced positive returns. Against this statement, there are two areas I would like to report to you – our actions and achievements in 2014 and our outlook for 2015 and beyond.

Our Actions and Achievements in 2014

The actions that we took over the years have certainly made Vodatel more flexible and have well prepared and strategically positioned us to take on challenges in 2014. During the Year, we have continued to:

- √ empower our people to take on ownership and think "out-of-the-box";
- √ encourage our people to excel and improve their knowledge base and technical capabilities;
- √ increase collaborations and efficiency between teams;
- √ leverage resources both vertically and horizontally; and
- √ listen to our customers carefully and strengthen our relationships with them.

Our actions, which translated to solid financial performance for the Year, were clearly reflected in our income statement where our revenue and net profit reached HK$472,046,000 and HK$28,564,000 respectively. While our revenue ramped up 81.68% as compared to last year, our bottom-line represented a turnaround from a net loss position of 2013 to profitability for 2014. Basic earnings per Share calculated HK$0.05. As we continue to use a disciplined mindset to run our balance sheet, we need to balance the need to conserve cash to support ongoing projects and to pursue new ones and yet to share the success of the Group with our Members. The Board therefore proposes a final dividend of HK$0.01 per Share for the Year.

Throughout 2014, our major business in Macao, Hong Kong and Mainland China generated strong operating results as evidenced in our unparalleled queue of projects, among which included the contract carried forward from 2013 to design and build the surveillance system for the Galaxy Group at the Galaxy Resort & Casino, Cotai City, Macao. Ten years ago, Vodatel was selected by the Public Security Forces Affairs Bureau to build and install its trunking radio system with full coverage across Macao and since then, we have been a service partner and working in collaboration with the bureau in the maintenance of the system. In 2014, we are proud to be again chosen by the bureau to upgrade its trunking radio system. The choices made by our customers to select Vodatel as their system and service partner not only fetched positive financial returns for us, their choices very well speak for themselves and significantly boost the market reputation of Vodatel as a reliable and trusted local service partner which has opened doors to new prospects.

Our Outlook for 2015 and Beyond

The gaming sector in Macao is a key market that Vodatel operates in. We are very conscious about the discomfort from the headwinds that recently shadowed the local gaming industry. In 2015 and the years beyond, while we will continue to actively replenish and maintain a healthy inventory of projects, we will remain vigilant of the ever changing economic landscape that can quite rapidly sway opportunities away. Nevertheless, we are confident that our balance sheet, our team and our disciplined and prudent mindset will allow us to grasp new business opportunities yet to manage through potential inevitable downturns.

Our Appreciation

One thing that clearly sets Vodatel apart from our peers is our people. I have always been proud of my team. They are good and the challenges they faced and overcame in 2014 and in the past years have clearly demonstrated how exceptionally good they are. The men and women have made Vodatel to become a company admired for its people, partnership and performance.

Finally, on behalf of the Board, I would like to, once again, express my deepest gratitude to our customers, vendors, business partners, bankers and our Members for believing in us.

José Manuel dos Santos
Chairman

Macao, 23rd March 2015

Management Discussion and Analysis

VODATEL — AT A GLANCE!

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

REVIEW OF BUSINESS ACTIVITIES

Business in Macao and Hong Kong

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

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

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

Business in Mainland China

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

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

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

Other Investments Holdings

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

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

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

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

REVIEW OF OPERATING RESULTS

Turnover and Profitability

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

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

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

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

Capital Structure and Financial Resources

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

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

Management Discussion and Analysis

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

Employees' Information

As at 31st December 2014, the Group had 272 employees, of which 147, 9 and 116 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 Scheme whereby certain employees of the Group may be granted options. Details of the 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 2014, 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.

Charges on Group Assets

As at 31st December 2014, bank deposit of approximately HK$26,475,000 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 disposed 33,024,000 GTGIL Shares for HK$7,716,000. 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 incurred net foreign exchange losses of HK$959,000 during the Year.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

José Manuel DOS SANTOS, aged 67, 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 57, 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 49, 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 46, 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 and from HKU, PRC with a Master of Social Sciences 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 62, 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 41, 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 57, 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 45, 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 50, 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 45, 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 41, 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 HKU, 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 52, 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 67, is the general manager 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 44, 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 56, 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 49, 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 45, 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 44, 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 65, 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 50, 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 51, 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.

Corporate Governance Report

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 consider 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.

3 Board (Continued)

The attendance record of each Director was as follows:

	Board	AGM
José Manuel dos Santos	3/4	Absent
Yim Hong	4/4	Present
Kuan Kin Man	4/4	Present
Monica Maria Nunes	4/4	Present
Fung Kee Yue Roger	4/4	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.

(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 PPE.

3 Board (Continued)

(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.

Monica Maria Nunes complied with Code A.6.5 by attending seminars organised by CIMA, 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

Tou Kam Fai was re-appointed for a two-year term expiring on 12th May 2015. Wong Tsu An Patrick was re-appointed for a two-year term expiring on 3rd June 2016. Fung Kee Yue Roger was re-appointed for a two-year term expiring on 29th September 2016. 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	1/1
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 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	1/1
Wong Tsu An Patrick	1/1
Tou Kam Fai	1/1

During the Year, the Nomination Committee recommended Monica Maria Nunes and Wong Tsu An Patrick 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$1,670,000 for the Year. Other fees paid to entities, which would reasonably be considered as part of the Auditor nationally or internationally, included approximately HK$69,000 to PricewaterhouseCoopers Limited for performing a health check on the status of a subsidiary of the Company in Macao.

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)

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

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

During the Year, the Audit Committee reviewed the financial reports for the Year, for the six months ended 30th June 2014 and for the quarters ended 31st March 2014 and 30th September 2014. 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, 23rd March 2015

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 29.

The Directors recommend the payment of a final dividend of HK$0.01 per Share, totalling HK$6,138,000.

Reserves

Movements in the reserves of the Group and of the Company during the Year are set out in Note 25 to the financial statements.

PPE

Details of the movements in PPE 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 2014, calculated under CA 1981 (as amended), amounted to HK$177,853,000 (2013: HK$168,440,000).

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 89 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

The purpose of the 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 Shares for the benefit of the Company and the Members as a whole.

Options (Continued)

The Directors may, at their discretion, invite Participants to take up Options at the Subscription Price.

The total number of Shares available for issue under the Scheme as at 31st December 2014 was 61,381,900, representing 10% of the issued share capital of the Company as at 31st December 2014.

Under the Scheme, the maximum number of Shares issued and to be issued upon exercise of the Options granted and to be granted to each Participant (including both exercised and outstanding Options) in any twelve-month period shall not exceed 1% of the Shares in issue for the time being.

An Option may be exercised in accordance with the terms of the Scheme at any time during the period to be determined and notified by the Board to the Grantee at the time of making an Offer which shall not expire later than ten years from the Date of Grant.

Pursuant to the Scheme, the Grantee shall pay HK$1 to the Company as consideration for the grant of Option.

The Subscription Price shall be determined by the Board in its absolute discretion but in any event shall not be less than the higher of 1. the closing price of the Shares as stated in the daily quotations sheets issued by the Exchange on the Date of Grant which must be a Business Day; 2. the average closing price of the Shares as stated in the daily quotations sheets issued by the Exchange for the five Business Days immediately preceding the Date of Grant; and 3. the nominal value of the Shares.

The Scheme was adopted for period of ten years commencing on 22nd June 2012.

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, Kuan Kin Man and Tou Kam Fai retire by rotation at the forthcoming AGM and, being eligible, offer themselves for re-election.

To comply with the Code, José Manuel dos Santos and Yim Hong retire by rotation at the forthcoming AGM and, being eligible, offer themselves for re-election.

Tou Kam Fai, Wong Tsu An Patrick and Fung Kee Yue Roger are independent non-executive Directors re-appointed with two-year terms expiring on 12th May 2015, 3rd June 2016 and 29th September 2016 respectively.

Report of the Directors

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 2014 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 Executive's interests and/or short positions in the Shares, underlying Shares and debentures of the Company or any Associated Corporation

As at 31st December 2014, 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 Executive's 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 2014, 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/or 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 2014, 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 2014, 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	41.50%
– five largest suppliers in aggregate	66.76%
Sales	
– the largest customer	45.71%
– five largest customers in aggregate	70.81%

None of the Directors, their Close 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

A summary of the related party transactions entered into by the Group during the Year is contained in Note 33 to the consolidated financial statements. Certain related party transactions also constituted connected transactions, but exempted from Members' approval, annual review and all disclosure requirements 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 23rd March 2015.

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, 23rd March 2015

Independent Auditor's Report

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 29 to 88, which comprise the consolidated and company balance sheets as at 31st December 2014, 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.

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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 2014, and of the Group's profit 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, 23rd March 2015

Consolidated Income Statement

	Note	Year ended 31st December 2014 HK$'000	 2013 HK$'000
Revenue	5	**472,046**	259,820
Cost of sales	7	**(344,010)**	(177,529)
Gross profit		**128,036**	82,291
Selling and marketing costs	7	**(10,403)**	(5,764)
Administrative expenses	7	**(97,226)**	(83,480)
Other income	6	**7,772**	1,929
Operating profit/(loss)		**28,179**	(5,024)
Finance income		**4,246**	3,581
Finance expenses		**(231)**	(28)
Finance income – net	9	**4,015**	3,553
Share of (loss)/profit of associates	11	**(9)**	1,206
Profit/(loss) before income tax		**32,185**	(265)
Income tax expense	12	**(3,621)**	(1,609)
Profit/(loss) for the Year		**28,564**	(1,874)
Profit/(loss) attributable to:			
Owners of the Company		**29,746**	(3,919)
Non-controlling interests		**(1,182)**	2,045
		28,564	(1,874)
Earnings/(loss) per Share attributable to owners of the Company for the Year (expressed in HK cents per Share)			
Basic earnings/(loss) per Share	13	**4.85**	(0.64)
Diluted earnings per Share	13	**Not applicable**	Not applicable

The notes on pages 36 to 88 are an integral part of these consolidated financial statements.

		Year ended 31st December 2014 HK$'000	 2013 HK$'000
Dividends	29	**6,138**	—

Consolidated Statement of Comprehensive Income

	Note	Year ended 31st December	
		2014	2013
		HK$'000	HK$'000
Profit/(loss) for the Year		**28,564**	(1,874)
Other comprehensive expense:			
Items that may be reclassified to profit or loss			
Change in value of available-for-sale financial assets	25(a)	**(29,495)**	2,277
Revaluation transfer to profit or loss	25(a)	**(3,674)**	(3,054)
Currency translation differences		**(92)**	267
Other comprehensive expense for the Year, net of tax		**(33,261)**	(510)
Total comprehensive expense for the Year		**(4,697)**	(2,384)
Attributable to:			
– Owners of the Company		**(3,491)**	(4,522)
– Non-controlling interests		**(1,206)**	2,138
Total comprehensive expense for the Year		**(4,697)**	(2,384)

The notes on pages 36 to 88 are an integral part of these consolidated financial statements.

Consolidated Balance Sheet

	Note	As at 31st December 2014 HK$'000	 2013 HK$'000
Assets			
Non-current assets			
Property, plant and equipment ("PPE")	16	**2,274**	2,337
Investments in associates	11	**3,647**	4,806
Available-for-sale financial assets	19	**124,094**	135,917
		130,015	143,060
Current assets			
Inventories	21	**56,500**	14,657
Trade receivables	20	**194,399**	86,576
Other receivables, deposits and prepayments	20	**26,593**	22,220
Amount due from an associate	11	**1,909**	—
Available-for-sale financial assets	19	**2,521**	5,074
Cash and cash equivalents	18,22	**79,305**	96,864
Restricted cash	18,22	**26,475**	26,634
		387,702	252,025
Liabilities			
Current liabilities			
Trade and bills payables	26	**130,155**	60,155
Other payables and accruals	26	**93,719**	43,569
Current income tax liabilities		**10,904**	7,606
Bank borrowing	27	**3,881**	—
		238,659	111,330
Net current assets		**149,043**	140,695
Total assets less current liabilities		**279,058**	283,755

Consolidated Balance Sheet

	Note	As at 31st December 2014 HK$'000	2013 HK$'000
Financed by:			
Equity			
Equity attributable to owners of the Company			
Share capital	23	**61,382**	61,382
Other reserves	25(a)	**198,153**	231,390
Retained earnings/(accumulated losses)			
– Proposed final dividend	29	**6,138**	—
– Others		**10,938**	(12,670)
		276,611	280,102
Non-controlling interests		**2,447**	3,653
Total equity		**279,058**	283,755

The notes on pages 36 to 88 are an integral part of these consolidated financial statements.

The financial statements on pages 29 to 88 were approved by the Board on 23rd March 2015 and were signed on its behalf.

José Manuel dos Santos
Director

Monica Maria Nunes
Director

Balance Sheet

	Note	As at 31st December 2014 HK$'000	2013 HK$'000
Assets			
Non-current assets			
Investments in subsidiaries	10(a)	**76,937**	76,937
Current assets			
Amounts due from subsidiaries	10(b)	**209,851**	199,962
Prepayments	20	**263**	111
Cash and cash equivalents	18, 22	**1,703**	466
		211,817	200,539
Liabilities			
Current liabilities			
Amounts due to subsidiaries	10(b)	**43,259**	41,309
Other payables and accruals	26	**1,380**	1,465
		44,639	42,774
Net current assets		**167,178**	157,765
Total assets less current liabilities		**244,115**	234,702
Financed by:			
Equity			
Equity attributable to owners of the Company			
Share capital	23	**61,382**	61,382
Other reserves	25(b)	**176,274**	176,274
Retained earnings/(accumulated losses)			
– Proposed final dividend	29	**6,138**	—
– Others		**321**	(2,954)
Total equity		**244,115**	234,702

The notes on pages 36 to 88 are an integral part of these financial statements.

The financial statements on pages 29 to 88 were approved by the Board on 23rd March 2015 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 HK$'000	Total equity HK$'000
		Share capital HK$'000	Other reserves (Note 25) HK$'000	Retained earnings/ (accumulated losses) HK$'000	Total HK$'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 ended 31st December 2013		–	–	(3,919)	(3,919)	2,045	(1,874)
OCI							
Revaluation gain	25	–	2,277	–	2,277	–	2,277
Revaluation transfer to profit or loss	25	–	(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)
Balance as at 31st December 2013		**61,382**	**231,390**	**(12,670)**	**280,102**	**3,653**	**283,755**
Comprehensive income							
Profit/(loss) for the Year		–	–	29,746	29,746	(1,182)	28,564
OCI							
Revaluation loss	25	–	(29,495)	–	(29,495)	–	(29,495)
Revaluation transfer to profit or loss	25	–	(3,674)	–	(3,674)	–	(3,674)
Currency translation differences – Group		–	(68)	–	(68)	(24)	(92)
Total other comprehensive expense, net of tax		–	(33,237)	–	(33,237)	(24)	(33,261)
Total comprehensive (expense)/income		**–**	**(33,237)**	**29,746**	**(3,491)**	**(1,206)**	**(4,697)**
Balance as at 31st December 2014		**61,382**	**198,153**	**17,076**	**276,611**	**2,447**	**279,058**

The notes on pages 36 to 88 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

	Note	Year ended 31st December 2014 HK$'000	2013 HK$'000
Cash flows from operating activities			
Cash (used in)/generated from operations	30	**(11,695)**	24,446
Interest paid		**(231)**	(28)
Income tax paid		**(255)**	(155)
Net cash (used in)/generated from operating activities		**(12,181)**	24,263
Cash flows from investing activities			
Proceeds from sale of available-for-sale financial assets		**67,003**	80,340
Purchases of available-for-sale financial assets	19	**(80,661)**	(50,507)
Purchases of PPE	16	**(1,139)**	(1,454)
Distributions from an associate	11	**1,150**	—
Interest received	9	**4,246**	3,581
Dividends received	6	**134**	170
Net cash (used in)/generated from investing activities		**(9,267)**	32,130
Cash flows from financing activities			
Proceeds from borrowings		**3,881**	—
Decrease/(increase) in restricted bank deposits		**159**	(26,019)
Dividends paid to Members		**—**	(12,276)
Net cash generated from/(used in) financing activities		**4,040**	(38,295)
Net (decrease)/increase in cash and cash equivalents		**(17,408)**	18,098
Cash and cash equivalents at beginning of Year		**96,864**	78,328
Exchange (losses)/gains on cash and cash equivalents		**(151)**	438
Cash and cash equivalents at end of Year		**79,305**	96,864

The notes on pages 36 to 88 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.

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 consolidated financial statements were prepared in accordance with the applicable requirements of CO for the Year and the comparative period.

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.

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

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

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

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

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

2 Summary of significant accounting policies (Continued)

(a) Basis of preparation (Continued)

(ii) Changes in accounting policy and disclosures – New standards and interpretations not yet adopted

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

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

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

2 Summary of significant accounting policies (Continued)

(a) Basis of preparation (Continued)

(ii) Changes in accounting policy and disclosures – New standards and interpretations not yet adopted (Continued)

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

HKAS 19 (2011) (Amendment)	Defined Benefit Plans: Employee Contributions [1]
Annual Improvements Project	Annual Improvements 2010 - 2012 Cycle [1]
Annual Improvements Project	Annual Improvements 2011 - 2013 Cycle [1]
Annual Improvements Project	Annual Improvements 2012 - 2014 Cycle [2]
HKFRS 10 and HKAS 28 (Amendment)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture [2]
HKFRS 10, HKFRS12 and HKAS 28	Investment Entities: Applying the Consolidation Exception [2]
HKFRS 11 (Amendment)	Acquisitions of Interests in Joint Operations [2]
HKFRS 14	Regulatory Deferral Accounts [2]
HKAS 1 (Amendment)	Disclosure Initiative [2]
HKAS 16 and HKAS 38 (Amendment)	Clarification of Acceptable Methods of Depreciation and Amortisation [2]
HKAS 16 and HKAS 41 (Amendment)	Agriculture: Bearer Plants [2]
HKAS 27 (Amendment)	Equity Method in Separate Financial Statements [2]

(1) Effective for annual periods beginning on or after 1st July 2014
(2) Effective for annual periods beginning on or after 1st January 2016

2 Summary of significant accounting policies (Continued)

(b) Subsidiaries

(i) Consolidation

A subsidiary was an entity (including a structured entity) over which the Company directly and indirectly had control. The Company directly or indirectly controlled an entity when the Company was directly or indirectly 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. Non-controlling interests in the acquiree that were present ownership interests and entitled their holders to a proportionate share of the net assets of the entity in the event of liquidation were measured at either fair value or at the proportionate share of the present ownership interests in the recognised amounts of the identifiable net assets of the acquiree. All other components of non-controlling interests were measured at their acquisition date fair value, unless another measurement basis was required by HKFRS.

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)

(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 received 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 investor 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.

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.

2 Summary of significant accounting policies (Continued)

(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.

(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 debt 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.

2 Summary of significant accounting policies (Continued)

(e) Foreign currency translation (Continued)

(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.

(f) PPE

PPE 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)).

2 Summary of significant accounting policies (Continued)

(f) PPE (Continued)

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.

(g) Impairment of non-financial assets

Assets that were subject to amortisation 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 (CGU). 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", "cash and cash equivalents" and "restricted cash" 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 realise the asset and settle the liability simultaneously. The legally enforceable right had not to be contingent on future events and had to be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

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 of 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 indicated 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, if any such evidence existed 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. 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.

For equity investments, 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 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.

(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 allowance 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. Trade payables 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 transaction 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.

(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.

2 Summary of significant accounting policies (Continued)

(r) Current and deferred income tax (Continued)

(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, the deferred income tax was 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.

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. Only where 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.

2 Summary of significant accounting policies (Continued)

(r) Current and deferred income tax (Continued)

(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.

(s) Employee benefits

The Group operated various post-employment schemes which were defined contribution pension plans.

(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) 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.

(u) 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 customers, the type of transactions and the specifics of each arrangement.

(i) Project sales

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

(ii) Sales of services

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

2 Summary of significant accounting policies (Continued)

(u) Revenue recognition (Continued)

(iii) Sales of software

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

(v) 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.

(w) Dividend income

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

(x) Management service income

Revenue arising from management service income is recognised when the relevant services are rendered.

(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.

(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 final dividends were approved by the Members.

(aa) Government subsidies

Government subsidies were financial assistance by local municipal Government in Mainland China in the form of transfer of resources to an enterprise to encourage business development in the local municipality and were recognised at their fair value where there were reasonable assurance that the subsidies would be received and the Group would comply with all attached conditions.

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 2014, 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$3,972,000 (2013: HK$2,278,000) higher/lower, mainly as a result of foreign exchange gains/losses on translation of RMB-denominated financial assets and liabilities.

(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 2014, the equity as at 31st December 2014 would increase/decrease by approximately HK$12,516,000 (2013: HK$5,160,000).

3 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(i) Market risk (Continued)

(III) Cash flow and fair value interest rate risk

The interest rate risk of the Group arose from bank deposits and bank borrowings. The interest income from bank deposits and finance costs for bank borrowings were not significant. As such, the 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, restricted cash, 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.

(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 2014, the Group held cash and cash equivalents of HK$79,305,000 (2013: HK$96,864,000). In addition, the Group held listed equity securities and corporate bonds of HK$61,150,000 (2013: HK$46,528,000), which could be readily realised to provide a further source of cash if the need arose.

3 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(iii) Liquidity risk (Continued)

The table below analysed 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 2014	
Trade and bills payables	130,155
Other payables	3,530
Bank borrowing	3,881
As at 31st December 2013	
Trade and bills payables	60,155
Other payables	3,522
Company	
As at 31st December 2014	
Amounts due to subsidiaries	43,259
As at 31st December 2013	
Amounts due to subsidiaries	41,309

(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 analysed financial instruments of the Group carried at fair value as at 31st December 2014 by level of the inputs to the valuation technique used to measure fair value. Such inputs were categorised into three levels within a fair value hierarchy 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).

	2014			2013
	Level one HK$'000	**Level three HK$'000**	**Total HK$'000**	Level one HK$'000
Assets				
Available-for-sale financial assets				
– Equity securities	**14,172**	**61,488**	**75,660**	25,481
– Debt investments	**46,978**	**—**	**46,978**	21,047
Total assets	**61,150**	**61,488**	**122,638**	46,528

(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 listed equities securities and corporate bonds classified as available for sale.

3 Financial risk management (Continued)

(c) Fair value estimation (Continued)

(ii) Financial instruments in level three

The fair value of financial instruments that were not traded in an active market was determined by using valuation techniques. If one or more significant inputs was not based on observable market data, the instrument was included in level three.

The following table presents the changes in level three instruments for the Year.

	HK$'000
As at 1st January 2014	—
Transfer into level three	87,933
Net loss transferred to equity	(26,445)
As at 31st December 2014	61,488

During the Year, the Group transferred equity securities available for sale carried at cost of HK$87,933,000 into level three. This was because its fair value could be measured reliably by using unobservable inputs in valuation technique.

The fair value of equity securities available for sale was determined by an independent qualified valuer based on discounted cash flow. The Directors reviewed the valuation performed by the independent valuer for financial reporting purposes.

The following table gives information about fair value measurements of available-for-sale financial assets using significant unobservable inputs (level three):

Fair value as at 31st December 2014 HK$'000	Valuation technique	Unobservable inputs	
61,488	Discounted cash flow	Weighted average cost of capital	19.85%
		Long-term revenue growth rate	5.00%
		Long-term pre-tax operating margin	5.00%
		Discount for lack of marketability	9.14%
		Control premium	16.01%

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.

4 Critical accounting estimates, judgements and assumptions (Continued)

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.

(d) Fair value of available-for-sale financial asset

The fair value of financial intruments that were not traded in an active market was determined by using valuation techniques. The Group used its judgment to select a variety of methods and made assumptions that were mainly based on market conditions existing at the end of each reporting period. The Group had used discount cash flow analysis for available-for-sale financial asset that were not traded in active markets.

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.

5 Segment information (Continued)

The executive Directors considered the business from both a product and geographic perspective. From a product perspective, management assessed the performance of the segment of design, sale and implementation of network and systems infrastructure; customer data automation, customisation and 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 at the Group level.

Revenue

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

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

5 Segment information (Continued)

Adjusted EBITDA

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

Other profit and loss disclosures

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

5 Segment information (Continued)

Assets

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

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

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

Entity-wide information

Breakdown of the revenue from all services is as follows:

Analysis of revenue by category

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

5 Segment information (Continued)

Analysis of revenue by category (Continued)

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

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

6 Other income

	2014 HK$'000	2013 HK$'000
Dividend income on available-for-sale financial assets (Note)	**134**	170
Profit on disposal of available-for-sale financial assets	**5,137**	491
Government subsidies	**1,089**	840
Management service income	**1,286**	—
Others	**126**	428
	7,772	1,929

Note:

The dividend income of HK$134,000 (2013: HK$170,000) was all derived from listed investments.

7 Expenses by nature

	2014 HK$'000	2013 HK$'000
Auditor's remuneration		
– Audit services	**1,670**	1,620
– Non-audit services	**69**	62
Changes in inventories	**295,882**	146,612
Depreciation (Note 16)	**1,167**	846
Employee benefit expense and independent non-executive Directors' emoluments (Note 8)	**71,694**	57,581
(Reversal of provision)/provision on inventories	**(207)**	2,433
Provision on trade receivables, net (Note 20)	**266**	788
Loss on of disposal of PPE	**28**	21
Operating lease payments	**3,398**	3,313
Transportation expenses	**4,514**	1,981
Other expenses	**73,158**	51,516
Total cost of sales, selling and marketing costs and administrative expenses	**451,639**	266,773

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

	2014 HK$'000	2013 HK$'000
Wages and salaries	**68,454**	53,981
Directors' fees	**880**	880
Social security costs	**2,200**	2,561
Pension costs - defined contribution plans	**160**	159
	71,694	57,581

(a) Pensions - defined contribution plans

There were no forfeited contributions.

Contributions totaling HK$160,000 (2013: HK$159,000) were payable to the fund as at 31st December 2014.

(b) Directors' emoluments

The remuneration of each of the Directors for the Year is set out below:

Name	Fees HK$'000	Salary HK$'000	Employer's contribution to pension scheme HK$'000	Bonus HK$'000	Total HK$'000
José Manuel dos Santos	130	4,104	—	1,150	5,384
Yim Hong (Note)	130	1,884	23	250	2,287
Kuan Kin Man	130	943	—	950	2,023
Monica Maria Nunes	130	1,307	20	950	2,407
Fung Kee Yue Roger	120	—	—	—	120
Wong Tsu An Patrick	120	—	—	—	120
Tou Kam Fai	120	—	—	—	120

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

(b) Directors' emoluments (Continued)

The remuneration of each of the Directors for the year ended 31st December 2013 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)	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

Note:

Also managing director.

No Director waived or agreed to waive any of their emoluments in respect of the Year (2013: Nil).

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the Year included four (2013: four) Directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining one (2013: one) individual during the Year are as follows:

	2014 HK$'000	2013 HK$'000
Basic salaries and allowances	**941**	1,324

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

	Number of individual	
	2014	2013
Emolument bands		
<HK$500,001	**4**	4
HK$500,001 – HK$1,000,000	**8**	9
>HK$1,000,000	**2**	1

9 Finance income - net

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

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

(a) Investments in subsidiaries

	2014 HK$'000	2013 HK$'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

The following is a list of the principal subsidiaries as at 31st December 2014:

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital / registered capital	Proportion of ordinary shares held by the Company (%)	Proportion of ordinary shares held by non-controlling interest (%)
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	24
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	24
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	46

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

(a) Investments in subsidiaries (Continued)

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital / registered capital	Proportion of ordinary shares held by the Company (%)	Proportion of ordinary shares held by non-controlling interest (%)
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))	56
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	18
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	24
Vodatel Holdings Limited ("VHL")	BVI, limited liability company	Investment holding and design, sale and implementation of netwoek 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	Sale of data networking systems 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	–

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

(a) Investments in subsidiaries (Continued)

Notes:

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

(ii) Shares held directly by the Company.

(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 interests as at 31st December 2014 was HK$2,447,000 (2013: HK$3,653,000), of which HK$3,728,000 (2013: HK$2,879,000) was related to 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 the subsidiary that had non-controlling interests that was material to the Group.

Summarised balance sheet

	GVDL	
	2014 HK$'000	2013 HK$'000
Current		
Assets	**41,867**	23,524
Liabilities	**(31,206)**	(17,174)
Total current net assets	**10,661**	6,350
Non-current assets	**4,036**	6,503
Net assets	**14,697**	12,853

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

	GVDL	
	2014 HK$'000	2013 HK$'000
Revenue	**30,445**	17,099
Profit/(loss) before income tax	**2,812**	(1,193)
Income tax expense	**(892)**	(15)
Post-tax profit/(loss)	**1,920**	(1,208)
(Other comprehensive expense)/OCI	**(76)**	440
Total comprehensive income/(expense)	**1,844**	(768)
Post-tax profit/(loss) attributable to non-controlling interests	**883**	(556)
Total comprehensive income/(expense) attributable to non-controlling interests	**848**	(353)

Summarised cash flows

	GVDL	
	2014 HK$'000	2013 HK$'000
Cash flows from operating activities		
Cash used in operations	**(749)**	(7,846)
Income tax paid	**(7)**	(16)
Net cash used in operating activities	**(756)**	(7,862)
Net cash generated from investing activities	**2,730**	9,917
Net cash generated from financing activities	**—**	615
Net increase in cash and cash equivalents	**1,974**	2,670
Cash and cash equivalents at beginning of Year	**8,468**	5,448
Exchange (losses)/gains on cash and cash equivalents	**(54)**	350
Cash and cash equivalents at end of Year	**10,388**	8,468

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

11 Investments in associates

	2014 HK$'000	2013 HK$'000
Share of net assets, as at 1st January	**4,806**	3,600
Share of results of associates	**(9)**	1,206
Dividend income	**(1,150)**	—
Share of net assets, as at 31st December	**3,647**	4,806
Amount due from an associate	**1,909**	—

The amount due from an associate was denominated in MOP and was unsecured, interest-free and repayable on demand.

Set out below is the associate of the Group as at 31st December 2014, 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; the country of incorporation was also its principal place of business.

Nature of material investment in an associate as at 31st December 2014 and 2013 is as follows:

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 was 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.

11 Investments in associates (Continued)

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

	2014 HK$'000	2013 HK$'000
Total non-current assets	588	1,309
Total current assets	9,104	12,913
Total current liabilities	(156)	(562)
Net assets	9,536	13,660

Summarised income statement

	2014 HK$'000	2013 HK$'000
Revenue	12,122	21,556
(Loss)/profit before income tax, post-tax (loss)/profit and total comprehensive (expense)/income for the Year	(272)	3,850
Dividends	(3,852)	—

The information above reflects the amounts presented in the financial statements of Vodacabo and not the share of those amounts of the Group.

12 Income tax expense

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

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

12 Income tax expense (Continued)

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

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

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

13 Earnings/(loss) per Share

(a) Basic

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

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

13 Earnings/(loss) 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 and the year ended 31st December 2013 was presented as all the rights to subscribe for the Shares granted pursuant to the share option scheme approved by the Members at a special general meeting on 5th November 2002 expired during the year ended 31st December 2013 and there were no outstanding options as at 31st December 2014.

14 Net foreign exchange gains

The exchange differences (charged)/credited to the income statement are included as follows:

	2014 **HK$'000**	2013 HK$'000
Administrative expenses	**(959)**	87

15 Profit/(loss) attributable to owners of the Company

The profit attributable to owners of the Company is dealt with in the financial statements of the Company to the extent of HK$9,413,000 (2013: loss of HK$3,312,000).

16 PPE - 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 2013					
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 ended 31st December 2013					
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
Year					
Opening net book amount	349	1,301	609	78	2,337
Currency translation differences	—	(6)	(1)	—	(7)
Additions	—	945	164	30	1,139
Disposals	—	(12)	(16)	—	(28)
Depreciation charge (Note 7)	(200)	(752)	(160)	(55)	(1,167)
Closing net book amount	149	1,476	596	53	2,274
As at 31st December 2014					
Cost	3,699	12,146	3,034	1,057	19,936
Accumulated depreciation	(3,550)	(10,670)	(2,438)	(1,004)	(17,662)
Net book amount	149	1,476	596	53	2,274

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 2014			
Assets as per balance sheet			
Available-for-sale financial assets	—	126,615	126,615
Trade and other receivables and deposits excluding prepayments	218,040	—	218,040
Amount due from an associate	1,909	—	1,909
Cash and cash equivalents	79,305	—	79,305
Restricted cash	26,475	—	26,475
Total	**325,729**	**126,615**	**452,344**

	Financial liabilities at amortised cost HK$'000
Liabilities as per balance sheet	
Trade, bills and other payables excluding non-financial liabilities	133,685
Bank borrowing	3,881
Total	**137,566**

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 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
Cash and cash equivalents	96,864	—	96,864
Restricted cash	26,634	—	26,634
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**

(b) Company

	Loans and receivables	
	2014 HK$'000	2013 HK$'000
Assets as per balance sheet		
Amounts due from subsidiaries	**209,851**	199,962
Cash and cash equivalents	**1,703**	466
Total	**211,554**	200,428

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

(b) Company (Continued)

	Financial liabilities at amortised cost	
	2014 HK$'000	2013 HK$'000
Liabilities as per balance sheet		
Amounts due to subsidiaries	**43,259**	41,309
Other payables	**15**	67
Total	**43,274**	41,376

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:

Restricted cash

	Group	
	2014 HK$'000	2013 HK$'000
Banks with external credit rating (Moody's)		
A2	**26,475**	—
A3	**—**	26,634

18 Credit quality of financial assets - Group and Company (Continued)

Cash and cash equivalents

	Group		Company	
	2014 HK$'000	2013 HK$'000	**2014 HK$'000**	2013 HK$'000
Banks with external credit rating (Moody's)				
A1	**18,290**	5,798	**—**	—
A2	**10,778**	32,998	**—**	—
A3	**11,525**	8,750	**—**	—
Aa2	**4,359**	10,351	**—**	—
Aa3	**6,533**	14,762	**1,703**	466
Ba2	**—**	637	**—**	—
Ba3	**25,966**	19,627	**—**	—
Baa3	**707**	2,863	**—**	—
Cash	**1,147**	1,078	**—**	—
	79,305	96,864	**1,703**	466

19 Available-for-sale financial assets - Group

	2014 HK$'000	2013 HK$'000
As at 1st January	**140,991**	171,110
Additions	**80,661**	50,507
Disposals	**(61,864)**	(79,920)
Redemption	**(3,678)**	(2,983)
Net (loss)/gains transfer to equity (Note 25(a))	**(29,495)**	2,277
As at 31st December	**126,615**	140,991
Less: non-current portion	**(124,094)**	(135,917)
Current portion	**2,521**	5,074

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

Available-for-sale financial assets included the following:

	2014 HK$'000	2013 HK$'000
Listed securities:		
– Equity securities – Hong Kong	**14,172**	25,481
– Corporate bonds (Note (a))	**46,978**	21,047
Unlisted securities		
– Equity securities	**62,944**	89,389
– Debt securities (Note (b))	**2,521**	5,074
	126,615	140,991
Market value of listed securities	**61,150**	46,528

Notes:

(a) The corporate bonds were debt investments with fixed interest ranging from 4.10% to 8.50% and maturity dates between May 2016 and January 2019 (2013: ranging from 4.50% to 7.00% and maturity dates between December 2014 and January 2018).

(b) The debt securities were debt investments with fixed interest 4.25% and maturity dates in February 2015 (2013: ranging from 4.20% to 6.89% and maturity dates in January 2014).

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

	2014 HK$'000	2013 HK$'000
HK$	**14,172**	23,199
MOP	**1,456**	1,456
RMB	**24,405**	8,751
US$	**86,582**	107,585
	126,615	140,991

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 2014, 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	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	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade receivables	**209,231**	101,220	**—**	—
Less: allowance for impairment of trade receivables	**(14,832)**	(14,644)	**—**	—
Trade receivables - net	**194,399**	86,576	**—**	—
Other receivables, deposits and prepayments	**26,593**	22,220	**263**	111
	220,992	108,796	**263**	111

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 the individual customers and the Group. As at 31st December 2014 and 2013, the ageing analysis of the trade receivables based on invoice date was as follows:

	2014	2013
	HK$'000	HK$'000
Within three months	**155,821**	75,425
> Three months but ≤ six months	**24,617**	5,989
> Six months but ≤ twelve months	**8,828**	2,566
Over twelve months	**19,965**	17,240
	209,231	101,220

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

As at 31st December 2014, trade receivables of HK$111,804,000 (2013: HK$58,630,000) 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:

	2014 HK$'000	2013 HK$'000
Within three months	73,226	47,479
> Three months but ≤ six months	24,617	5,989
> Six months but ≤ twelve months	8,828	2,566
Over twelve months	5,133	2,596
	111,804	58,630

As at 31st December 2014, trade receivables of HK$14,832,000 (2013: HK$14,644,000) were impaired and were fully provided for. There 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:

	2014 HK$000	2013 HK$000
HK$	4,956	4,131
US$	28,127	20,691
MOP	147,618	57,631
RMB	40,291	26,343
	220,992	108,796

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

	2014 HK$000	2013 HK$000
As at 1st January	14,644	68,060
Translation difference	(78)	416
Provision for receivables impairment	947	788
Receivables written off during the Year as uncollectible	—	(54,620)
Unused amounts reversed	(681)	—
As at 31st December	14,832	14,644

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

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

	2014 HK$'000	2013 HK$'000
Networking equipment	**56,500**	14,657

The cost of inventories recognised as expense and included in "cost of sales" amounted to HK$295,882,000 (2013: HK$146,612,000).

A reversal of provision of HK$207,000 was made as at 31st December 2014 while a provision of HK$2,433,000 was made as at 31st December 2013 and 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	
	2014 HK$'000	2013 HK$'000	**2014 HK$'000**	2013 HK$'000
Cash at banks and on hand	**78,982**	94,626	**1,703**	466
Short-term bank deposits	**323**	2,238	**—**	—
Cash and cash equivalents	**79,305**	96,864	**1,703**	466

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 31st December 2014, the cash at banks of HK$17,037,000 (2013: HK$20,481,000) were deposited in banks in Mainland China.

(b) Restricted cash

As at 31st December 2014, HK$26,475,000 (2013: HK$26,634,000) were restricted deposits held at bank as reserve for obtaining banking facilities provided by the bank.

23 Share capital – Group and Company

	2014		2013	
	Number of Shares (thousands)	HK$'000	Number of Shares (thousands)	HK$'000
Authorised:				
Shares	2,000,000	200,000	2,000,000	200,000

Shares, issued and fully paid:

	Number of Shares (thousands)	Share capital HK$'000
As at 1st January 2013, 31st December 2013 and 2014	613,819	61,382

24 Retained earnings/(accumulated losses) - Group and Company

	Group HK$'000	Company HK$'000
As at 1st January 2013	3,525	12,634
Loss for the year ended 31st December 2013	(3,919)	(3,312)
Dividends paid relating to 2012	(12,276)	(12,276)
As at 31st December 2013	(12,670)	(2,954)
Profit for the Year	29,746	9,413
As at 31st December 2014	17,076	6,459

25 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 (Note (i)) HK$'000	Statutory reserve (Note (ii)) HK$'000	Translation HK$'000	Total HK$'000
As at 1st January 2013	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
Revaluation loss	—	—	—	(29,495)	—	—	—	(29,495)
Revaluation transfer to profit or loss	—	—	—	(3,674)	—	—	—	(3,674)
Currency translation differences	—	—	—	—	—	—	(68)	(68)
As at 31st December 2014	**97,676**	**4,178**	**702**	**56,715**	**35,549**	**49**	**3,284**	**198,153**

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 nº 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.

25 Other reserves - Group and Company (Continued)

(b) Company

	Contributed surplus (Note) HK$'000	Other reserve HK$'000	Capital redemption reserve HK$'000	Total HK$'000
Balance as at 1st January 2013, 31st December 2013 and 2014	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 2014 amounted to approximately HK$177,853,000 (2013: HK$168,440,000).

26 Trade, bills and other payables and accruals - Group and Company

	Group		Company	
	2014 HK$'000	2013 HK$'000	**2014 HK$'000**	2013 HK$'000
Trade and bills payables	**130,155**	60,155	**—**	—
Other payables and accruals	**93,719**	43,569	**1,380**	1,465
	223,874	103,724	**1,380**	1,465

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

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

27 Bank borrowing - Group

	2014 HK$'000	2013 HK$'000
Bank borrowing repayable within one year	3,881	—

The bank borrowing was secured by pledged bank deposit of HK$26,475,000 (Notes 18 and 22). The carrying amount of bank borrowing approximated its fair value and was denominated in MOP.

The average effective interest rate of the bank borrowing as at 31st December 2014 was 5.25% per annum.

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$10,669,000 (2013: HK$10,097,000) in respect of tax losses amounting to HK$57,992,000 (2013: HK$58,944,000) that could be carried forward against future taxable income. Cumulative tax losses amounting to HK$31,155,000 (2013: HK$26,752,000) can be carried forwarded indefinitely; cumulative tax losses of HK$26,837,000 (2013: HK$32,192,000) would expire (if not utilised) within the next five years.

29 Dividends

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

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

The amounts of the dividend proposed during the Year are disclosed in the consolidated income statement in accordance with CO.

30 Cash generated from operations

	2014 HK$'000	2013 HK$'000
Profit/(loss) before income tax	**32,185**	(265)
Adjustments for:		
– Depreciation of PPE (Note 16)	**1,167**	846
– Profit on disposal of available-for-sale financial assets (Note 6)	**(5,137)**	(491)
– Loss on disposal of PPE	**28**	21
– Dividend income on available-for-sale financial assets (Note 6)	**(134)**	(170)
– Finance income - net (Note 9)	**(4,015)**	(3,553)
– Share of loss/(profit) from associates (Note 11)	**9**	(1,206)
– (Reversal)/impairment of inventories (Note 7)	**(207)**	2,433
– Impairment of trade receivables, net (Note 20)	**266**	788
	24,162	(1,597)
Changes in working capital (excluding the effects of currency translation differences on consolidation)		
– Inventories	**(41,636)**	(8,484)
– Trade and other receivables, deposits and prepayments	**(112,462)**	42,835
– Trade and bills payables	**70,000**	1,631
– Other payables and accruals	**50,150**	(9,939)
– Amount due from an associate	**(1,909)**	—
Cash (used in)/generated from operations	**(11,695)**	24,446

31 Contingencies - Company

The Company gave guarantees in the ordinary course of business amounting to approximately HK$381,228,000 (2013: HK$135,302,000) to its subsidiaries. As at 31st December 2014, guarantees of approximately HK$2,459,000 (2013: HK$11,215,000) with respect to banking facilities and trade credits made available to its subsidiaries were executed.

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	**2014** **HK$'000**	2013 HK$'000
No later than one year	**1,827**	1,372
Later than one year and no later than five years	**1,011**	358
	2,838	1,730

33 Related party transactions

The following transactions were carried out with related parties:

(a) Sale of goods and services

	2014 **HK$'000**	2013 HK$'000
Sale of goods:		
– An entity controlled by key management personnel	**198**	300
Sale of services:		
– An associate (management services)	**93**	23
Total	**291**	323

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

	2014 HK$'000	2013 HK$'000
– An entity controlled by key management personnel	58	75

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) Operating lease payments

	2014 HK$'000	2013 HK$'000
– A Director	1,071	963

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

(d) Key management compensation

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

(e) Year-end balances

	2014 HK$'000	2013 HK$'000
Receivables from related parties:		
– Vodacabo (note 11)	1,909	—
– An entity controlled by key management personnel	171	8
Payables to related parties:		
– An entity controlled by key management personnel	408	352
– Directors	4,629	1,267

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 (2013: Nil).

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 **2014** **HK$'000**	 2013 HK$'000	 2012 HK$'000	 2011 HK$'000	 2010 HK$'000
Profit/(loss) attributable to:					
– Owners of the Company	**29,746**	(3,919)	29,274	26,685	25,933
– Non-controlling interest	**(1,182)**	2,045	473	(1,292)	(1,989)
Assets and liabilities					
Total assets	**517,717**	395,085	416,383	308,290	268,840
Total liabilities	**(238,659)**	(111,330)	(117,968)	(100,145)	(95,172)
Total equity	**279,058**	283,755	298,415	208,145	173,668

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
"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 shares 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
"CGU"	cash-generating unit
"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
"Close Associate"	has the meaning ascribed thereto in the GEM Listing Rules
"CNMS"	customer network management system
"CO"	the predecessor Companies Ordinance (Chapter 32 of the Laws of Hong Kong)

"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 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 shares in its share capital are listed on the Main Board, and its subsidiaries
"GEM"	the Growth Enterprise Market operated by the Exchange
"GEM Listing Rules"	the Rules Governing the Listing of Securities on GEM made by the Exchange from time to time
"Grantee"	any Participant who accepts an Offer in accordance with the terms of the Scheme, or (where the context so permits) any person who is entitled to any such Option in consequence of the death of the original Grantee, or the legal personal representative of such person
"Group" or "Vodatel"	the Company and its subsidiaries (not applicable to Galaxy Group, Galaxy Entertainment Group Limited and Gold Tat Group International Limited)
"GTGIL"	Gold Tat Group International Limited, a company incorporated in the Cayman Islands with limited liability and GTGIL Shares are listed on GEM
"GTGIL Share"	ordinary share of US$0.001 each in the share capital of GTGIL

Definitions

“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)
“HKU”	The University of Hong Kong, established under the University of Hong Kong Ordinance (Chapter 1053 of the Laws of Hong Kong)
“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
“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
"Nomination Committee"	the nomination committee of the Company
"OCI"	other comprehensive income
"Offer"	the offer of the grant of an Option under the Scheme
"OHHL"	Ocean Hope Holdings Limited, a company incorporated in BVI with limited liability
"Option"	an option to subscribe for Shares pursuant to the Scheme and for the time subsisting
"Participant"	Directors (including executive Directors, non-executive Directors and independent non-executive Directors) and employees of the Group and any advisors, consultants, distributors, contractors, suppliers, agents, customers, business partners, joint venture business partners, promoters and service providers of any member of the Group who the Board considers, in its sole discretion, have contributed or will contribute to the Group
"PPE"	property, plant and equipment
"PRC"	The People's Republic of China
"Remuneration Committee"	the remuneration committee of the Company
"RMB"	Renminbi, the lawful currency of Mainland China
"Scheme"	the share option scheme approved by the Members at the AGM on 22nd June 2012
"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 Scheme
"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

Definitions

"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 2014
"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