



VODATEL

(Stock code: 8033)



**CELEBRATING 15
SUCCESSFUL YEARS AS
A LISTED COMPANY**

2015 ANNUAL REPORT

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.

Contents

Corporate Information	2
Company Profile	3
Chairman's Statement	4
Management Discussion and Analysis	6
Biographical Details of Directors and Senior Management	11
Corporate Governance Report	15
Report of the Directors	22
Financial Information	
Independent Auditor's Report	28
Consolidated Income Statement	30
Consolidated Statement of Comprehensive Income	31
Consolidated Balance Sheet	32
Consolidated Statement of Changes in Equity	34
Consolidated Statement of Cash Flows	35
Notes to the Consolidated Financial Statements	36
Five Year Financial Summary	94
Definitions	95

Corporate Information

Directors

Executive Directors

José Manuel dos Santos
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

Monica Maria Nunes
Foo Chun Ngai Redford

Company Secretary

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

Compliance Officer

Monica Maria Nunes

Audit Committee

Fung Kee Yue Roger
Wong Tsu An Patrick
Tou Kam Fai

Auditor

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

Registered Office

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Head Office and Principal Place of Business

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

Place of Business in Hong Kong

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

Website

<http://www.vodatelsys.com>

Bankers

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

Share Registrars

Codan Services Limited
Clarendon House
2 Church Street
Hamilton HM11
Bermuda

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

Company Profile

Headquartered in Macao and listed on GEM, the Group embodies the vision of delivering high-quality, cutting-edge and custom-tailored IT infrastructure for its customers. Vodatel, by working in close collaboration with renowned manufacturers, offers technology that improves operational efficiency and optimisation by facilitating the swift and timely flow of data. The Group specialises in the design, implementation, operation and maintenance of turnkey solutions in the areas of IT and surveillance. It also actively promotes its in-house capability of software development.

The Group strives for excellence in its core business, reflected through a track record of stellar growth, solid earnings and consistent cash-flow generation. Having been founded in Macao, it is focused on expanding its presence locally, and into other parts of PRC and the Asia Pacific region. Moreover, with time and experience, the Group has developed a comprehensive set of competencies in IT and surveillance solutions for the public sectors, as well as the telecommunications, gaming and hospitality sectors.

The Group is currently focusing investments on critical technology for future IT industry applications. These will ultimately enhance growth prospects in a set of diverse fields, and cater for an on-going technology revolution, allowing customers to develop more sophisticated and representative data mining capabilities and additional opportunities that are currently not feasible due to infrastructure limitations.

In addition to its main offices in Macao and Hong Kong, the Group has sizeable research facilities in Jiangxi and Shanghai, 24-hour service hubs and several representative offices across PRC.

Chairman's Statement

Dear fellow Members,

Performance and Dividend

On the 15th anniversary of the listing of Vodatel, I'm pleased to say that, despite a challenging market environment, we have continued to deliver positive results. Through successful execution of our strategy of focusing on our core strengths and markets, we achieved turnover of HK\$350,263,000 and net profit of HK\$6,460,000 for the Year. With a sound balance sheet and solid cash position, the Board proposes a final dividend of HK\$0.01 per Share for the Year.

Strategy

The strategy of Vodatel remains clear and simple:

Strengths – We represent brands and products technology that are among the best of their breed to cater to the demands of our customers for mission critical turnkey solutions. However, our greatest strength is our people and we invest in and nurture them to become top-notch players in their fields of expertise.

Markets – We focus on Macao, Hong Kong and Mainland China which we believe present some of the best growth opportunities for the future.

With these ingredients, Vodatel is well positioned to provide **High Quality, Very Reliable** and **Easily Scalable** turnkey infrastructure solutions with the **Best Support Services** to our valued customers: governments, gaming operators and telecommunications service providers in the territories where we are active.

Review of 2015

Macao is one of the core markets in which we operate. With the golden era being challenged by the headwinds of fewer visitors and reduced gaming revenue, we saw gaming operators operating cautiously and fighting back by reshaping the industry with more non-gaming elements. Despite the changing business landscape, we made some landmark achievements during the Year, including the completion of the surveillance system for the Galaxy Group in Cotai Strip, the award of a contract to install and commission a major surveillance system at the new resort of another gaming operator in Cotai Strip, and a core switch replacement contract for another gaming operator where we successfully migrated over twenty applications in a live operating environment with minimal business impact.

Looking into 2016

Against the backdrop of continued global economy uncertainty, we strongly believe that 2016 will be another challenging year for Macao, as different gaming operators consider their expansion strategies carefully. While Macao will remain an important market for Vodatel, it is also our intention to realise new opportunities, such as bidding to construct data networks infrastructure projects for telecommunications service providers in Mainland China and to expanding our offerings to the provision of local network support services to existing telecommunications clients in Hong Kong. In addition, as gaming gradually evolves into a pillar industry in many Asian countries, we will watch closely to identify potential entry routes which would allow us to expand our reach in the areas of data networks and surveillance systems.

Our Appreciation

On 12th February 2016, Yim Hong retired after serving for over 17 years as the Chief Executive and an executive Director of Vodatel. On behalf of the Board, I would like to thank him for his dedicated service and wise counsel during all these years with us. As part of our succession planning, Kuan Kin Man and Monica Maria Nunes will co-chair and succeed the position of Chief Executive. The Board will now comprise six Directors. With their diverse background, the Board will continue to have a good balance of skills to meet the dynamics of the market. The Board will maintain its disciplined and prudent mindset, and continue to set the right tone from the top by demonstrating good corporate governance.

2015 has been a challenging year and special credit should be given to our team of employees. Their loyalty, commitment and drive for perfection earn Vodatel its reputation as a highly reliable system integrator that delivers quality services and support. We owe the success of the Company to their continued hard work, passion and dedication in delivering our strategies.

Our Anniversary

2015 not only marked the 23rd anniversary of Vodatel in business, but also our 15th anniversary as a listed company. On behalf of the Board, I would like to express my deep appreciation to our customers, vendors, business partners and, bankers for backing Vodatel, and to our Members, for investing in us.

José Manuel dos Santos

Chairman

Macao, 18th March 2016

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 positioned to achieve market differentiation, yet complementing one another in product and service offerings. Always putting customers first, the primary driver at the Group is to become the partner-of-choice of its clients, when they seek a local partner for turnkey solutions and service provisioning to align their expectations in level of choices and service requirements and to match their demands, values and aspirations.

REVIEW OF BUSINESS ACTIVITIES

Business in Macao and Hong Kong

As a system integrator and service provider that already represents a list of internationally renowned manufacturers, the Group is in continuous pursuit of identifying new products with high potential to grow which complement its current product and service offerings. In terms of human resources, the Group remains a major player in Macao reputable to house a cadre of highly trained, skilled and experienced engineers. MDL and VHL are therefore among the most sought-after companies to provide system maintenance and support services, in particular in handling sophisticated turnkey solutions where any unexpected hiccups can potentially result in business or service interruptions.

At VHL, following the completion of the major surveillance project for the Galaxy Group, VHL was proud to be selected by another gaming operator to design, supply, install and commission a surveillance system at its new gaming and hospitality complex, currently under construction in the Cotai Strip. This major project will keep the team busy during 2016 and well into 2017. During the Year, another landmark project secured by VHL was a core switch replacement contract for a gaming operator that the Group has worked very hard to penetrate further. This complex and critical contract, which was completed during March 2016, required careful and diligent planning as over twenty live applications had to be migrated from the core switches of one vendor to a different vendor. Working in collaboration with the manufacturer, VHL conducted proof of concept and executed the migration plan within the scheduled timeframe and with minimal business impact to the live environment. This project once again demonstrates the abilities of the Group to manage mission critical workstreams in very challenging environments, and further enhances the market reputation of “Vodatel” as a reliable and trusted partner of quality in both system commissioning and system migration.

During the Year, both MDL and VHL continued to be chosen as solution and service providers of turnkey solutions in the areas of servers, storage, security, surveillance and networking and in the provision of customised software solutions and on-going maintenance support services to various gaming operators, universities and different bureaus under the Government of Macao, including the Public Security Forces Affairs Bureau, Statistics and Census Bureau, Education and Youth Affairs Bureau, Marine and Water Bureau, Labour Affairs Bureau, Housing Bureau, Civic and Municipal Affairs Bureau, to name a few. In the Year, MDL successfully introduced “premier support services” to the Government of Macao and secured contracts from the Transport Bureau, Cultural Industries Fund and Public Administration and Civil Service Bureau to utilise such services. Under the scope of “premier support services”, MDL and the respective vendor proactively assist the customer in maximising their IT resources, ensuring the health of their IT operations, providing customised and personal service management and delivering prioritised 24/7 problem resolution support.

In Hong Kong, the Group signed over HK\$45,000,000 worth of contracts from various telecommunications service providers in the area of networking infrastructure during the Year, a record result for the Hong Kong team. Given such success, the Group is considering growing its team in Hong Kong. This would allow the team to bid for more projects related to the construction of data networks infrastructure projects and to extend its reach to provide local network support services to telecommunications service providers in Hong Kong — a service currently only offered to customers of the Group in Macao and Mainland China.

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 approximately HK\$20,000,000 of maintenance services provided to telecommunications service providers in the provinces of Hebei, Liaoning and Guangdong and the municipalities of Shanghai and Tainjin during the Year.

Between them, TSTSH and TSTJX completed software development works of approximately HK\$26,000,000 during the Year, representing a year-on-year increase of over 60%. “TideStone Intelligent Environment Monitoring System”, “TideStone Integrated Network & Service Management System” and “TideStone Integrated Fault Management System” continued to be well received among the existing customers of both TSTSH and TSTJX, successfully securing new and repeated orders from telecommunications service providers in the provinces of Guangdong, Jiangxi, Jiangsu, Hubei, Hebei, Shandong and Sichuan and the municipalities of Chongqing and Shanghai.

In addition to CNMS deployed at various telecommunications service providers in Mainland China, VHL successfully installed and commissioned “TideStone Integrated Network & Service Management System” at a major gaming operator in Macao. Through the “TideStone” platform, technicians can now effectively monitor a considerable number of servers, system managers and switches, promptly alerting the customer of unusual system loading or failed equipment which could potentially cause business interruptions. With the first win in Macao secured, MDL has been actively promoting “TideStone Integrated Network & Service Management System” to the Government of Macao and local universities.

Other Investments Holdings

TTSA Intense competition as a result of competitive tariffs packages offered by the other two market players continued to affect the operating performance of TTSA as it reported a 10.57% drop of its revenue for the Year from HK\$346,813,000 in 2014 to HK\$310,165,000. Nevertheless, competition in the market seemed to have eased up as evidenced by EBITDA of TTSA for the Year almost levelled as compared to the preceding year. As TTSA reported a small loss of HK\$5,318,000 for the Year, coupled with uncertain market environment, TTSA proposes to continue to suspend payment of dividends. As at 31st December 2015, the Group held 17.86% of TTSA.

On 9th March 2016, the Government of Timor-Leste approved the acquisition from TPTSA, the largest shareholder of TTSA, of its 54.01% equity interests in TTSA and will appoint a committee to negotiate this sale transaction with Brazilian telecommunications company Oi S.A., a company incorporated in Brazil with limited liability and whose shares are listed on the New York Stock Exchange in USA and BM&FBOVESPA in Brazil, which holds a 76% shareholding in TPTSA. As the news is very current, at this early stage, the Group is not in the position to determine its implication to the valuation of TTSA but will monitor this sale transaction closely.

Management Discussion and Analysis

Vodacabo Due to uncertain business landscape in Timor-Leste, Vodacabo reported a net loss of HK\$2,215,000 for the Year as it struggled to secure contracts for the construction of telecommunications sites and the installation of energy structure and as the company failed to expand its reach to the construction of infrastructure in the power sector. Following the consensus decision to dispose of Vodacabo, the shareholders agreed to a management buyout of the company and the Group entered into a sale and purchase agreement in early February 2016 to sell its shareholding. Prior to 31st December 2015, Vodacabo declared and paid total dividends of over HK\$3,800,000 to its shareholders, with the share of dividends allotted to the Group amounting to HK\$1,186,000. As at 31st December, 2015, the investment of the Group in Vodacabo was treated to be assets classified as held for sale.

GTGIL GTGIL is another investment holding and is principally engaged in the 1. trading of electronic parts and components in relation to display modules and touch panel modules, and provision of professional solution with engineering services; and 2. property development and property investment. According to the third quarter report issued by GTGIL on 11th February 2016, for the nine months ended 31st December 2015, the revenue of GTGIL was HK\$524,363,000 and its loss for the same period was HK\$28,376,000. As a non-core asset of the Group, it has been the intention to gradually dispose of all its shareholdings in GTGIL in the open market. During the Year, due to depressed market conditions, the Group has not disposed of any GTGIL Shares. As at 31st December 2015, the Group held 82,395,392 GTGIL Shares or approximately 2.30% of GTGIL.

REVIEW OF OPERATING RESULTS

Turnover and Profitability

With the completion of the surveillance system for the Galaxy Group by VHL in May 2015 and momentum of business activities only picking up during the third quarter of the Year, albeit a strong fourth quarter where revenue derived amounted HK\$136,877,000 or approximately 40% of total revenue generated by the Group for the Year, the Group reported revenue of HK\$350,263,000, representing a drop of 25.80% as compared to the preceding year. Aligned with a decrease in total revenue, gross profit lowered from HK\$128,036,000 to HK\$106,980,000, or a decline of 16.45% as compared to 2014.

Despite lower revenue and a corresponding drop in its gross profit, the Group witnessed a year-on-year improvement of its gross profit margin from 27.12% to 30.54%. Gross profit margin of the Group continues to be closely tied to its sales mix comprising of hardware, software development and support services. 2015 was recognised as a year where considerable works performed involving provision of system support, system retrofits and relocations by MDL and VHL and sale of software by TSTSH and TSTJX, all of these works carried higher margins than hardware sales, therefore stronger gross profit margin was observed.

Although revenue for the Year fell 25.80%, the Group did not experience a parallel percentage drop to its selling, marketing costs and administrative expenses as a result of a significant increase of overtime claims to accommodate site works necessary to complete various projects, in particular where site works were to be performed during non-office hours as requested by gaming operators to minimise business inconveniences, and management of the Group approving an average 7% salary increment to its staff to align with market expectations and general level of inflation. Additional pays were also offered to engineers who completed technical and product trainings, with further remunerations to those who successfully passed and obtained recognised certifications, in particular from manufacturers that the Group represented or related to project management.

As staff costs (including staff benefits and welfare), the biggest element of the total cost structure, did not proportionally drop in tandem with lower revenue, coupled with the absence of any gain from the disposal of GTGIL Shares, the Group reported net profit of HK\$6,460,000 for the Year as compared to net profit of HK\$28,564,000 for the preceding year, or earnings of 1.18 HK cents per Share.

Capital Structure and Financial Resources

With the completion of the surveillance system for the Galaxy Group, key figures related to level of inventories, receivables, payables and accruals retreated back to their norms. Level of inventories and trade receivables decreased from HK\$56,500,000 and HK\$194,399,000 as at 31st December 2014 to HK\$13,674,000 and HK\$135,606,000 respectively as at 31st December 2015, with a corresponding drop of its trade and bills payables and other payables and accruals from an aggregate of HK\$223,874,000 as at 31st December 2014 to an aggregate of HK\$102,251,000 as at 31st December 2015. With prudent cash management habitually practiced at the Group, management will continue to carefully manage risks of stock obsolescence, be diligent with its selection of customers to minimise risks of bad debts and negotiate extended favorable trade terms with its suppliers.

The Group continued to exercise capital discipline and maintain a solid balance sheet with no gearing (save for and except normal trade and other payables). Despite reporting another year of profitability, the equity base of the Group declined from HK\$279,058,000 to HK\$265,804,000. The variance of HK\$13,254,000, which corresponded approximately the change in value of available-for-sale financial assets of HK\$13,943,000, was primarily explained by a downward adjustment to its fair value of HK\$6,910,000 at TTSA subsequent to a revaluation and the devaluation of GTGIL Shares of HK\$7,004,000. Restricted cash, cash and cash equivalents and yield-enhanced financial instruments, which totaled HK\$136,465,000 or approximately 35.97% of the total assets of the Group, remained at a healthy level. Current liquidity position weathers the Group against unexpected headwinds while provides flexibility to the management to comfortably pursue new business opportunities.

Employees' Information

As at 31st December 2015, the Group had 250 employees, of which 126, 9 and 115 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.

Management Discussion and Analysis

Capital Commitments and Significant Investments

As at 31st December 2015, the Group had significant investments of which the details are set out in Note 18 to the consolidated financial statements and in previous paragraphs under “Other Investments Holdings”. Save as disclosed, the Group did not have any significant capital commitments and significant investments.

Charges on Group Assets

As at 31st December 2015, bank deposit of approximately HK\$25,906,000 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 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\$2,329,000 during the Year.

Environmental Policies and Performance

The Group is committed to maintaining the highest environmental standards to ensure sustainable development of its business, with compliance of all relevant laws and regulations having significant impact on the Group in relation to its business including health and safety, workplace conditions, employment and the environment.

Compliance with Relevant Laws and Regulations

During the Year, to the best knowledge of the Directors, there was no material breach of or non-compliance with applicable laws and regulations by the Group that had a significant impact on the Group.

Relationships with Stakeholders

The Group, as usual, maintains a good relationship with its customers, suppliers and employees.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

José Manuel DOS SANTOS, aged 68, 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 Correios 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.

KUAN Kin Man, aged 50, was first appointed as an executive Director on 14th December 1999. He is the managing director and 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 47, was first appointed as an executive Director on 13th December 1999. She is the managing director and 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 a member of the Chartered Professional Accountants of Alberta, Canada and is entitled to use the designation Chartered Professional Accountant. 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 63, 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 42, 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 58, 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 46, 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 51, 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 46, 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 42, 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 53, 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 68, is the general manager of ZHMSDL 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 45, 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 57, 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 University of London, the United Kingdom of Great Britain and Northern Ireland. 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.

Biographical Details of Directors and Senior Management

SENIOR MANAGEMENT (By alphabetical order) (Continued)

MOK Chi Va, aged 50, 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 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 46, is the assistant technical director 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 45, 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 66, 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 51, 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 52, 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 (retired on 12th February 2016) 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.

Corporate Governance Report

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	3/4	Absent
Wong Tsu An Patrick	3/4	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 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, the share registrar of the Company in Hong Kong and a training company.

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.

Corporate Governance Report

4 Chairman and Chief Executives

Chairman:	José Manuel dos Santos
Chief Executives:	Yim Hong (retired on 12th February 2016) Kuan Kin Man (starting from 12th February 2016) Monica Maria Nunes (starting from 12th February 2016)

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

5 Non-executive Directors

Wong Tsu An Patrick was re-appointed for a two-year term expiring on 3rd June 2016. Fung Kee Yue Roger was re-appointed for a two-year term expiring on 29th September 2016. Tou Kam Fai was re-appointed for a two-year term expiring on 12th May 2017. 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 bonuses for the year ended 31st December 2014 and on 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 José Manuel dos Santos, Yim Hong, Kuan Kin Man and Tou Kam Fai 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\$1,545,000 for the Year.

Corporate Governance Report

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 ended 31st December 2014, for the six months ended 30th June 2015 and for the quarters ended 31st March 2015 and 30th September 2015. The Audit Committee also reviewed and discussed the report of the Auditor to the Audit Committee for the year ended 31st December 2014 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, 18th March 2016

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 30.

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

Distributable reserves

Distributable reserves of the Company as at 31st December 2015, calculated under CA 1981 (as amended), amounted to HK\$177,709,000 (2014: HK\$177,853,000).

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 94 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.

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 2015 was 61,381,900, representing 10% of the issued share capital of the Company as at 31st December 2015.

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.

Options (Continued)

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 a 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	(retired on 12th February 2016)
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, Fung Kee Yue Roger retires by rotation at the forthcoming AGM and, being eligible, offers himself for re-election. Pursuant to Code A.4.3, any re-appointment of independent non-executive Directors who have served more than nine years shall be subject to a separate resolution to be approved by the Members. Fung Kee Yue Roger has been an independent non-executive Director for more than nine years. The Board believes that, despite his length of service, he remains independent as he has not held any executive or management positions in the Group throughout his appointment. He has also demonstrated his ability to provide an independent view to the matters of the Company. Notwithstanding his years of service as an independent non-executive Director, the Board is of the view that he is able to continue to fulfill his role as required and thus recommends him for re-election at the AGM. In this regard, separate resolutions will be put forward at the AGM to re-elect Fung Kee Yue Roger as an independent non-executive Director.

Wong Tsu An Patrick, Fung Kee Yue Roger and Tou Kam Fai, independent non-executive Directors, are re-appointed with two-year terms expiring on 3rd June 2016, 29th September 2016 and 12th May 2017 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' material interests in transactions, arrangements and contracts that were significant in relation to the business of the Company

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 32 to the financial statements.

Save for contracts amongst Group companies and the aforementioned transactions, no other transactions, arrangements and contracts of significance to which the subsidiaries of the Company was a party and in which a Director and his connected party had a material interest, whether directly or indirectly, subsisted as at 31st December 2015 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 2015, the relevant interests and short positions of the Directors or Chief Executives 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 2015, 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 2015, 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 2015, 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.

Report of the Directors

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	21.91%
– five largest suppliers in aggregate	71.80%
Sales	
– the largest customer	34.15%
– five largest customers in aggregate	67.39%

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 32 to the consolidated financial statements. Certain related party transactions also constituted connected transactions, but are 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 18th March 2016.

Business review

The business review is set out on pages 6 to 10 under the section headed "Management Discussion and Analysis".

Corporate governance report

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

Permitted indemnity provisions

During the Year and as at 18th March 2016, a permitted indemnity provision is in force for the benefit of all the Directors.

Auditor

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

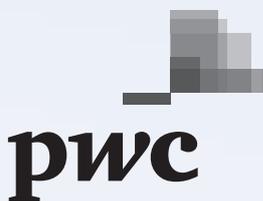
On behalf of the Board

José Manuel dos Santos

Chairman

Macao, 18th March 2016

Independent Auditor's Report



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 30 to 93, which comprise the consolidated balance sheet as at 31st December 2015, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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



羅兵咸永道

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

Auditor's Responsibility (Continued)

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 financial position of the Company and its subsidiaries as at 31st December 2015, and of their financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 18th March 2016

Consolidated Income Statement

	Note	Year ended 31st December	
		2015 HK\$'000	2014 HK\$'000
Revenue	5	350,263	472,046
Cost of sales	7	(243,283)	(344,010)
Gross profit		106,980	128,036
Selling and marketing costs	7	(7,753)	(10,403)
Administrative expenses	7	(93,974)	(97,226)
Other income	6	765	7,772
Operating profit		6,018	28,179
Finance income		3,476	4,246
Finance expenses		(191)	(231)
Finance income – net	9	3,285	4,015
Share of loss of associates	11	(649)	(9)
Profit before income tax		8,654	32,185
Income tax expense	12	(2,194)	(3,621)
Profit for the Year		6,460	28,564
Profit/(loss) attributable to:			
Owners of the Company		7,253	29,746
Non-controlling interests		(793)	(1,182)
		6,460	28,564
Earnings per Share attributable to owners of the Company for the Year (expressed in HK cents per Share)			
Basic and diluted earnings per Share	13	1.18	4.85

The notes on pages 36 to 93 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

	Note	Year ended 31st December	
		2015 HK\$'000	2014 HK\$'000
Profit for the Year		6,460	28,564
Other comprehensive expense:			
<i>Items that may be reclassified to profit or loss</i>			
Change in value of available-for-sale financial assets	25	(13,943)	(29,495)
Revaluation transfer to profit or loss	25	709	(3,674)
Currency translation differences		(342)	(92)
Other comprehensive expense for the Year, net of tax		(13,576)	(33,261)
Total comprehensive expense for the Year		(7,116)	(4,697)
Attributable to:			
– Owners of the Company		(6,232)	(3,491)
– Non-controlling interests		(884)	(1,206)
Total comprehensive expense for the Year		(7,116)	(4,697)

The notes on pages 36 to 93 are an integral part of these consolidated financial statements.

Consolidated Balance Sheet

	Note	As at 31st December	
		2015 HK\$'000	2014 HK\$'000
Assets			
Non-current assets			
Property, plant and equipment ("PPE")	15	2,405	2,274
Investments in associates	11	804	3,647
Available-for-sale financial assets	18	93,705	124,094
		96,914	130,015
Current assets			
Inventories	20	13,674	56,500
Current income tax recoverable		427	—
Trade receivables	19	135,606	194,399
Other receivables, deposits and prepayments	19	24,546	26,593
Amounts due from associates	11	1,197	1,909
Available-for-sale financial assets	18	2,421	2,521
Cash and cash equivalents	17,21	77,495	79,305
Restricted cash	17,21	26,047	26,475
		281,413	387,702
Assets classified as held for sale	22	1,008	—
		282,421	387,702
Liabilities			
Current liabilities			
Trade and bills payables	26	47,204	130,155
Other payables and accruals	26	55,047	93,719
Current income tax liabilities		11,280	10,904
Bank borrowing	27	—	3,881
		113,531	238,659
Net current assets		168,890	149,043
Total assets less current liabilities		265,804	279,058

	Note	As at 31st December	
		2015 HK\$'000	2014 HK\$'000
Financed by:			
Equity			
Equity attributable to owners of the Company			
Share capital	23	61,382	61,382
Other reserves	25	184,668	198,153
Retained earnings			
– Proposed final dividend	29	6,138	6,138
– Others		12,053	10,938
		264,241	276,611
Non-controlling interests		1,563	2,447
Total equity		265,804	279,058

The notes on pages 36 to 93 are an integral part of these consolidated financial statements.

The financial statements on pages 30 to 93 were approved by the Board on 18th March 2016 and were signed on its behalf.

José Manuel dos Santos
Director

Monica Maria Nunes
Director

Consolidated Statement of Changes in Equity

	Attributable to owners of the Company						
	Note	Share capital HK\$'000	Other reserves (Note 25) HK\$'000	(Accumulated losses)/ retained earnings HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
Balance as at 1st January 2014		61,382	231,390	(12,670)	280,102	3,653	283,755
Comprehensive income							
Profit/(loss) for the year ended 31st December 2014		—	—	29,746	29,746	(1,182)	28,564
OCI							
Available-for-sale financial assets - revaluation loss	25	—	(29,495)	—	(29,495)	—	(29,495)
Available-for-sale financial assets - 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		—	(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
Comprehensive income							
Profit/(loss) for the Year		—	—	7,253	7,253	(793)	6,460
OCI							
Available-for-sale financial assets - revaluation loss	25	—	(13,943)	—	(13,943)	—	(13,943)
Available-for-sale financial assets - revaluation transfer to profit or loss	25	—	709	—	709	—	709
Currency translation differences - Group		—	(251)	—	(251)	(91)	(342)
Total other comprehensive expense, net of tax		—	(13,485)	—	(13,485)	(91)	(13,576)
Total comprehensive expense		—	(13,485)	7,253	(6,232)	(884)	(7,116)
Dividend relating to 2014		—	—	(6,138)	(6,138)	—	(6,138)
Balance as at 31st December 2015		61,382	184,668	18,191	264,241	1,563	265,804

The notes on pages 36 to 93 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

	Note	Year ended 31st December	
		2015 HK\$'000	2014 HK\$'000
Cash flows from operating activities			
Cash used in operations	30	(9,653)	(11,695)
Interest paid		(191)	(231)
Income tax paid		(2,245)	(255)
Net cash used in operating activities		(12,089)	(12,181)
Cash flows from investing activities			
Proceeds from sale of available-for-sale financial assets		152,407	67,003
Purchases of available-for-sale financial assets	18	(135,767)	(80,661)
Proceeds from sale of PPE		96	—
Purchases of PPE	15	(1,356)	(1,139)
Distributions from an associate	11	1,186	1,150
Interest received	9	3,476	4,246
Dividends received	6	97	134
Net cash generated from/(used in) investing activities		20,139	(9,267)
Cash flows from financing activities			
(Repayment of)/proceeds from borrowings		(3,881)	3,881
Decrease in restricted bank deposits		428	159
Dividend paid to Members		(6,138)	—
Net cash (used in)/generated from financing activities		(9,591)	4,040
Net decrease in cash and cash equivalents		(1,541)	(17,408)
Cash and cash equivalents at beginning of Year		79,305	96,864
Exchange losses on cash and cash equivalents		(269)	(151)
Cash and cash equivalents at end of Year		77,495	79,305

The notes on pages 36 to 93 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

1 General information

The Group embodies the vision of delivering high-quality, cutting-edge and custom-tailored IT infrastructure for its customers. The Group, by working in close collaboration with renowned manufacturers, offers technology that improves operational efficiency and optimisation by facilitating the swift and timely flow of data. The Group specialises in the design, implementation, operation and maintenance of turnkey solutions in the areas of IT and surveillance. It also actively promotes its in-house capability of software development.

The Group strives for excellence in its core business, reflected through a track record of stellar growth, solid earnings and consistent cash-flow generation. Having been founded in Macao, it is focused on expanding its presence locally, and into other parts of PRC and the Asia Pacific region. Moreover, with time and experience, the Group has developed a comprehensive set of competencies in IT and surveillance solutions for the public sectors, as well as the telecommunications, gaming and hospitality sectors.

The Group is currently focusing investments on critical technology for future IT industry applications. These will ultimately enhance growth prospects in a set of diverse fields, and cater for an on-going technology revolution, allowing customers to develop more sophisticated and representative data mining capabilities and additional opportunities that are currently not feasible due to infrastructure limitations.

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

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

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 amendments to standards were adopted by the Group for the first time for the financial year beginning on or after 1st January 2015:

Amendments from annual improvements to HKFRS – 2010 – 2012 Cycle, on HKFRS 8, “Operating Segments”, HKAS 16, “PPE”, HKAS 38, “Intangible Assets” and HKAS 24, “Related Party Disclosures”.

Amendments from annual improvements to HKFRS – 2011 – 2013 Cycle, on HKFRS 3, “Business Combinations”, HKFRS 13, “Fair Value Measurement” and HKAS 40, “Investment Property”.

The adoption of the improvements made in the 2010 – 2012 Cycle required additional disclosures in the segment note. Other than that, the remaining amendments were not material to the Group.

The following new amendment published was mandatory for the accounting year of the Group beginning on 1st January 2015. The adoption of this new amendment had no significant impact on the financial statements.

HKAS 19 (2011) (Amendment)	Defined Benefit Plans: Employee Contributions
-------------------------------	---

Notes to the Consolidated Financial Statements

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 2015 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, “Financial Instruments: Recognition and Measurement” that relates to the classification and measurement of financial instruments. HKFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through profit or loss. The basis of classification depends on the business model of the entity and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in HKAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in OCI, for liabilities designated at fair value through profit or loss. HKFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the “hedged ratio” to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under HKAS 39. The standard is effective for accounting periods beginning on or after 1st January 2018. Early adoption is permitted. The Group is yet to assess the full impact of HKFRS 9.

HKFRS 15, “Revenue from Contracts with Customers” deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from the contracts of an entity with customers. Revenue is recognised when a customer obtains control of goods or services and thus has the ability to direct the use and obtain the benefits from the 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 2018 and earlier application is permitted. The Group is assessing the impact of HKFRS 15.

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

2 Summary of significant accounting policies (Continued)

(a) Basis of preparation (Continued)

(iii) *New CO*

In addition, the requirements of Part 9 “Accounts and Audit” of the new CO came into operation during the financial year, as a result, there were changes to presentation and disclosures of certain information in the consolidated financial statements.

(b) Subsidiaries

(i) *Consolidation*

A subsidiary was an entity (including a structured entity) over which the Company directly or indirectly had control. The Company directly or indirectly controlled an entity when the Company 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.

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 unless the transaction provided evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries were adjusted to conform with the accounting policies of the Group.

Notes to the Consolidated Financial Statements

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 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 equalled 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.

2 Summary of significant accounting policies (Continued)

(c) Associates (Continued)

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

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

(d) Segment reporting

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

(e) Foreign currency translation

(i) *Functional Currency and presentation currency*

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

(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.

Notes to the Consolidated Financial Statements

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 |

2 Summary of significant accounting policies (Continued)

(f) PPE (Continued)

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

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

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

(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 (cash-generating units). Non-financial assets other than goodwill that suffered an impairment were reviewed for possible reversal of the impairment at each reporting date.

(h) Non-current assets held-for-sale

Non-current assets were classified as held for sale when their carrying amount was to be recovered principally through a sale transaction and a sale was considered highly probable. The non-current assets were stated at the lower of carrying amount and fair value less costs to sell.

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies (Continued)

(i) 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(m) and 2(n)).

(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 after the end of the reporting period.

(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.

2 Summary of significant accounting policies (Continued)

(i) Financial assets (Continued)

(ii) Recognition and measurement (Continued)

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.

(j) 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.

(k) Impairment of financial assets

(i) Assets carried at amortised cost

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

Evidence of impairment might include indications that the debtors or a group of debtors was experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they would enter bankruptcy or other financial reorganisation, and where observable data 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.

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies (Continued)

(k) Impairment of financial assets (Continued)

(i) *Assets carried at amortised cost (Continued)*

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.

(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.

2 Summary of significant accounting policies (Continued)

(l) 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.

(m) 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.

(n) 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.

(o) Share capital

Shares were classified as equity.

(p) 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.

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies (Continued)

(q) 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 prepayment 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.

(r) Borrowing costs

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

(s) Current and deferred income tax

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

(i) Current income tax

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

2 Summary of significant accounting policies (Continued)

(s) Current and deferred income tax (Continued)

(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 when there was an agreement in place that gave the Group the ability to control the reversal of the temporary difference in the foreseeable future, deferred tax liability in relation to taxable temporary differences arising from the undistributed profits of the associate was not recognised.

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

(iii) *Offsetting*

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

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies (Continued)

(t) 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 and contractual 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.

(u) Provisions

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

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

2 Summary of significant accounting policies (Continued)

(u) Provisions (Continued)

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.

(v) Revenue recognition

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

(iii) Sales of software

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

(w) Interest income

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

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies (Continued)

(x) Dividend income

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

(y) Leases

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

(z) Dividend distribution

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

(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.

3 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(i) Market risk (Continued)

(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 2015, if HK\$ had weakened/strengthened by 5% against RMB with all other variables held constant, post-tax profit for the Year would have been HK\$2,162,000 (2014: HK\$3,972,000) 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 2015, the equity as at 31st December 2015 would increase/decrease by approximately HK\$9,467,000 (2014: HK\$12,516,000).

(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.

Notes to the Consolidated Financial Statements

3 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(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, deposits and restricted cash with banks, 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 2015, the Group held cash and cash equivalents of HK\$77,495,000 (2014: HK\$79,305,000). In addition, the Group held listed equity securities and corporate bonds of HK\$40,092,000 (2014: HK\$61,150,000), 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 into relevant maturity groupings based on the remaining period at the balance sheet date 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 2015	
Trade and bills payables	47,204
Other payables	2,729
As at 31st December 2014	
Trade and bills payables	130,155
Other payables	3,530
Bank borrowing	3,881

(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.

Notes to the Consolidated Financial Statements

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 2015 by level of the inputs to valuation techniques 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).

	Level one HK\$'000	2015 Level three HK\$'000	Total HK\$'000
Assets			
Available-for-sale financial assets			
Equity securities	7,169	54,578	61,747
Debt investments	32,923	—	32,923
Total assets	40,092	54,578	94,670

	Level one HK\$'000	2014 Level three HK\$'000	Total HK\$'000
Assets			
Available-for-sale financial assets			
Equity securities	14,172	61,488	75,660
Debt investments	46,978	—	46,978
Total assets	61,150	61,488	122,638

3 Financial risk management (Continued)

(c) Fair value estimation (Continued)

(i) Financial instruments in level one

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

(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.

There was no transfer of financial instruments between different fair value hierarchies for the Year.

The following table presents the changes in level three instruments for the year ended 31st December 2014.

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

During the year ended 31st December 2014, the Group transferred equity securities available for sale carried at cost of HK\$87,933,000 into level three. This is 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.

Notes to the Consolidated Financial Statements

3 Financial risk management (Continued)

(c) Fair value estimation (Continued)

(ii) Financial instruments in level three (Continued)

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

Valuation technique	Unobservable inputs	2015
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	9.16%
	Control premium	17.50%

4 Critical accounting estimates, judgements and assumptions

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

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

(a) Provision for impairment of inventories

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

4 Critical accounting estimates, judgements and assumptions (Continued)

(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 judgement. A considerable amount of judgement 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 assets

The fair value of financial instruments that were not traded in an active market was determined by using valuation techniques. The Group used its judgement to select a variety of methods and 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 an available-for-sale financial asset that was 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.

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 discontinued operations and 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 driven by the executive Directors, who managed the cash position of the Group.

Notes to the Consolidated Financial Statements

5 Segment information (Continued)

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	
	2015 HK\$'000	2014 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	21,160	39,177
– Hong Kong and Macao	303,143	416,923
CNMS	25,960	15,946
Total	350,263	472,046

Adjusted EBITDA

	2015 HK\$'000	2014 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	799	275
– Hong Kong and Macao	2,808	28,661
CNMS	3,237	(4,870)
	6,844	24,066
Dividend income	97	134
Total	6,941	24,200
Depreciation	(957)	(1,167)
Finance income – net	3,285	4,015
(Loss)/profit on disposal of available-for-sale financial assets	(615)	5,137
Profit before income tax	8,654	32,185

5 Segment information (Continued)

Other profit and loss disclosures

	2015			2014		
	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 loss of associates HK\$'000
Design, sale and implementation of network and systems infrastructure; customer data automation, customisation and integration; and provision of technical support services:						
– Mainland China	(136)	(3)	—	(149)	(898)	—
– Hong Kong and Macao	(631)	(1,760)	(649)	(624)	(1,950)	(9)
CNMS	(190)	(431)	—	(394)	(773)	—
Total	(957)	(2,194)	(649)	(1,167)	(3,621)	(9)

Assets

	2015			2014		
	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	22,771	—	142	58,341	—	159
– Hong Kong and Macao	237,753	804	654	313,785	3,647	744
CNMS	21,677	—	560	18,976	—	236
Total	282,201	804	1,356	391,102	3,647	1,139
Unallocated						
Available-for-sale financial assets	96,126			126,615		
Assets classified as held for sale	1,008			—		
Total assets per the balance sheet	379,335			517,717		

Notes to the Consolidated Financial Statements

5 Segment information (Continued)

Assets (Continued)

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. The measure of assets reviewed by the executive Directors did not include assets held for sale.

Entity-wide information

Breakdown of the revenue from all services is as follows:

Analysis of revenue by category

	2015 HK\$'000	2014 HK\$'000
Design, sale and implementation of network and systems infrastructure; customer data automation, customisation and integration; and provision of technical support services	324,303	456,100
CNMS	25,960	15,946
	<u>350,263</u>	<u>472,046</u>

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

Revenues of approximately HK\$82,566,000 (2014: HK\$141,416,000) 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

	2015 HK\$'000	2014 HK\$'000
Dividend income on available-for-sale financial assets	97	134
(Loss)/profit on disposal of available-for-sale financial assets	(615)	5,137
Government subsidies (Note)	687	1,089
Management service income	523	1,286
Others	73	126
	765	7,772

Note:

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

7 Expenses by nature

	2015 HK\$'000	2014 HK\$'000
Auditor's remuneration		
– Audit services	1,545	1,670
– Non-audit services	—	69
Changes in inventories	190,829	295,882
Depreciation (Note 15)	957	1,167
Employee benefit expense and independent non-executive Directors' emoluments (Note 8)	66,198	71,694
Provision/(reversal of provision) on inventories	2,085	(207)
Provision on trade receivables, net (Note 19)	1,151	266
Loss on disposal of PPE	99	28
Operating lease payments	3,635	3,398
Transportation expenses	1,828	4,514
Other expenses	76,683	73,158
Total cost of sales, selling and marketing costs and administrative expenses	345,010	451,639

Notes to the Consolidated Financial Statements

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

	2015 HK\$'000	2014 HK\$'000
Wages and salaries	63,052	68,454
Directors' fees	880	880
Social security costs	2,053	2,200
Pension costs - defined contribution plans	213	160
Total employee benefit expense	<u>66,198</u>	<u>71,694</u>

(a) Pensions - defined contribution plans

There were no forfeited contributions.

Contributions totalling HK\$213,000 (2014: HK\$160,000) were payable to the fund as at 31st December 2015.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the Year included four (2014: four) Directors whose emoluments are reflected in the analysis shown in Note 34. The emoluments payable to the remaining one (2014: one) individual during the Year are as follows:

	2015 HK\$'000	2014 HK\$'000
Basic salaries and allowances	<u>2,216</u>	<u>941</u>

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

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

	Number of individual	
	2015	2014
Emolument bands (in HK\$)		
<HK\$500,000	4	4
HK\$500,001 – HK\$1,000,000	9	8
>HK\$1,000,000	1	2

9 Finance income and costs

	2015 HK\$'000	2014 HK\$'000
Finance expenses:		
– Bank borrowing interest expense	(191)	(231)
Finance income:		
– Interest income on short-term bank deposits	875	1,540
– Interest income on available-for-sale financial assets	2,601	2,706
Finance income	3,476	4,246
Net finance income	3,285	4,015

Notes to the Consolidated Financial Statements

10 Subsidiaries

The following is a list of the principal subsidiaries as at 31st December 2015:

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 interests (%)
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
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 (ii))	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 (Macao) Limited	Macao, limited liability company	Investment holding in Timor - Leste	MOP1,685,400	100	—
Tidestone Science and 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	76	24

10 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 interests (%)
Vodatel Holdings Limited ("VHL")	BVI, limited liability company	Investment holding and design, sale and implementation of network and systems infrastructure, customer data automation, customisation and integration; and provision of technical support services in Macao	10,000 ordinary shares of US\$1 each	100 (Note (iii))	—
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	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	—

Notes:

- (i) Although the Group owned less than half of the equity interests in GZIC, GVDL held 81.82% interest directly in GZIC and was able to control GZIC. Consequently, the Company consolidated GZIC.
- (ii) Shares held directly by the Company.

Notes to the Consolidated Financial Statements

10 Subsidiaries (Continued)

(a) Material non-controlling interests

The total non-controlling interest as at 31st December 2015 was HK\$1,563,000 (2014: HK\$2,447,000), of which HK\$2,271,000 (2014: HK\$3,728,000) was for GVDL. The non-controlling interests in respect of other subsidiaries were not material.

Summarised financial information on a subsidiary with material non-controlling interests

Set out below is the summarised financial information for GVDL that had non-controlling interest that was material to the Group.

Summarised balance sheet

	GVDL	
	2015 HK\$'000	2014 HK\$'000
Current		
Assets	17,787	41,867
Liabilities	(10,173)	(31,206)
Total current net assets	7,614	10,661
Non-current assets	3,914	4,036
Net assets	11,528	14,697

Summarised income statement

	GVDL	
	2015 HK\$'000	2014 HK\$'000
Revenue	12,240	30,445
(Loss)/profit before income tax	(2,486)	2,812
Income tax expense	—	(892)
Post-tax (loss)/profit	(2,486)	1,920
Other comprehensive expense	(682)	(76)
Total comprehensive (expense)/income	(3,168)	1,844
Total comprehensive (expense)/income allocated to non-controlling interests	(1,457)	848

10 Subsidiaries (Continued)

(a) Material non-controlling interests (Continued)

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

Summarised cash flows

	GVDL	
	2015 HK\$'000	2014 HK\$'000
Cash flows from operating activities		
Cash used in operations	(6,047)	(749)
Income tax paid	—	(7)
Net cash used in operating activities	(6,047)	(756)
Net cash (used in)/generated from investing activities	(138)	2,730
Net (decrease)/increase in cash and cash equivalents	(6,185)	1,974
Cash and cash equivalents at beginning of Year	10,388	8,468
Exchange losses on cash and cash equivalents	(576)	(54)
Cash and cash equivalents at end of Year	3,627	10,388

The information above is before inter-company eliminations.

(b) Significant restrictions

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 2015, the cash at banks of HK\$15,003,000 (2014: HK\$17,037,000) were deposited in banks in Mainland China.

Notes to the Consolidated Financial Statements

11 Investments in associates

	2015 HK\$'000	2014 HK\$'000
As at 1st January	3,647	4,806
Share of results of associates	(649)	(9)
Dividend income	(1,186)	(1,150)
Transferred to assets classified as held for sale (Note 22)	(1,008)	—
As at 31st December	804	3,647
Amounts due from associates	1,197	1,909

The amounts due from associates were mainly denominated in MOP and US\$ and were unsecured, interest-free and repayable on demand.

Set out below is the only associate of the Group as at 31st December 2015, the associate as listed below had share capital consisting solely of shares; the place of incorporation was also its principal place of business.

Nature of material investment in an associate as at 31st December 2015 and 2014.

Name of entity	Place of business/ incorporation	% of ownership interest	Nature of relationship	Measurement method
Source Tech, Limited ("STL")	Macao	45	Note	Equity

Note:

STL was principally engaged in the provision of service in the areas of information systems and maintenance software. STL became inactive as at 30th December 2015.

STL 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 is the summarised financial information for STL which was accounted for using the equity method.

Summarised balance sheet

	STL	
	2015 HK\$'000	2014 HK\$'000
Current		
Total current assets	1,833	4,398
Total current liabilities	(46)	(2,537)
Net assets	<u>1,787</u>	<u>1,861</u>

Summarised income statement

	STL	
	2015 HK\$'000	2014 HK\$'000
Revenue	2,598	3,878
Post-tax profit and total comprehensive income	<u>34</u>	<u>170</u>

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

Notes to the Consolidated Financial Statements

12 Income tax expense

Hong Kong profits tax was provided at the rate of 16.5% (2014: 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.

	2015 HK\$'000	2014 HK\$'000
Current tax:		
Current tax on profits for the Year		
– Hong Kong profits tax	4	251
– Macao complementary profits tax	1,760	1,906
– Mainland China corporate income tax	450	1,420
Adjustments in respect of prior years	(20)	44
Income tax expense	2,194	3,621

The tax on profit 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:

	2015 HK\$'000	2014 HK\$'000
Profit before tax	8,654	32,185
Tax calculated at domestic tax rates applicable to profits in the respective regions	680	2,900
Tax effects of:		
– Income not subject to tax	(397)	(244)
– Expenses not deductible for tax purposes	635	834
– Utilisation of previously unrecognised tax losses	(781)	(2,747)
– Tax losses for which no deferred income tax asset was recognised	2,077	2,834
Adjustments in respect of prior years	(20)	44
Tax charge	2,194	3,621

The weighted average applicable tax rate was 12.50% (2014: 11.21%). The change was caused by a change in the profitability of the subsidiaries of the Company in the respective regions.

13 Earnings per Share

(a) Basic

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

	2015 HK\$'000	2014 HK\$'000
Profit attributable to owners of the Company	<u>7,253</u>	<u>29,746</u>
Weighted average number of Shares in issue (thousands)	<u>613,819</u>	<u>613,819</u>

(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 2014 were presented as there were no outstanding options as at 31st December 2015 and 2014.

14 Net foreign exchange losses

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

	2015 HK\$'000	2014 HK\$'000
Administrative expenses	<u>2,329</u>	<u>959</u>

Notes to the Consolidated Financial Statements

15 PPE

	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 2014					
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 ended 31st December 2014					
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
Year					
Opening net book amount	149	1,476	596	53	2,274
Currency translation differences	(7)	(50)	(16)	—	(73)
Additions	224	787	9	336	1,356
Disposals	—	(20)	(175)	—	(195)
Depreciation charge (Note 7)	(151)	(630)	(98)	(78)	(957)
Closing net book amount	215	1,563	316	311	2,405
As at 31st December 2015					
Cost	1,970	9,054	2,676	659	14,359
Accumulated depreciation	(1,755)	(7,491)	(2,360)	(348)	(11,954)
Net book amount	215	1,563	316	311	2,405

16 Financial instruments by category

	Loans and receivables HK\$'000	Available-for- sale HK\$'000	Total HK\$'000
As at 31st December 2015			
Assets as per balance sheet			
Available-for-sale financial assets	—	96,126	96,126
Trade and other receivables and deposits excluding prepayments	155,831	—	155,831
Amount due from an associate	1,197	—	1,197
Cash and cash equivalents	77,495	—	77,495
Restricted cash	26,047	—	26,047
Total	260,570	96,126	356,696

	Financial liabilities at amortised cost HK\$'000
Liabilities as per balance sheet	
Trade, bills and other payables excluding non-financial liabilities	49,933

Notes to the Consolidated Financial Statements

16 Financial instruments by category (Continued)

	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
<hr/>			
			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 Credit quality of financial assets

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:

Cash and cash equivalents

	2015 HK\$'000	2014 HK\$'000
Banks with external credit rating (Moody's)		
A1	6,305	18,290
A2	34,719	10,778
A3	3,101	11,525
Aa1	2,664	—
Aa2	840	4,359
Aa3	1,201	6,533
B1	16,993	—
Ba3	—	25,966
Baa1	2,335	—
Baa3	—	707
Bank in Mainland China without external credit rating	7,964	—
Cash	1,373	1,147
	77,495	79,305

Restricted cash

	2015 HK\$'000	2014 HK\$'000
Banks with external credit rating (Moody's)		
A2	—	26,475
B1	25,906	—
Bank in Mainland China without external credit rating	141	—
	26,047	26,475

Notes to the Consolidated Financial Statements

18 Available-for-sale financial assets

	2015 HK\$'000	2014 HK\$'000
As at 1st January	126,615	140,991
Additions	135,767	80,661
Disposals	(68,242)	(61,864)
Redemption	(84,071)	(3,678)
Revaluation loss charged to equity (Note 25)	(13,943)	(29,495)
As at 31st December	96,126	126,615
Less: non-current portion	(93,705)	(124,094)
Current portion	2,421	2,521

Available-for-sale financial assets included the following:

	2015 HK\$'000	2014 HK\$'000
Listed securities:		
– Equity securities – Hong Kong	7,169	14,172
– Corporate bonds (Note)	32,923	46,978
	40,092	61,150
Unlisted securities:		
– Equity securities	56,034	62,944
– Debt securities	—	2,521
	96,126	126,615

Note:

The corporate bonds were debt investments with fixed interest ranging from 4.10% to 7.13% and maturity dates between April 2016 and November 2022 (2014: ranging from 4.10% to 8.50% and maturity dates between May 2016 and January 2019).

18 Available-for-sale financial assets (Continued)

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

	2015 HK\$'000	2014 HK\$'000
HK\$	7,168	14,172
MOP	1,456	1,456
RMB	5,978	24,405
US\$	81,524	86,582
	96,126	126,615

The fair values of unlisted securities were based on cash flows discounted using a rate based on the market interest rate and the risk premium specific to the unlisted securities. The fair values were within level three of the fair value hierarchy (see Note 3(c)).

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

19 Trade and other receivables, deposits and prepayments

	2015 HK\$'000	2014 HK\$'000
Trade receivables	150,730	209,231
Less: allowance for impairment of trade receivables	(15,124)	(14,832)
Trade receivables - net	135,606	194,399
Other receivables, deposits and prepayments	24,546	26,593
	160,152	220,992

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

Notes to the Consolidated Financial Statements

19 Trade and other receivables, deposits and prepayments (Continued)

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 2015 and 2014, the ageing analysis of the trade receivables based on invoice date was as follows:

	2015 HK\$'000	2014 HK\$'000
Within three months	103,999	155,821
> Three months but ≤ six months	15,123	24,617
> Six months but ≤ twelve months	4,366	8,828
Over twelve months	27,242	19,965
	150,730	209,231

As at 31st December 2015, trade receivables of HK\$84,010,000 (2014: HK\$111,804,000) 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:

	2015 HK\$'000	2014 HK\$'000
Within three months	52,404	73,226
> Three months but ≤ six months	15,123	24,617
> Six months but ≤ twelve months	4,366	8,828
Over twelve months	12,117	5,133
	84,010	111,804

As at 31st December 2015, trade receivables of HK\$15,124,000 (2014: HK\$14,832,000) were impaired and were fully provided for. The trade receivables were aged more than twelve months.

19 Trade and other receivables, deposits and prepayments (Continued)

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

	2015 HK\$000	2014 HK\$000
HK\$	2,981	4,956
US\$	21,930	28,127
MOP	112,729	147,618
RMB	22,512	40,291
	160,152	220,992

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

	2015 HK\$000	2014 HK\$000
As at 1st January	14,832	14,644
Currency translation differences	(859)	(78)
Provision for receivables impairment	1,518	947
Unused amounts reversed	(367)	(681)
As at 31st December	15,124	14,832

The creation and release of provision for impaired receivables were included in “administrative expenses” in the income statement (Note 7).

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.

Notes to the Consolidated Financial Statements

20 Inventories

	2015 HK\$'000	2014 HK\$'000
Networking equipment	13,674	56,500

The cost of inventories recognised as expense and included in “cost of sales” amounted to HK\$190,829,000 (2014: HK\$295,882,000).

A provision of HK\$7,998,000 was made as at 31st December 2015 (2014: HK\$5,913,000).

21 Cash and bank balances

(a) Cash and cash equivalents

	2015 HK\$'000	2014 HK\$'000
Cash at banks and on hand	77,168	78,982
Short-term bank deposits	327	323
Cash and cash equivalents	77,495	79,305

(b) Restricted cash

As at 31st December 2015, HK\$26,047,000 (2014: HK\$26,475,000) were restricted deposits held at bank. A majority of restricted deposit was held as reserve for obtaining banking facilities provided by the bank.

22 Non-current assets held for sale

On 31st December 2015, the Group signed a sale and purchase agreement with an independent third party whereby the Group agreed to sell, and the counter party agreed to buy, its 30% investment in Vodacabo at a consideration of HK\$1,218,000 (approximately HK\$812 per share). As a result, the investment in Vodacabo of HK\$1,008,000 was presented as held for sale as at 31st December 2015. The transaction was completed in February 2016.

	2015 HK\$'000	2014 HK\$'000
Investment in an associate	1,008	—

23 Share capital

	2015		2014	
	Number of Shares (thousands)	HK\$'000	Number of Shares (thousands)	HK\$'000
Authorised:				
Shares	<u>2,000,000</u>	<u>200,000</u>	<u>2,000,000</u>	<u>200,000</u>

Shares, issued and fully paid:

	Number of Shares (thousands)	Share capital HK\$'000
As at 1st January 2014, 31st December 2014 and 2015	<u>613,819</u>	<u>61,382</u>

24 (Accumulated losses)/retained earnings

	HK\$'000
As at 1st January 2014	(12,670)
Profit for the year ended 31st December 2014	<u>29,746</u>
As at 31st December 2014	17,076
Dividend paid relating to 2014	(6,138)
Profit for the Year	<u>7,253</u>
As at 31st December 2015	<u>18,191</u>

Notes to the Consolidated Financial Statements

25 Other reserves

	Contributed surplus HK\$'000	Other reserve HK\$'000	Capital redemption reserve HK\$'000	Available- for-sale investments HK\$'000	Merger reserve (Note (a)) HK\$'000	Statutory reserve (Note (b)) HK\$'000	Translation HK\$'000	Total HK\$'000
As at 1st January 2014	97,676	4,178	702	89,884	35,549	49	3,352	231,390
Available-for-sale financial assets - revaluation loss	—	—	—	(29,495)	—	—	—	(29,495)
Available-for-sale financial assets - 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
Available-for-sale financial assets - revaluation loss	—	—	—	(13,943)	—	—	—	(13,943)
Available-for-sale financial assets - revaluation transfer to profit or loss	—	—	—	709	—	—	—	709
Currency translation differences	—	—	—	—	—	—	(251)	(251)
As at 31st December 2015	97,676	4,178	702	43,481	35,549	49	3,033	184,668

Notes:

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

26 Trade, bills and other payables and accruals

	2015 HK\$'000	2014 HK\$'000
Trade and bills payables	47,204	130,155
Other payables and accruals	55,047	93,719
	102,251	223,874

As at 31st December 2015, 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:

	2015 HK\$'000	2014 HK\$'000
Within three months	39,117	110,483
> Three months but ≤ six months	504	10,954
> Six months but ≤ twelve months	215	1,386
Over twelve months	7,368	7,332
	47,204	130,155

27 Bank borrowing

	2015 HK\$'000	2014 HK\$'000
Bank borrowing repayable within one year	—	3,881

As at 31st December 2014, the bank borrowing was secured by pledged bank deposit (Notes 17 and 21).

The carrying amount of bank borrowing approximated its fair value and was denominated in MOP.

Notes to the Consolidated Financial Statements

28 Deferred income tax

Deferred income tax assets were recognised for tax loss 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\$11,121,000 (2014: HK\$10,669,000) in respect of tax losses amounting to HK\$60,429,000 (2014: HK\$57,992,000) that could be carried forward against future taxable income. Cumulative tax losses amounting to HK\$38,124,000 (2014: HK\$31,155,000) can be carried forward indefinitely; cumulative tax losses of HK\$22,305,000 (2014: HK\$26,837,000) would expire (if not utilised) within the next five years.

29 Dividends

The dividend paid in the Year was HK\$6,138,000 (HK\$0.01 per Share). No dividend was paid in the year ended 31st December 2014. 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 coming AGM. The Company will give notice of the closure of its register of Members once the date of the AGM is determined. Such notice will be given at least ten Business Days before such closure, pursuant to Rule 17.78 of the GEM Listing Rules. These financial statements do not reflect this dividend payable.

	2015 HK\$'000	2014 HK\$'000
Proposed final dividend of HK\$0.01 (2014: HK\$0.01) per Share	<u>6,138</u>	<u>6,138</u>

30 Cash generated from operations

	2015 HK\$'000	2014 HK\$'000
Profit before income tax	8,654	32,185
Adjustments for:		
– Depreciation of PPE (Note 15)	957	1,167
– Loss/(profit) on disposal of available-for-sale financial assets (Note 6)	615	(5,137)
– Loss on disposal of PPE (Note 7)	99	28
– Dividend income on available-for-sale financial assets (Note 6)	(97)	(134)
– Finance income - net (Note 9)	(3,285)	(4,015)
– Share of loss from associates (Note 11)	649	9
– Impairment/(reversal of impairment) of inventories (Note 7)	2,085	(207)
– Impairment of trade receivables, net (Note 19)	1,151	266
	10,828	24,162
Changes in working capital (excluding the effects of currency translation differences on consolidation)		
– Inventories	40,741	(41,636)
– Trade and other receivables, deposits and prepayments	59,689	(112,462)
– Trade and bills payables	(82,951)	70,000
– Other payables and accruals	(38,672)	50,150
– Amounts due from associates	712	(1,909)
Cash used in operations	(9,653)	(11,695)

Notes to the Consolidated Financial Statements

31 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:

	2015 HK\$'000	2014 HK\$'000
No later than one year	1,774	1,827
Later than one year and no later than five years	773	1,011
	2,547	2,838

32 Related party transactions

In addition to those disclosed elsewhere in the financial statements, the following transactions were carried out with related parties:

(a) Sale of goods and services

	2015 HK\$'000	2014 HK\$'000
Sale of goods:		
– An entity controlled by key management personnel	39	198
Sale of services:		
– An associate (management services)	70	93
Total	109	291

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 was a firm belonging to José Manuel dos Santos, an executive 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.

32 Related party transactions (Continued)

(b) Purchases of goods

	2015 HK\$'000	2014 HK\$'000
– An entity controlled by key management personnel	<u>76</u>	<u>58</u>

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

(c) Operating lease payments

	2015 HK\$'000	2014 HK\$'000
– An executive Director	<u>1,380</u>	<u>1,071</u>

Operating lease payments were paid to an executive 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 Notes 8 and 34 to the financial statements.

(e) Year-end balances

	2015 HK\$'000	2014 HK\$'000
Receivables from related parties:		
– Associates (Note 11)	1,197	1,909
– An entity controlled by key management personnel	—	171
Payables to related parties:		
– An entity controlled by key management personnel	350	408
– Executive Directors	<u>3,405</u>	<u>4,629</u>

The receivables from related parties arose mainly from dividend declared by Vodacabo. These balances were denominated in MOP and US\$, unsecured in nature, bore no interest and repayable on demand. No provisions were held against receivables from related parties (2014: Nil).

The payables to related parties arose mainly from purchase transactions, discretionary bonuses and retirement benefits. The payables bore no interest.

Notes to the Consolidated Financial Statements

33 Balance sheet and reserve movement of the Company

	As at 31st December	
	2015 HK\$'000	2014 HK\$'000
Assets		
Non-current assets		
Investments in subsidiaries	76,937	76,937
Current assets		
Amounts due from subsidiaries	212,110	209,851
Prepayments	264	263
Cash and cash equivalents	813	1,703
	213,187	211,817
Liabilities		
Current liabilities		
Amounts due to subsidiaries	44,182	43,259
Other payables and accruals	1,971	1,380
	46,153	44,639
Net current assets	167,034	167,178
Total assets less current liabilities	243,971	244,115
Financed by:		
Equity		
Equity attributable to owners of the Company		
Share capital	61,382	61,382
Other reserves (Note (b))	176,274	176,274
Retained earnings (Note (a))		
– Proposed final dividend	6,138	6,138
– Others	177	321
Total equity	243,971	244,115

The balance sheet of the Company was approved by the Board on 18th March 2016 and was signed on its behalf.

José Manuel dos Santos
Director

Monica Maria Nunes
Director

33 Balance sheet and reserve movement of the Company (Continued)

Notes:

- (a) Retained earnings movement of the Company

	HK\$'000
As at 1st January 2014	(2,954)
Profit for the year ended 31st December 2014	9,413
As at 31st December 2014	6,459
Dividend	(6,138)
Profit for the Year	5,994
As at 31st December 2015	6,315

- (b) Other reserves

	Contributed surplus (Note (c)) HK\$'000	Other reserve HK\$'000	Capital redemption reserve HK\$'000	Total HK\$'000
Balance as at 1st January 2014, 31st December 2014 and 2015	171,394	4,178	702	176,274

- (c) 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.

Notes to the Consolidated Financial Statements

34 Benefits and interests of Directors (disclosures required by Section 383 of CO, CDIBDR and the GEM Listing Rules)

(a) Directors' and Chief Executive's emoluments:

The remuneration of every Director and the Chief Executive is set out below:

For the Year:

Name	Fees HK\$'000	Salary HK\$'000	Discretionary bonuses HK\$'000	Employer's contribution to a retirement benefit scheme HK\$'000	Total HK\$'000
José Manuel dos Santos	130	4,354	200	—	4,684
Yim Hong (Note)	130	1,884	—	25	2,039
Kuan Kin Man	130	1,030	200	—	1,360
Monica Maria Nunes	130	1,386	200	21	1,737
Fung Kee Yue Roger	120	—	—	—	120
Wong Tsu An Patrick	120	—	—	—	120
Tou Kam Fai	120	—	—	—	120

For the year ended 31st December 2014:

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

Note:

Also managing director, retired on 12th February 2016. His retirement benefits are separately disclosed in Note 34(b).

No Director waived or agreed to waive any of their emoluments in respect of the Year (2014: Nil).

34 Benefits and interests of Directors (disclosures required by Section 383 of CO, CDIBDR and the GEM Listing Rules) (Continued)

(b) Director's retirement benefits

The retirement benefits to be given to Yim Hong for the Year in respect of Yim Hong's services as a Director was HK\$634,000, and the retirement benefits to be given to Yim Hong for the Year in respect of Yim Hong's services in connection with the management of the affairs of the Group was HK\$560,000.

Five Year Financial Summary

	Year ended 31st December				
	2015 HK\$'000	2014 HK\$'000	2013 HK\$'000	2012 HK\$'000	2011 HK\$'000
Results					
Profit/(loss) attributable to:					
– Owners of the Company	7,253	29,746	(3,919)	29,274	26,685
– Non-controlling interest	(793)	(1,182)	2,045	473	(1,292)
Assets and liabilities					
Total assets	379,335	517,717	395,085	416,383	308,290
Total liabilities	(113,531)	(238,659)	(111,330)	(117,968)	(100,145)
Total equity	265,804	279,058	283,755	298,415	208,145

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: <ol style="list-style-type: none">1. which is a subsidiary or holding company of the Company or a subsidiary of the holding company of the Company; or2. (not being a subsidiary of the Company) in which the Company has an interest in the shares of a class comprised in its share capital exceeding in nominal value one-fifth of the nominal value of the issued share of that class
“Audit Committee”	the audit committee of the Company
“Auditor”	the auditor of the Company
“Board”	the board of Directors (not applicable to Main Board)
“Brazil”	The Federative Republic of Brazil
“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
“CDIBDR”	the Companies (Disclosure of Information about Benefits of Directors) Regulation (Chapter 622G of the Laws of Hong Kong)
“CGMA”	Chartered Global Management Accountant
“Chief Executive”	a person who either alone or together with one or more other persons is or will be responsible under the immediate authority of the Board for the conduct of the business of the Company
“CIMA”	Chartered Institute of Management Accountants
“Close Associate”	has the meaning ascribed thereto in the GEM Listing Rules
“CNMS”	customer network management system
“CO”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) as amended from time to time
“Code”	the code provision of 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

Definitions

“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
“GVDL”	廣州市愛達利發展有限公司, details of which can be referred to in Note 10 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 to the financial statements
“HK\$”	Hong Kong Dollar, the lawful currency of Hong Kong
“HKAS”	Hong Kong Accounting Standard
“HK cent”	Hong Kong Cent, where 100 HK cents equal HK\$1
“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 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

Definitions

“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)
“STL”	Source Tech, Limited, details of which can be referred to in Note 11 to the financial statements
“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”	a person who is entitled to exercise, or control the exercise of, 10% or more of the voting power at any general meeting of the Company
“Timor-Leste”	The Democratic Republic of Timor-Leste
“TPTSA”	TPT - Telecomunicações Públicas de Timor, S.A., a company incorporated in the Portuguese Republic with limited liability
“TSTJX”	泰思通軟件(江西)有限公司, details of which can be referred to in Note 10 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 to the financial statements
“TTSA”	Timor Telecom, S.A., a company incorporation in Timor-Leste with limited liability
“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 to the financial statements
“Vodacabo”	Vodacabo, S A, a company incorporated in Timor-Leste with limited liability and a former indirectly owned associate of the Company
“Year”	the year ended 31st December 2015
“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 to the financial statements