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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

- With the Mainland China market making a strong comeback in the Year, total contracts hit another record high since 2015 to over HK\$640,000,000, or an approximate 7% year-on-year growth as compared to 2023
- Headline revenue grew to HK\$604,794,000 for the Year, representing a 14.53% year-on-year growth over 2023 of HK\$528,066,000
- Gross profit margin only marginally down by approximately 0.64 percentage point to 19.52% in the Year. Margins continued to be under pressure for projects related to managed services and those awarded by gaming operators, yet margins remained stable for data networking projects secured in Mainland China
- Profit for the Year of HK\$7,628,000 or an increase of over 40% of the net profit of 2023 of HK\$5,392,000
- Although total contracts secured by VHL and MDL in the Year were only approximately 72% of that of 2023, in terms of percentage, Macao continues to be the biggest market, accounting for almost 50% of 2024 order book
- The Hong Kong market, albeit the smallest among the three operating markets, grew over 30% on a year-on-year basis. Data networking business dropped more than 25% yet offset by the growth of SD-WAN business by almost 1.8 times
- The Mainland China market grew 1.4 times and accounted for almost 40% of the 2024 order book. The two pillars customers in aggregate awarded over HK\$200,000,000 worth of contracts to the Group
- Despite the write-down of the valuation of TTSA to HK\$30,373,000 as at 31st December 2024, a profitable year in the Year supported the equity base of the Group to increase to HK\$210,897,000 as at 31st December 2024, of which cash and cash equivalents and yield-enhanced financial instruments (including pledged deposit) totalled HK\$74,451,000
- 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 consolidated results of the Group for the Year as follows:

Consolidated statement of profit or loss

	Notes	2024 HK\$'000	2023 HK\$'000
REVENUE	2	604,794	528,066
Cost of sales		(486,738)	(421,621)
Gross profit		118,056	106,445
Other loss		(608)	(3,195)
Selling and marketing expenses		(30,315)	(24,686)
Administrative expenses		(80,736)	(76,727)
Impairment losses on financial and contract assets		(2,613)	(663)
Operating profit		3,784	1,174
Finance income		3,059	3,778
Finance costs		(656)	(93)
Finance income, net		2,403	3,685
PROFIT BEFORE TAX	3	6,187	4,859
Income tax credit	4	1,441	533
PROFIT FOR THE YEAR		7,628	5,392
Attributable to:			
Owners of the parent		10,275	6,532
Non-controlling interests		(2,647)	(1,140)
		7,628	5,392
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	5		
Basic		1.67 HK cents	1.06 HK cents

Consolidated statement of comprehensive income

	2024 HK\$'000	2023 HK\$'000
PROFIT FOR THE YEAR	<u>7,628</u>	<u>5,392</u>
OTHER COMPREHENSIVE (LOSS)/INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Debt investments at fair value through other comprehensive income:		
Changes in fair value	1,590	(2,635)
Reclassification adjustments for losses included in the consolidated statement of profit or loss		
– impairment losses	2,440	1,522
Release to profit or loss on disposal of debt instruments	835	4,352
Exchange differences:		
Exchange differences on translation of foreign operations	<u>757</u>	<u>146</u>
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	5,622	3,385
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Equity investment designated at fair value through other comprehensive income:		
Changes in fair value	<u>(6,007)</u>	<u>(1,097)</u>
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR, NET OF TAX	<u>(385)</u>	<u>2,288</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u><u>7,243</u></u>	<u><u>7,680</u></u>
Attributable to:		
Owners of the parent	9,890	8,820
Non-controlling interests	<u>(2,647)</u>	<u>(1,140)</u>
	<u><u>7,243</u></u>	<u><u>7,680</u></u>

Consolidated balance sheet

	Notes	As at 31st December	
		2024 HK\$'000	2023 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		1,809	1,787
Right-of-use assets		1,915	951
Investments in associates		–	–
Equity investment designated at fair value through other comprehensive income		30,373	36,380
Debt investments at fair value through other comprehensive income		31,769	30,439
Total non-current assets		<u>65,866</u>	<u>69,557</u>
CURRENT ASSETS			
Inventory		20,564	24,953
Trade receivables	7	185,426	165,752
Contract assets		70,202	53,562
Prepayment		64,626	61,835
Other receivables and deposits		6,998	7,396
Debt investments at fair value through other comprehensive income		93	55
Pledged deposit		3,470	3,470
Cash and cash equivalents		39,119	50,280
Total current assets		<u>390,498</u>	<u>367,303</u>
CURRENT LIABILITIES			
Trade payable	8	125,247	128,129
Other accounts payable and accruals		34,989	23,910
Contract liabilities		53,723	53,921
Interest-bearing bank borrowings		5,725	–
Lease liabilities		1,168	983
Tax payable		4,458	6,189
Warranty provisions		19,392	13,913
Total current liabilities		<u>244,702</u>	<u>227,045</u>
NET CURRENT ASSETS		<u>145,796</u>	<u>140,258</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>211,662</u>	<u>209,815</u>
NON-CURRENT LIABILITIES			
Lease liabilities		765	–
Net assets		<u>210,897</u>	<u>209,815</u>

	As at 31st December	
	2024	2023
	HK\$'000	HK\$'000
EQUITY		
Equity attributable to owners of the parent		
Share capital	61,771	61,771
Reserves	158,729	155,000
	220,500	216,771
Non-controlling interests	(9,603)	(6,956)
Total equity	210,897	209,815

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

Notes:

1 Basis of preparation

These financial statements were prepared in accordance with HKFRS and the disclosure requirements of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong). They were prepared under the historical cost convention, except for equity investment and debt instruments which were measured at fair value. These financial statements are presented in HK\$ and all values were rounded to the nearest thousand except when otherwise indicated.

The Group adopted the following revised HKFRS for the first time for the financial statements of the Year.

Amendments to HKFRS 16	<i>Lease Liability in a Sale and Leaseback</i>
2020 Amendments	
2022 Amendments	
Amendments to HKAS 7 and HKFRS 7	<i>Supplier Finance Arrangements</i>

The nature and the impact of the revised HKFRS are described below:

- (a) Amendments to HKFRS 16 *Leases* specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. Since the Group has no sale and leaseback transactions with variable lease payments that do not depend on an index or a rate occurring from the date of initial application of HKFRS 16, the amendments did not have any impact on the financial position or performance of the Group.

- (b) The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within twelve months after the reporting period.

The Group reassessed the terms and conditions of its liabilities as at 1st January 2023 and 2024 and concluded that the classification of its liabilities as current or non-current remained unchanged upon initial application of the amendments. Accordingly, the amendments did not have any impact on the financial position or performance of the Group,

- (c) Amendments to HKAS 7 *Statement of Cash Flows* and HKFRS 7 *Financial Instruments: Disclosures* clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on the liabilities, cash flows and exposure to liquidity risk of an entity. As the Group did not have supplier finance arrangements, the amendments did not have any impact on the financial statements of the Group.

2 Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers was recognised when control of goods or services was transferred to the customers at an amount that reflected the consideration to which the Group expected to be entitled in exchange for those goods or services.

When the consideration in a contract included a variable amount, the amount of consideration was estimated to which the Group would be entitled in exchange for transferring the goods or services to the customer. The variable consideration was estimated at contract inception and constrained until it was highly probable that a significant revenue reversal in the amount of cumulative revenue recognised would not occur when the associated uncertainty with the variable consideration was subsequently resolved.

When the contract contained a financing component which provided the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue was measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contained a financing component which provided the Group with a significant financial benefit for more than one year, revenue recognised under the contract included the interest expense accrued on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services was one year or less, the transaction price was not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15 *Revenue from Contracts with Customers*.

(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 was recognised based on the actual service provided at 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.

3 Profit before tax

The profit before tax of the Group was arrived at after charging:

	2024 HK\$'000	2023 HK\$'000
Cost of inventory sold	331,324	307,029
Cost of services provided	155,464	112,567
Employee benefit expense (excluding Directors' fee, social security and pension costs):		
Wages and salaries	76,861	69,147
(Reversal of write-down)/write-down of inventory to net realisable value	<u>(246)</u>	<u>2,024</u>

4 Income tax credit

	2024 HK\$'000	2023 HK\$'000
Current – Macao		
Charge for the year	324	312
Overprovision in prior years	(1,772)	(845)
Current – Mainland China		
Underprovision in prior years	7	–
	<u>(1,441)</u>	<u>(533)</u>

5 Earnings per Share attributable to ordinary equity holders of the parent

The calculation of the basic earnings per Share amounts was based on the profit for the Year attributable to ordinary equity holders of the parent, and the weighted average number of Shares of 616,115,000 (2023: 616,115,000) outstanding during the Year.

The Company had no potentially dilutive Shares in issue during the Year and the year ended 31st December 2023.

The calculations of basic earnings per Share were based on:

	2024 HK\$'000	2023 HK\$'000
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per Share calculation	<u>10,275</u>	<u>6,532</u>
	Number of Shares	
	2024	2023
Shares		
Weighted average number of Shares outstanding during the year used in the basic earnings per Share calculation (thousands)	<u>616,115</u>	<u>616,115</u>

6 Dividend

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 7th July 2025, subject to the approval of the Members in the forthcoming AGM for the dividend.

	2024 HK\$'000	2023 HK\$'000
Proposed final to be paid out of contributed surplus – HK\$0.01 (2023: HK\$0.01) per Share	<u>6,161</u>	<u>6,161</u>

7 Trade receivables

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, was as follows:

	2024 HK\$'000	2023 HK\$'000
Within three months	139,028	134,499
Four to six months	36,622	23,133
Seven to twelve months	4,586	2,938
Over twelve months	5,190	5,182
	<u>185,426</u>	<u>165,752</u>

8 Trade payable

An ageing analysis of the trade payable as at the end of the reporting period, based on the invoice date, was as follows:

	2024 HK\$'000	2023 HK\$'000
Within three months	112,212	117,550
Four to six months	5,484	3,331
Seven to twelve months	375	657
Over twelve months	7,176	6,591
	<u>125,247</u>	<u>128,129</u>

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” and “Mega Datatech” 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 that 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 represents 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

Priorities of the business focus of the Group remain clear – to diligently navigate and decisively adapt to market challenges, maintain the thrust on differentiated products and services offerings, sustain momentum and drive competitive growth across the three operating markets and upkeep superior customer experience. With these priorities, 2024 order book of the Group hit new record high again since 2015, with total contracts secured reaching over HK\$640,000,000, or an approximate 7% year-on-year growth as compared to 2023. Although total contracts secured by VHL and MDL in the Year were only approximately 72% of that of 2023, in terms of percentage, Macao continues to be the biggest market, accounting for almost 50% of 2024 order book of the Group. In terms of best performer, the Mainland China market made a strong comeback with an impressive 140% growth in the Year over 2023 and accounted for almost 40% of the 2024 order book. The Hong Kong market, albeit the smallest among the three operating markets, also registered a notable growth of over 30% in the Year on a year-on-year basis.

Business in Macao

Supported by the total number of visitor arrivals surging from 28,200,000 in 2023 to 34,900,000 in the Year and total gross revenue from games of fortune increasing from HK\$177,469,000,000 in 2023 to HK\$219,857,000,000, the gaming market continued to make a solid recovery while gaming operators emerged with stronger earnings margins. Business opportunities within the gaming ecosystem remained positive during the Year, yet in the absence of new guidelines introduced by the gaming authority, VHL did not witness similar spending spree in surveillance and data networking infrastructure by different gaming operators liked those in 2023, which was one of the main reasons for the Macao team to bring almost 50% less contracts in the Year as compared to 2023.

In the areas of surveillance and data networking, VHL continues to see opportunities in surveillance and data networking infrastructure upgrades and refreshments as different gaming players replace outdated infrastructure with latest cutting-edge solutions and system security to pioneer new technologies to boost performance, enhance customer experience and to meet business growth. Gaming remains a lucrative business, and the gaming sector continues to see better-than-expected growth, such growth of which has not yet been extended to other sectors. As a result, there is an increasing number of market players, both at vendors level and at system integrators/service providers level, being drawn up to compete in the gaming sector. Winnings secured by VHL during the Year, therefore, were only after intense competition and not without margins and payment terms being compromised.

Enterprises play a major role in every economy, yet MDL continues to follow the strategy continuum to focus on serving customers, such as the Government of Macao and other vertical markets including utilities, universities, hospitals, transportation, insurance and banks, all of which share common operational characteristics and embody similarities when it comes to technologies and oversight of products quality and project execution. This explained while recovery was slowed in many sectors, MDL managed to see business growth during the Year from both the Government of Macao and other vertical markets, with 2024 order book growing over 25% on a year-on-year basis. Contracts related to networks infrastructure, surveillance, servers and storage, firewall, Wi-Fi, licensing and maintenance services were received from customers in different vertical markets and from the Government of Macao, including but not limited to Legal Affairs Bureau, Municipal Affairs Bureau, Labour Affairs Bureau, Public Security Police Force, Judiciary Police and Health Bureau.

In 2023, MDL restructured its technical team into smaller, but more dynamic, organised and efficient sub-teams, which not only to align with the “Vodatel” strategic approach in technical services but to also prime for future challenges and for succession planning. During the Year, to optimise for better success, MDL took a deep review of its portfolio and divested some of its legacy business via outsourcing, while putting focus on the composition of its products and service portfolio to add in more high potential Chinese market leaders in data networks infrastructure, servers, storage, firewall and different IT solutions. Today, MDL owns an enriched portfolio of products and services from both top foreign and Chinese vendors, offering to its customers comprehensive choices in terms of innovation, features, quality, ease of use and value.

Business in Hong Kong

Despite two years after the pandemic-induced crisis, the outlook of Hong Kong remains gloomy. Faced with one of the pillar customers of the Group, which is a regional ICT solutions provider, delaying their spending in data networking and intense competition from other Chinese data networking vendors, data networking business of the Group in Hong Kong dropped by more than 25% in the Year. Despite so, thanks to the growth of SD-WAN business by almost 1.8 times in the Year on a year-on-year basis, the Hong Kong team closed their 2024 order book with a growth of over 30%. Growth in SD-WAN business was not fuelled by new SD-WAN installed base, rather, it was supported by renewal of SD-WAN licensing, which is under a cloud-based subscription model mandated by the SD-WAN vendor. Although subscription model offers advantage of a more predictable and recurring revenue stream, it intensifies the competitive landscape of the SD-WAN market in customers retention, especially among customers who are more price sensitive and are less demanding in the efficiency of their network connectivity.

Meta-V, which engages in managed services on a “pay when use” model, also reported a 39% year-on-year growth in the Year, attributable to the winning of a billing system of a mobile service operator in Hong Kong, which could not be possible in the absence of the strong support of a global edge-to-cloud vendor with whom MDL partnered with over twenty years ago. Leveraging on this strong partnership, Meta-V successfully further penetrates this mobile service operator, cross selling to it other IT solutions.

Business in Mainland China

AI is the new buzzword, yet it is not just a mere buzzword, but a reality whereby spending by global tech giants on infrastructure have been supercharged by it. With intense focus on AI applications and cloud computing infrastructure and to secure a strong position in the AI race, global tech giants have powered up spending at their data facilities to support AI development and forthcoming AI imperative. The two pillar customers of the Group in Mainland China, which include a leading provider of Internet value-added services and a leading Internet technology company that operates creative content platforms, have been among the global tech giants to accelerate and make heavy spending on their AI infrastructure to support their AI portfolio, which includes AI assistant/chatbots, text-generated videos, text-to-image generation, music generation, video editing tools, palm verification technology and intelligent recording.

Although data networking infrastructure is not essential for powering machine learning workloads or large-scale AI model training, AI highlights the need for efficient networks to deliver overall customer experience, i.e. with minimal latency and fast access to content and services of AI applications. In the Year, as the two pillar customers of the Group raised spending at their data centres — upgrading existing ones and building new ones — demand for data networking infrastructure increased with over HK\$200,000,000 worth of data networking contracts awarded to the Group, which was more than threefold of the contracts sum secured in 2023 and which marked another record high since 2015. Looking forward, the Group is optimistic with business prospects generated from Mainland China given the investment pledges in AI infrastructure by the two pillar customers of the Group yet remains vigilant for global geopolitical tensions that might challenge spending decisions.

SD-WAN business in Mainland China grew by approximately 17% on a year-on-year basis, yet having similarities to, and differences from, the Hong Kong market. Like the Hong Kong market, the growth in SD-WAN business in the Year was not fuelled by new SD-WAN installed base, rather it was supported by renewal of SD-WAN licensing under the cloud-based subscription model. However, differ from Hong Kong, challenges facing the Mainland China market far exceed that of the Hong Kong market. In addition to facing competition from international SD-WAN peers, the Mainland China market is also challenged by competition from local SD-WAN players and with elevated global geopolitical tensions continue driving foreign companies, who favour the SD-WAN brand carried by the Group, to make temporary or permanent exit from the Mainland China market.

Other Investment Holdings

Tidestone Group – The business focus of Tidestone Group remains on the promotion of the self-developed “Tidestone”-branded network management system but with core focus now moved to the cloud-based version. Key modules include intelligent network management system, response support system, centralised alarm system, smart customer service platform and unified monitoring and management system for data centres, with the network test evaluation module now added to its portfolio. During the Year, total contracts collectively secured by Tidestone Group amounted to only HK\$15,900,000, which represented a drop of 12.5% as compared to 2023 due to a very slow start with no contracts secured during the first five months of the Year. The telecommunications sector remains the key business sector of Tidestone Group with contracts secured from telecommunications service providers in the provinces of Jiangxi, Hebei and Guangdong and the municipalities of Chongqing and Shanghai.

TTSA – Since reverting back to profitability in 2021, TTSA was back to a net loss position in the Year due to competition not only from existing market players, but from new telecommunications operators subsequent to the Government of Timor-Leste granting registration certificates to three newcomers in August 2024 to provide Internet services. Upon getting the registration certificate, Starlink, being one of the three newcomers, instantly launched its high-speed Internet service in Timor-Leste and in December 2024, its Internet service coverage extended to the entire country.

Per the unaudited financial statements of TTSA, revenue and earnings before interest, tax, depreciation and amortisation for the Year dropped by 8% and 24% respectively to HK\$175,122,000 and HK\$40,446,000. Despite initiating a cost reduction programme to control operational expenses and personnel costs, TTSA reported a net loss of HK\$626,000 in the Year as compared to net profit of HK\$10,361,000 in 2023.

Subsequent to the news on 3rd May 2023 where the Government of Timor-Leste entered into a conditional sale and purchase with Oi for the purchase of the 57.06% of Oi in TTSA for cash payment of HK\$42,247,000 and assumption of over HK\$121,693,000 worth of debts, as at the date of this announcement, there is still no further official update whether the deal will proceed or will be cancelled. The Group will continue to keep close watch of any latest developments.

As at 31st December 2024, the Group revalued the fair value of TTSA. Investment of the Group in TTSA is fair valued at HK\$30,373,000 as at 31st December 2024 as compared to HK\$36,380,000 as at 31st December 2023. Fair value of the investment of the Group in TTSA represented 6.66% of the total assets of the Group.

REVIEW OF OPERATING RESULTS

Turnover and Profitability

With 2024 order book reaching new high since 2015, headline revenue grew to HK\$604,794,000 for the Year, representing a 14.53% year-on-year increase over 2023 of HK\$528,066,000. Margins continued to be under pressure, in particular for projects related to managed services and those awarded by gaming operators, both of which the Group need to strategically price down to win. Nevertheless, attributable to stable margins from data networking projects secured in Mainland China, gross profit margin in the Year only marginally down by approximately 0.64 percentage point to 19.52% as compared to 20.16% in 2023. With higher revenue and stable gross profit margin, gross profit for the Year grew from HK\$106,445,000 in 2023 to HK\$118,056,000 in the Year, representing a 10.91% year-on-year increase.

Selling and marketing costs edged up from HK\$24,686,000 in 2023 to HK\$30,315,000 in the Year, attributable to an increase in transportation expenses from HK\$4,929,000 in 2023 to HK\$9,264,000 in the Year to fulfill the increased number of overseas projects secured from the two pillar customers of the Group in Mainland China and higher sales commission paid to the sales team.

Staff cost is the biggest element within the cost structure of the Group. Administrative expenses increased by HK\$4,009,000 from HK\$76,727,000 in 2023 to HK\$80,736,000 in the Year, of which wages and salaries (excluding sales commission) were up by HK\$3,100,000 due to salary raises paid out to reward the teams for their contribution to the strong 2024 order book. Looking at the human resources capacity of the Group, management continues to take a holistic view and considers not just the numbers but the match in skills and diversity to meet the business needs and objectives of the Group. Total number of employees for the Year remained at similar level, yet the composition of the workforce changed with new hires to fill in vacancies, either due to resignations or separations, having a broader perspective in terms of skills, technical expertise and experience.

With 2024 being a year of stronger performance, yet met with the reclassification of bond impairments from reserves to profit and loss statement, the Group reported operating profit of HK\$3,784,000 in the Year, as compared to operating profit of HK\$1,174,000 in 2023. Taking into account the net finance income and reversal of tax overprovided in previous years, the Group ended the Year with a net profit of HK\$7,628,000, or an increase of over 40% as compared to the net profit of 2023 of HK\$5,392,000.

Capital Structure and Financial Resources

To support the various data networking projects for the two pillar customers of the Group in Mainland China in progress, level of inventory stood at HK\$20,564,000 as at 31st December 2024. Despite continued efforts to ensure timely recovery of receivables and to negotiate extended payment terms from vendors, as at 31st December 2024, contract assets and trade receivable totalled HK\$255,628,000 while contract liabilities and trade payable summed to HK\$178,970,000, creating short-term cashflow gaps. These gaps were supported by the cash balances of the Group and the drawing of short-term bank facilities set up to support flexible liquidity management and occasional cashflow gaps.

Despite the write-down of the valuation of TTSA to HK\$30,373,000 as at 31st December 2024, a profitable year in 2024 supported the equity base of the Group to increase from HK\$209,815,000 as at 31st December 2023 to HK\$210,897,000 as at 31st December 2024, of which cash and cash equivalents and yield-enhanced financial instruments (including pledged deposit) totalled HK\$74,451,000.

Among the bond holdings were HK\$2,407,000 from BNP Paribas, S.A. (a company incorporated in France with limited liability and whose ordinary shares of 2 euros (the lawful currency of some countries of the European Union) each are listed on Euronext Paris in France), HK\$2,397,000 from The Toronto-Dominion Bank (a bank incorporated in Canada with limited liability and whose common shares are listed on NYSE and the Toronto Stock Exchange in Canada), HK\$2,364,000 from Nippon Life Insurance Company (a mutual company in Japan) and HK\$2,328,000 from a subsidiary of SJM Holdings Limited (a company incorporated in Hong Kong with limited liability and whose ordinary shares are listed on the Main Board).

The Group continues to exercise capital discipline and maintained a solid balance sheet with low gearing (save and except for normal trade payable) as at 31st December 2024. Financial prudence practised 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. The Group also has banking facilities available for use where needed. Management believes that the current liquidity position, capital structure and banking facilities will suffice unexpected headwinds, while providing flexibility to pursue and support new business opportunities.

Dividend Policy

As a result of prudent financial management, the Group managed to propose a final dividend of HK\$0.01 per Share for the Year, which will be the eleventh consecutive year where the Group declared a dividend payout.

As the Group continues to conduct business and evaluate new business opportunities, there is no guarantee that the Group will continue to pay out dividend in the upcoming years.

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 two independent non-executive Directors did not attend the AGM held in the Year; and
- 3 the management do not provide all Directors with monthly updates.

C.1.4 A Director considers that briefing received from the company secretary of the Company is sufficient for him to render his contribution to the Board.

C.1.6 They were away on business trips on the date of AGM.

D.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. Management is also available to address any inquiries from the Directors.

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 or loss, consolidated statement of comprehensive income, consolidated balance sheet and the related notes of the Group thereto for the Year as set out in this preliminary announcement were agreed by the Auditor to the amounts set out in the draft consolidated financial statements of the Group for the Year. The work performed by the Auditor in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion was expressed by the Auditor on the preliminary announcement.

DEFINITIONS

“2020 Amendments”	Amendments to HKAS 1 <i>Classification of Liabilities as Current or Non-current</i>
“2022 Amendments”	Amendments to HKAS 1 <i>Non-current Liabilities with Covenants</i>
“AGM”	annual general meeting
“Auditor”	Ernst & Young, the auditor of the Company

“Board”	the board of Directors (not applicable to Main Board)
“Brazil”	The Federative Republic of Brazil
“BVI”	the British Virgin Islands
“Capital Market Intermediary”	any corporation or authorised financial institution, licensed or registered under SFO that engages in specified activities under paragraph 21.1.1 of the Code of Conduct, including, without limitation, a Capital Market Intermediary appointed pursuant to rule 6A.40 of the GEM Listing Rules. An Overall Coordinator is also a Capital Market Intermediary
“Code”	the code provision of the Corporate Governance Code set out in Appendix C1 of the GEM Listing Rules (not applicable to Code of Conduct)
“Code of Conduct”	Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission established under section 3 of the Securities and Futures Commission Ordinance and continuing in existence under section 3 of SFO
“Company”	Vodatel Networks Holdings Limited (not applicable to Nippon Life Insurance Company)
“Debt Securities”	debenture or loan stock, debentures, bonds, notes and other securities or instruments acknowledging, evidencing or creating indebtedness, whether secured or unsecured and options, warrants or similar rights to subscribe or purchase any of the foregoing and convertible debt securities
“Director”	the director of the Company
“Exchange”	The Stock Exchange of Hong Kong Limited, a company incorporated in Hong Kong with limited liability (not applicable to New York Stock Exchange and Toronto Stock Exchange)
“France”	The French Republic
“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, their appendices, listing application forms, formal applications, marketing statements and declarations required to be made in respect of listing on GEM by Sponsors, Overall Coordinators and Issuers and other forms published in the “Regulatory Forms” section of the Website of the Exchange from time to time and the rules governing listing or issue fees, and levies, trading fees, brokerage and other charges relating to transactions of securities listed or to be listed on GEM as published in the “Fees Rules” section of the Website of the Exchange from time to time, published on the Website of the Exchange that are indicated as being part of the GEM Listing Rules, any contractual arrangement entered into with any party under them, and rulings of the Exchange made under them
“Group” or “Vodatel”	the Company and its subsidiaries (not applicable to Tidestone Group)
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“HKAS”	Hong Kong Accounting Standard(s)
“HK cent”	Hong Kong cent, where 100 HK cents equal HK\$1
“HKEC”	Hong Kong Exchanges and Clearing Limited, a company incorporated in Hong Kong with limited liability
“HKFRS”	financial reporting standard(s) and interpretations issued by the Hong Kong Institute of Certified Public Accountants, established under the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong). They comprise 1. Hong Kong Financial Reporting Standards, 2. HKAS, and 3. Interpretations
“Hong Kong”	the Hong Kong Special Administrative Region of PRC (not applicable to Hong Kong Accounting Standard(s), Hong Kong Exchanges and Clearing Limited, Hong Kong Financial Reporting Standards, the Hong Kong Institute of Certified Public Accountants and The Stock Exchange of Hong Kong Limited)
“Issuer”	any company or other legal person any of whose equity or Debt Securities are the subject of an application for listing on GEM or some or all of whose equity or Debt Securities are already listed on GEM
“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
“Meta-V”	Meta-V Tech Services Limited, incorporated in Hong Kong with limited liability and an indirect subsidiary of the Company
“NYSE”	the New York Stock Exchange in the United States of America
“Oi”	Oi S.A. – in Judicial Reorganisation, a company incorporated in Brazil with limited liability and whose shares are listed on NYSE and B3 S.A. – Brasil, Bolsa, Balcão in Brazil
“Overall Coordinator”	a Capital Market Intermediary that engages in specified activities under paragraphs 21.1.1 and 21.2.3 of the Code of Conduct, including, without limitation, an Overall Coordinator appointed pursuant to rule 6A.42 of the GEM Listing Rules
“PRC”	The People’s Republic of China
“SD-WAN”	software-defined networking in a wide area network
“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
“Sponsor”	any corporation or authorised financial institution licensed or registered under SFO for Type 6 regulated activity and permitted under its licence or certificate of registration to undertake work as a Sponsor and, as applicable, which is appointed as a Sponsor pursuant to rule 6A.02 of the GEM Listing Rules

“Tidestone Group”	Capital Instant Limited, a company incorporated in BVI with limited liability and an indirect associate of the Company, and its subsidiaries
“Timor-Leste”	The Democratic Republic of Timor-Leste
“TTSA”	Timor Telecom, S.A., a company incorporated in Timor-Leste with limited liability
“VHL”	Vodatel Holdings Limited, incorporated in BVI with limited liability and an indirect wholly-owned subsidiary of the Company
“Website of the Exchange”	the official website of HKEC and/or the website “HKEXnews” which is used for publishing regulatory information of Issuers
“Year”	the year ended 31st December 2024

By order of the Board
Monica Maria Nunes
Deputy Chairman

Macao, 26th March 2025

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*