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VODATEL NETWORKS HOLDINGS LIMITED

愛達利網絡控股有限公司*

(Incorporated in Bermuda with limited liability)

Stock Code: 8033

BUSINESS AND FINANCIAL HIGHLIGHTS FOR THE YEAR

- Strong order book carried forward from 2019 into the Year, an approximate 20% business growth from the Government of Macao and an approximate 28% business growth from data networks and SD-WAN infrastructure in Mainland China partly smoothed out the negative impact of the COVID-19 pandemic experienced in other sectors, in particular the gaming sector where the Group experienced a 70% decline
- Total contracts secured during the Year were HK\$408,000,000, representing an approximate 28% year-on-year decline
- Revenue for the Year was HK\$408,669,000 as compared to HK\$531,286,000 for 2019, representing a decrease of 23.08%
- Attributable to undertaking the service component of the major surveillance project for a gaming operator at its new integrated resort on Cotai and mobilising resources between entities to eschew the engagement of subcontractors, gross profit margin of the Group improved from 22.60% in 2019 to 27.17% in the Year
- In the absence of loss allowance similar to that experienced in 2019, the Group reported profit before taxation of HK\$4,808,000 for the Year
- Equity base stood at HK\$196,115,000 as at 31st December 2020, of which cash and cash equivalents and yield-enhanced financial instruments remained at a healthy level at HK\$120,440,000
- The Directors recommend payment of a final dividend of HK\$0.01 per Share for the Year

RESULTS

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

Consolidated statement of profit or loss

	Notes	Year ended 31st December	
		2020 HK\$' 000	2019 HK\$' 000
Revenue from contracts with customers	2	408,669	531,286
Cost of sales of goods	3	(217,106)	(344,526)
Cost of providing services		(80,510)	(66,689)
Gross profit		111,053	120,071
Selling and marketing costs	3	(17,284)	(17,001)
Administrative expenses	3	(94,180)	(114,135)
Other gains, net		1,884	1,202
Operating profit/(loss)		1,473	(9,863)
Finance income		3,473	4,129
Finance costs		(138)	(245)
Finance income – net		3,335	3,884
Share of net profit of an associate accounted for using the equity method		–	3
Profit/(loss) before income tax		4,808	(5,976)
Income tax expense	4	(1,080)	(1,389)
Profit/(loss) for the Year		3,728	(7,365)
Profit/(loss) is attributable to:			
Owners of the Company		3,826	(5,256)
NCI		(98)	(2,109)
		3,728	(7,365)
Earnings/(loss) per Share for profit/(loss) attributable to the ordinary equity holders of the Company:		HK cent	HK cent
Basic and diluted earnings/(loss) per Share	5	0.62	(0.86)
Dividends (expressed in HK\$' 000)	6(b)	6,144	6,144

Consolidated statement of comprehensive income

	Year ended 31st December	
	2020 HK\$' 000	2019 HK\$' 000
Profit/(loss) for the Year	3,728	(7,365)
(Other comprehensive loss)/OCI		
<i>Items that may be reclassified to profit or loss</i>		
Changes in the fair value of debt instruments at FVOCI	(1,128)	3,732
Transfer to profit or loss by disposal of debt instruments at FVOCI	188	(142)
Exchange differences on translation of foreign operations	(306)	(107)
<i>Item that will not be reclassified to profit or loss</i>		
Changes in the fair value of equity investments at FVOCI	–	483
(Other comprehensive loss)/OCI for the Year, net of tax	(1,246)	3,966
Total comprehensive income/(loss) for the Year	2,482	(3,399)
Total comprehensive income/(loss) for the Year is attributable to:		
Owners of the Company	2,597	(1,290)
NCI	(115)	(2,109)
	2,482	(3,399)

Consolidated balance sheet

	Notes	As at 31st December	
		2020 HK\$' 000	2019 HK\$' 000
ASSETS			
Non-current assets			
Property, plant and equipment		2,944	3,788
Right-of-use assets – buildings		3,070	2,602
Financial assets at FVOCI		36,075	43,174
		<u>42,089</u>	<u>49,564</u>
Total non-current assets			
Current assets			
Inventory – systems equipment		19,808	31,846
Prepayment		46,576	46,600
Contract assets		33,924	57,453
Trade receivable	7	108,574	124,812
Other receivables and deposits		10,287	7,990
Financial assets at FVOCI		7,545	–
Financial assets at fair value through profit or loss		5,929	–
Cash and cash equivalents		70,891	64,263
		<u>303,534</u>	<u>332,964</u>
Total current assets			
		<u>345,623</u>	<u>382,528</u>
Total assets			
LIABILITIES			
Non-current liabilities			
Lease liabilities		1,511	1,033
		<u>1,511</u>	<u>1,033</u>
Current liabilities			
Trade payable and bills payable	8	61,553	101,616
Other accounts payable and accruals		22,546	22,187
Contract liabilities		50,815	46,551
Current tax liabilities		11,457	10,364
Lease liabilities		1,626	1,617
		<u>147,997</u>	<u>182,335</u>
Total current liabilities			
		<u>149,508</u>	<u>183,368</u>
Total liabilities			
		<u>155,537</u>	<u>150,629</u>
Net current assets			
		<u>196,115</u>	<u>199,160</u>
Net assets			

As at 31st December
2020 2019
HK\$' 000 HK\$' 000

EQUITY

Share capital	61,570	61,570
Other reserves	144,866	145,478
Accumulated losses	(6,288)	(3,970)
	200,148	203,078
Capital and reserves attributable to owners of the Company		
NCI	(4,033)	(3,918)
	196,115	199,160
Total equity	196,115	199,160

The audited consolidated results of the Group for the Year have been reviewed by the audit committee of the Company.

Notes:

1 Basis of preparation

(a) *Compliance with HKFRS*

The consolidated financial statements of the Company were prepared in accordance with HKFRS.

(b) *Historical cost convention*

The financial statements were prepared on a historical cost basis, except for certain financial assets measured at fair value.

(c) *Amended standards adopted by the Group*

The Group applied the following amendments for the first time for their annual reporting period commencing 1st January 2020:

- *Definition of Material – amendments to HKAS 1 (Revised) Presentation of Financial Statements and HKAS 8 Accounting Policies, Changes in Accounting Estimates and Errors*
- *Definition of a Business – amendments to HKFRS 3 (Revised) Business Combinations*
- *Interest Rate Benchmark Reform – amendments to HKAS 39 Financial Instruments: Recognition and Measurement, HKFRS 7 Financial Instruments: Disclosures and HKFRS 9 (2014) Financial Instruments*
- *Revised Conceptual Framework for Financial Reporting*

The Group also elected to adopt the following amendments early.

- *Annual Improvements to HKFRS 2018-2020 Cycle*

The amendments listed above did not have any impact on the amounts recognised in prior periods and were not expected to significantly affect the current or future periods.

(d) *New standards and interpretations not yet adopted*

Certain new accounting standards and interpretations were published that were not mandatory for 31st December 2020 reporting periods and were not early adopted by the Group. These standards were not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

2 Revenue recognition

(a) *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 based on the stage of completion of the contracts, provided that the stage of contract completion and the gross billing value of contracting work could be measured reliably.

Some contracts included multiple deliverables, such as the sale of hardware and related installation services. However, the installation could be performed by another party. It was therefore accounted for as a separate performance obligation.

Where the contracts included multiple performance obligations, the transaction price would be allocated to each performance obligation based on the stand-alone selling prices. For these contracts, revenue for the hardware was recognised at a point in time when the hardware was delivered, the legal title passed and the customer accepted the hardware. Revenue for service components was recognised based on the actual services provided to the end of the reporting period.

The customer paid the fixed amount based on a payment schedule. If the services rendered by the Group exceeded the payment, a contract asset was recognised. If the payments exceeded the service rendered, a contract liability was recognised.

(b) *Sales of services*

The Group sold maintenance services to the end users. 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. These services were provided as a fixed-price contract, with contract terms generally ranging from less than one year to three years.

(c) *Sales of software*

Revenue from software implementation was recognised when the customer accepted and took the control of software implementation. Revenue was based on the price specified in the contracts. No elements of financing was deemed present as the sales were made with a credit term of thirty to forty-five days, which was consistent with market practice.

(d) *Financing components*

The Group did not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeded one year. As a consequence, the Group did not adjust any of the transaction prices for the time value of money.

3 Expenses by nature

	2020	2019
	HK\$' 000	HK\$' 000
Changes in inventory	215,773	344,231
Provision on inventory	1,333	295
Net impairment loss on financial and contract assets	1,363	16,019
Employee benefit expense and Directors' emoluments	82,223	80,835
Write-off of trade receivable	–	1,114
	<u> </u>	<u> </u>

4 Income tax expense

	2020	2019
	HK\$' 000	HK\$' 000
<i>Current tax</i>		
Current tax on profits for the Year		
– Macao complementary profits tax	1,082	1,352
– Mainland China corporate income tax	–	40
Adjustments for current tax of prior periods	(2)	(3)
	<u> </u>	<u> </u>
Income tax expense	<u>1,080</u>	<u>1,389</u>

5 Earnings/(loss) per Share

(a) *Basic earnings/(loss) per Share*

Basic earnings/(loss) per Share was calculated by dividing:

- the profit/(loss) attributable to owners of the Company
- by the weighted average number of Shares outstanding during the Year.

(b) *Diluted earnings/(loss) per share*

Diluted earnings/(loss) per Share was calculated by adjusting the weighted average number of Shares outstanding to assume conversion of all dilutive potential Shares. For the Year and the year ended 31st December 2019, the computation of diluted earnings/(loss) per Share did not assume the exercise of the outstanding Options since their exercise would increase earnings per Share or reduce loss per Share.

(c) *Profit/(loss) used in calculating earnings/(loss) per Share*

	2020 HK\$' 000	2019 HK\$' 000
Profit/(loss) attributable to ordinary equity holders of the Company used in calculating basic and diluted earnings/(loss) per Share	<u>3,826</u>	<u>(5,256)</u>

(d) *Weighted average number of Shares used as the denominator*

	2020 Number	2019 Number
Weighted average number of Shares used as the denominator in calculating basic and diluted earnings/(loss) per Share (thousands)	<u>614,435</u>	<u>614,435</u>

6 Dividends

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 days (excluding Saturday and Sunday) on which banks in Hong Kong are generally open for business, before such closure, pursuant to Rule 17.78 of the GEM Listing Rules. The expected dividend payment date is 6th July 2021, subject to the approval of the Members in the forthcoming AGM.

(a) *Shares*

	2020 HK\$' 000	2019 HK\$' 000
Final dividend for the year ended 31st December 2019 of HK\$0.01 (2018 – HK\$0.005) per Share	<u>6,144</u>	<u>3,072</u>

(b) *Dividends not recognised at the end of the reporting period*

	2020 HK\$' 000	2019 HK\$' 000
In addition to the above dividend, since year end the Directors have recommended the payment of a final dividend of HK\$0.01 per fully paid Share for the Year (2019 – HK\$0.01). The aggregate amount of the proposed dividend expected to be paid out of retained earnings as at 31st December 2020, but not recognised as a liability at year end, is	<u>6,144</u>	<u>6,144</u>

7 Trade receivable

As at 31st December, the ageing analysis of the trade receivable based on invoice date was as follows:

	2020	2019
	HK\$' 000	HK\$' 000
Within three months	89,649	93,826
> Three months but ≤ six months	12,752	29,003
> Six months but ≤ twelve months	5,025	1,435
Over twelve months	16,598	14,075
	<u>124,024</u>	138,339
Less: loss allowance	(15,450)	(13,527)
	<u>108,574</u>	<u>124,812</u>

8 Trade payable and bills payable

As at 31st December, the ageing analysis of the trade payable and bills payable based on invoice date was as follows:

	2020	2019
	HK\$' 000	HK\$' 000
Within three months	56,656	91,276
> Three months but ≤ six months	2,432	1,542
> Six months but ≤ twelve months	1,347	6,919
Over twelve months	1,118	1,879
	<u>61,553</u>	101,616

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 Vodatel is to become the partner-of-choice of its customers when they seek a local partner for turnkey solutions or service provisioning aligns their expectations in level of choices and service requirements and matches their demands, values and aspirations.

As a system integrator and service provider that already represented a list of international and renowned manufacturers, the Group is in continuous pursuit to identify products with high potential, in particular within their areas of expertise, to grow and complement its current products and service offerings. In terms of human resources, the Group continues to house a team of highly trained, skilled and experienced engineers, making “Vodatel” and “Mega Datatech” among the most sought companies to provide round-the-clock and reliable system maintenance and support services, in particular in handling sophisticated turnkey solutions where unexpected hiccups, which if not promptly resolved or contained, can potentially result in significant business and/or service interruptions.

REVIEW OF BUSINESS ACTIVITIES

Business in Macao

During the Year, due to the COVID-19 pandemic, total contracts secured by VHL and MDL were approximately HK\$260,000,000, representing approximately 40% decline as compared to 2019 where over HK\$430,000,000 worth of contracts were secured. While business generated from the Government of Macao grew, such growth could not counterbalance the decline experienced across other sectors, such as public utilities, education, health and in particular, gaming.

In Macao, with different entry restrictions imposed by the Government of Macao to control local COVID-19 outbreak, the Group witnessed pandemic-induced changes to the investment behaviour of different gaming operators, many of which had capital expenditures confined only to mandated programmes, such as to meet gaming regulations as introduced by the Gaming Inspection and Coordination Bureau. Coupled with the absence of any major surveillance or data networks infrastructure project similar to the one that VHL secured in 2019 for a new integrated resort that is expected to open in 2021, VHL saw a 70% drop in business generated from the gaming sector in the Year, with less than HK\$70,000,000 worth of contracts received.

Contrary to VHL where its core focus is the gaming sector, the key focus of MDL is the Government of Macao, therefore, as the Government of Macao accelerates its public spending to stimulate the domestic economy, MDL is strategically positioned to capitalise on these opportunities. During the Year, VHL and MDL in combination secured almost HK\$150,000,000 worth of contracts from the Government of Macao, representing approximately a 20% year-on-year increase, with contracts received covering areas of networks infrastructure, surveillance, TETRA radio, servers and storage, firewall, software development and maintenance services. Public Security Police Force Bureau, Transport Bureau, Judiciary Bureau, Municipal Affairs Bureau, Public Administration and Civil Service Bureau, to name a few, remain some of the key Government departments supported by VHL and MDL. Worth noting is that among the works secured by MDL was a contract over HK\$40,000,000 to design, supply and install a General Hospital Nurse Call System for a new local health service complex that is currently under construction. With the public sector being the centre stage for projects in the Year and likely in 2021, more resources will be directed to support MDL, not only to battle against increasing competition, including players that traditionally compete in the gaming sector who now also compete in the public sector, but also to reemerge MDL as a company, similar to VHL, that can also deliver compelling projects at scale.

Business in Hong Kong and Mainland China

In Hong Kong, under the shadow of both the pandemic and political turbulences and mobile operators not among the core customers of the Group, business in the area of data networks infrastructure remained weak since 2019. Therefore, business focus has been geared towards forming stronger partnerships with different local and regional telecommunications service providers to promote SD-WAN infrastructure, a key business driver of the Group since 2018. As a result, total contracts signed by the Hong Kong team for the Year remained at similar level as 2019 at approximately HK\$57,000,000. While total contracts for data networks infrastructure dropped by almost 48%, total contracts secured for SD-WAN infrastructure registered a 94% year-on-year growth, resulting in a major shift in products composition (data networks infrastructure and SD-WAN infrastructure) from around 65%/35% in 2019 to 35%/65% in the Year. Among the SD-WAN infrastructure projects secured included a contract valued over HK\$20,000,000 for a Hong Kong-listed major jewellery retail chain with multiple outlets in Hong Kong, Mainland China and Macao.

Since the strategic decision in 2016 to move into data networks infrastructure and subsequently to add in SD-WAN infrastructure in 2017, business generated by the Mainland China team grew more than ten-fold. Business in Mainland China in 2019 was adversely affected by the tensions between Mainland China and USA and in 2020, the COVID-19 pandemic hampered business activities for more than two months post-Chinese New Year. However, with key policy responses introduced by the Central Government as the pandemic subsided, Mainland China showed a remarkable recovery. Coupled with the pandemic sparking redoubling in digital transformation and companies chasing for more cost effective solutions, total contracts secured during the Year reached almost HK\$75,000,000, representing a 28% year-on-year growth as compared to 2019. Strong business growth experienced across both data networks and SD-WAN infrastructure. Growth of data networks infrastructure was ascribed primarily to contracts received from a leading provider of Internet value-added services as it resumed its global expansion to lay footprints across countries in Asia Pacific, Eastern and Western Europe and Latin America. Growth of SD-WAN infrastructure was attributed to working in close collaboration with different local and regional telecommunications and Internet service providers, with key projects secured including a contract valued over HK\$5,500,000 for an insurance conglomerate with over 18,000 employees and a contract valued over HK\$3,500,000 for a local home appliance chain store with over 700 outlets.

Business focus of TSTSH and TSTJX remains on the promotion of the self-developed “Tidestone”-branded network management system, with key functionalities including real-time network discovery and performance management, fault and alert management and environmental management. While there were signs of business improvements during the last quarter of 2019, such momentum was disrupted by the COVID-19 pandemic. Signs of post-pandemic recovery only observed during the third quarter of the Year. Despite efforts to recoup lost time, TSTSH and TSTJX only managed to sign approximately HK\$16,000,000 worth of contracts during the Year, representing a slight drop of approximately 7% as compared to 2019. Projects owners for the upgrade and expansion of “Tidestone”-branded network management system included telecommunications service providers in the provinces of Jiangxi, Hebei, Hubei and Jiangsu and the municipalities of Chongqing and Shanghai.

Other Investment Holdings – TTSA

Affected by the COVID-19 pandemic, per the unaudited financial statements of TTSA, revenue dropped further from HK\$197,970,000 in 2019 to HK\$177,115,000 for the Year. Earnings before interest, tax, depreciation and amortisation dropped from HK\$80,852,000 in 2019 to HK\$60,582,000 in the Year and with lower amortisation and depreciation booked for the Year, net loss narrowed to HK\$25,200,000 for the Year as compared to HK\$47,548,000 for the preceding year.

Due to uncertainty of the prospects of TTSA, the investment cost of TTSA in the books of the Group was already fully impaired in 2017.

The Group will continue to keep close watch over TTSA, in particular for updates regarding any possible disposal of the shareholding of TTSA held by Oi S.A. – In Judicial Reorganisation, a company incorporated in Brazil with limited liability and whose shares are listed on the New York Stock Exchange in USA and B3 S.A. – Brasil, Bolsa, Balcão in Brazil. In addition, with sustained dismay regarding the operating performance of TTSA, the Group will evaluate and consider other strategic options to adopt over its equity share in TTSA.

REVIEW OF OPERATING RESULTS

Turnover and Profitability

The strong order book carried forward from 2019 into the Year and business growth generated from the Government of Macao and from data networks infrastructure in Mainland China and SD-WAN infrastructure in Hong Kong and Mainland China partly smoothed out the negative impact of the COVID-19 pandemic experienced by the Group in other sectors, in particular the gaming sector. Revenue for the Year was HK\$408,669,000 as compared to HK\$531,286,000 for 2019, representing a decrease of 23.08%. Attributable to undertaking the service component, which carried higher margin, of the major surveillance project for a gaming operator at its new integrated resort on Cotai that the Group secured in 2019 and mobilising resources between entities to eschew the engagement of subcontractors, gross profit margin of the Group improved from 22.60% in 2019 to 27.17% in the Year. With higher gross profit margin, despite a drop in revenue of 23.08%, gross profit only dropped by a mere 7.51% from HK\$120,071,000 in 2019 to HK\$111,053,000 in the Year. Management will remain watchful of the project margins which may be driven down by companies hungry for works, in particular in the absence of ample works in the gaming sector.

Among the costs included in selling and marketing costs is freight costs. As part of the data networks infrastructure contracts secured from a leading provider of Internet value-added services as it resumed its global expansion, thus resulting in higher freight costs incurred, total selling and marketing costs registered a slight increase from HK\$17,001,000 in 2019 to HK\$17,284,000 in the Year.

Among the costs included in administrative expenses is staff costs, which remains the biggest cost element of the Group. Due to effecting an average base salary increase of 3% in January in the Year (pre-pandemic) to keep up with general market practice and to retain talents, expenses from the issue of Options and payments made under employment separations, staff costs for the Year increased slightly to HK\$82,223,000. In addition, in the absence of a loss allowance of approximately HK\$16,000,000 against a receivable that management has yet to reach an agreement with a project owner, which is one of the leading gaming operators in Macao, administrative expenses decreased from HK\$114,135,000 in 2019 to HK\$94,180,000 in the Year. Negotiation with this gaming operator on the recovery of the receivable is still in progress.

Despite the COVID-19 pandemic induced unprecedented challenges to the Group, with adverse impact not evenly observed across operating entities in Macao, Hong Kong and Mainland China, the Group was able to maintain operating profitability with profit before income tax of HK\$4,808,000 for the Year.

Capital Structure and Financial Resources

With works to supply and install surveillance system, together with the underlying data networks infrastructure, for a gaming operator at its new integrated resort on Cotai near completion, key balance sheet figures – inventory, contract assets, trade receivable and trade payable – retreated to their norms. Level of inventory fell from HK\$31,846,000 as at 31st December 2019 to HK\$19,808,000 as at 31st December 2020, whereas contract assets and trade receivable also dropped to HK\$33,924,000 and HK\$108,574,000 respectively as at 31st December 2020. Trade payable also registered a corresponding decline from HK\$101,616,000 as at 31st December 2019 to HK\$61,553,000 as at 31st December 2020.

The Group continues to exercise capital discipline and maintains a solid balance sheet with no gearing (save for and except normal trade and other accounts payable). Equity base was HK\$196,115,000 as at 31st December 2020, of which cash and cash equivalents and yield-enhanced financial instruments stood at a healthy level of HK\$120,440,000. As at 31st December 2020, financial assets at FVOCI of HK\$43,620,000 comprised primarily of investments in yield-enhanced financial instruments. Among the bond holdings were HK\$6,940,000 from The Bank of East Asia, Limited (a company incorporated in Hong Kong with limited liability and whose shares are listed on the Main Board), HK\$4,128,000 from CMB Wing Lung Bank Limited (a company incorporated in Hong Kong with limited liability) and HK\$3,518,000 from a subsidiary of China Fortune Land Development Co., Ltd. (a company incorporated in PRC with limited liability and whose shares are listed on Shanghai Stock Exchange).

Financial prudence practised by over the years, including controlling credit terms to customers, closely monitoring recoverability of receivables and negotiating extended payment terms from vendors, has allowed management to protect the business of the Group. Management believes that the current liquidity position and capital structure will suffice unexpected headwinds, in particular those brought by the aftermath of the COVID-19 pandemic, while providing flexibility to pursue and support new business opportunities.

CORPORATE GOVERNANCE

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

- 1 not all Directors participated in continuous professional development;
- 2 a non-executive Director and an independent non-executive Director did not attend the AGM held in the Year; and
- 3 the management do not provide all Directors with monthly updates.

A.6.5 The Directors consider that briefing received from the company secretary of the Company is sufficient for them to render their contribution to the Board.

A.6.7 They 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.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Company did not redeem any of the Shares during the Year. Neither the Company nor any of its subsidiaries purchased or sold any of the Shares during the Year.

SCOPE OF WORK OF THE AUDITOR

The figures in respect of the consolidated statement of profit of loss, consolidated statement of comprehensive income, consolidated balance sheet and the related notes of the Company thereto for the Year as set out in this preliminary announcement have been agreed by the Auditor, to the amounts set out in the draft audited consolidated financial statements of the Company for the Year. The work performed by the Auditor in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by HKICPA and consequently no assurance has been expressed by the Auditor in this preliminary announcement.

DEFINITIONS

“AGM”	annual general meeting
“Auditor”	PricewaterhouseCoopers, the auditor of the Company
“Board”	the board of Directors (not applicable to Main Board)
“Brazil”	The Federative Republic of Brazil
“Code”	the code provision of the Corporate Governance Code set out in Appendix 15 of the GEM Listing Rules

“Company”	Vodatel Networks Holdings Limited
“Director”	the director of the Company
“Exchange”	The Stock Exchange of Hong Kong Limited, a company incorporated in Hong Kong with limited liability
“FVOCI”	fair value through OCI
“GEM”	GEM operated by the Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM made by the Exchange from time to time
“Group” or “Vodatel”	the Company and its subsidiaries
“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)
“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, the Hong Kong Institute of Certified Public Accountants, Hong Kong Standards on Assurance Engagements, Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements and The Stock Exchange of Hong Kong Limited)
“Macao”	the Macao Special Administrative Region of PRC
“Main Board”	the stock market operated by the Exchange prior to the establishment of GEM (excluding the options market) and which stock market continues to be operated by the Exchange in parallel with GEM. For the avoidance of doubt, the Main Board excludes GEM
“Mainland China”	PRC, other than the regions of Hong Kong, Macao and Taiwan
“MDL”	Mega Datatech Limited, incorporated in Macao with limited liability and an indirect wholly-owned subsidiary of the Company

“Member”	the holder of the Shares
“NCI”	non-controlling interest
“OCI”	other comprehensive income
“Option”	an option to subscribe for Shares pursuant to the share option scheme approved by the Members at the AGM on 22nd June 2012
“PRC”	The People’s Republic of China
“SD-WAN”	software-defined networking in a wide area network
“Share”	ordinary share of HK\$0.10 each in the share capital of the Company
“TSTJX”	泰思通軟件(江西)有限公司, incorporated in PRC with limited liability and an indirectly owned subsidiary of the Company
“TSTSH”	泰思通軟件(上海)有限公司, incorporated in PRC with limited liability and an indirectly owned subsidiary of the Company
“TTSA”	Timor Telecom, S.A., a company incorporated in the Democratic Republic of Timor-Leste with limited liability
“USA”	The United States of America
“VHL”	Vodatel Holdings Limited, incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of the Company
“Year”	the year ended 31st December 2020

By order of the Board
José Manuel dos Santos
Chairman

Hong Kong, 19th March 2021

Executive Directors	Non-executive Director	Independent non-executive Directors
José Manuel dos Santos	Ho Wai Chung Stephen	Fung Kee Yue Roger
Kuan Kin Man		Wong Tsu Au Patrick
Monica Maria Nunes		Wong Kwok Kuen

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this document misleading.

* for identification purpose only