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

- Attributable to a strong organic growth, revenue for the Year reached HK$531,286,000 as compared to HK$416,848,000 for 2018, representing an increase of 27.45%
- Due to more aggressive pricing strategy and fulfilling only the delivery of equipment under the major surveillance project, which carries lower margin, gross profit margin for the Year stood at 22.60% as compared to 25.69% for 2018
- Despite a strong operating year, attributable to a loss allowance against a receivable from a leading gaming operator in Macao, the Group reported loss before tax of HK$5,976,000 for the Year. In the absence of the loss allowance, the Group would have reported profit before tax of HK$10,202,000 for the Year
- Equity base stood at HK$199,160,000 as at 31st December 2019, of which cash and cash equivalents and yield-enhanced financial instruments remained at a healthy level at HK$107,437,000
- Secured over HK$570,000,000 worth of contracts across its core entities in Macao, Hong Kong and Mainland China, which represented a year-on-year growth of approximately 27% and the highest achieved over the last five years
- VHL successfully won a major surveillance project for a gaming operator at their new integrated resort on Cotai that is currently under construction
- 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** **2019** **HK$'000**	2018 HK$'000
Revenue from contracts with customers	2	**531,286**	416,848
Cost of sales of goods	3	**(344,526)**	(249,367)
Cost of providing services		**(66,689)**	(60,398)
Gross profit		**120,071**	107,083
Selling and marketing costs	3	**(17,001)**	(12,897)
Administrative expenses	3	**(114,135)**	(96,788)
Other gains, net		**1,202**	822
Operating loss		**(9,863)**	(1,780)
Finance income		**4,129**	2,618
Finance costs		**(245)**	(75)
Finance income – net		**3,884**	2,543
Share of net profit of an associate accounted for using the equity method		**3**	10
(Loss)/profit before income tax		**(5,976)**	773
Income tax expense	4	**(1,389)**	(703)
(Loss)/profit for the Year		**(7,365)**	70
(Loss)/profit is attributable to:			
Owners of the Company		**(5,256)**	(171)
NCI		**(2,109)**	241
		(7,365)	70
Loss per Share for loss attributable to the ordinary equity holders of the Company:		**HK Cent**	HK Cent
Basic and diluted loss per Share	5	**(0.86)**	(0.03)
Dividends (expressed in HK$'000)	6(b)	**6,144**	3,072

Consolidated statement of comprehensive income

	Year ended 31st December	
	2019	2018
	HK$'000	HK$'000
(Loss)/profit for the Year	**(7,365)**	70
OCI/(other comprehensive loss)		
Items that may be reclassified to profit or loss		
Changes in the fair value of debt instruments at FVOCI	**3,732**	(2,943)
Transfer to profit or loss by disposal of debt instruments at FVOCI	**(142)**	261
Exchange differences on translation of foreign operations	**(107)**	(25)
Item that will not be reclassified to profit or loss		
Changes in the fair value of equity investments at FVOCI	**483**	–
OCI/(other comprehensive loss) for the Year, net of tax	**3,966**	(2,707)
Total comprehensive loss for the Year	**(3,399)**	(2,637)
Total comprehensive loss for the Year is attributable to:		
Owners of the Company	**(1,290)**	(2,878)
NCI	**(2,109)**	241
	(3,399)	(2,637)

Consolidated balance sheet

	Notes	As at 31st December 2019 HK$'000	2018 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**3,788**	3,369
Right-of-use assets – buildings		**2,602**	–
Interest in an associate		**–**	818
Financial assets at FVOCI		**43,174**	43,813
Total non-current assets		**49,564**	48,000
Current assets			
Inventories		**31,846**	18,120
Contract assets		**57,453**	21,897
Trade receivables	7	**124,812**	107,120
Other receivables, deposits and prepayments		**54,590**	54,517
Financial assets at amortised cost		**–**	7,400
Financial assets at FVOCI		**–**	3,917
Cash and cash equivalents		**64,263**	79,888
Total current assets		**332,964**	292,859
Total assets		**382,528**	340,859
LIABILITIES			
Non-current liabilities			
Lease liabilities		**1,033**	–
Current liabilities			
Trade and bills payables	8	**101,616**	59,608
Other payables and accruals		**22,187**	22,923
Contract liabilities		**46,551**	43,022
Current tax liabilities		**10,364**	9,704
Lease liabilities		**1,617**	–
Total current liabilities		**182,335**	135,257
Total liabilities		**183,368**	135,257
Net current assets		**150,629**	157,602
Net assets		**199,160**	205,602

	As at 31st December	
	2019	2018
	HK$'000	HK$'000
EQUITY		
Share capital	**61,570**	61,570
Other reserves	**145,478**	142,341
(Accumulated losses)/retained earnings	**(3,970)**	3,529
Capital and reserves attributable to owners of the Company	**203,078**	207,440
NCI	**(3,918)**	(1,838)
Total equity	**199,160**	205,602

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) *New and amended standards adopted by the Group*

The Group applied the following standards and amendments for the first time for their annual reporting period commencing 1st January 2019:

- HKFRS 16 *Leases*
- *Prepayment Features with Negative Compensation – Amendments to* HKFRS 9 *Financial Instruments*
- *Long-term Interests in Associates and Joint Ventures – Amendments to* HKAS 28 *Investments in Associates and Joint Ventures*

- *Annual Improvements to HKFRS 2015 – 2017 Cycle*

- *Plan Amendment, Curtailment or Settlement– Amendments to* HKAS 19 *Employee Benefits*

- HK(IFRIC)-23 *Uncertainty over Income Tax Treatments*

The Group had to change its accounting policies as a result of adopting HKFRS 16. The Group elected to adopt the new rules restrospectively but recognised the cumulative effect of initially applying the new standard on 1st January 2019. Most of the other 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 2019 reporting periods and were not early adopted by the Group. These standards were not expected to have a material impact on the entity 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 hardware components was recognised at a point of 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 as a proportion of the total services to be provided.

The customers 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 services 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

	2019	2018
	HK$'000	HK$'000
Cost of inventories sold	**344,231**	248,060
Provision on inventories	**295**	1,307
Provision/(reversal) of loss allowance, net	**16,019**	(112)
Employee benefit expense and Directors' emoluments	**73,570**	70,834
Write-off of trade receivables	**1,114**	–

4 Income tax expense

	2019	2018
	HK$'000	HK$'000
Current tax		
Current tax on profits for the Year		
– Macao complementary profits tax	**1,352**	898
– Mainland China corporate income tax	**40**	–
Adjustments for current tax of prior periods	**(3)**	(195)
Income tax expense	**1,389**	703

5 Loss per Share

(a) *Basic loss per Share*

Basic loss per Share was calculated by dividing:

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

(b) *Loss used in calculating loss per Share*

	2019	2018
	HK$'000	HK$'000
Loss attributable to ordinary equity holders of the Company used in calculating basic loss per Share	**(5,256)**	(171)

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

	2019	2018
Weighted average number of Shares used as the denominator in calculating basic loss per Share (thousands)	**614,435**	614,435

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.

(a) *Shares*

	2019	2018
	HK$' 000	HK$' 000
Final dividend for the year ended 31st December 2018 of HK$0.005 (2017 – HK$0.01) per Share	**3,072**	6,144

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

	2019	2018
	HK$' 000	HK$' 000
In addition to the above dividend, since year end the Directors recommended the payment of a final dividend of HK$0.01 per fully paid Share for the Year (2018 – HK$0.005). The aggregate amount of proposed dividend expected to be paid out of retained earnings as at 31st December 2019, but not recognised as a liability at year end, is	**6,144**	3,072

7 Trade receivables

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

	2019	2018
	HK$' 000	HK$' 000
Within three months	**93,826**	101,205
> Three months but ≤ six months	**29,003**	2,764
> Six months but ≤ twelve months	**1,435**	383
Over twelve months	**14,075**	17,027
	138,339	121,379
Less: loss allowance	**(13,527)**	(14,259)
	124,812	107,120

8 Trade payables

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

	2019	2018
	HK$'000	HK$'000
Within three months	**91,276**	56,071
> Three months but ≤ six months	**1,542**	945
> Six months but ≤ twelve months	**6,919**	1,127
Over twelve months	**1,879**	1,465
	101,616	59,608

9 Changes in accounting policies

This note explains the impact of the adoption of HKFRS 16 on the financial statements of the Group.

As indicated in Note 1(c) above, the Group adopted HKFRS 16 retrospectively from 1st January 2019, but did not restate comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules were therefore recognised in the opening consolidated balance sheet as at 1st January 2019.

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which were previously classified as "operating leases" under the principles of HKAS 17 *Leases*. These liabilities were measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate of the lessee as at 1st January 2019. The weighted average incremental borrowing rate of the lessee applied to the lease liabilities on 1st January 2019 was 5.1%.

(a) *Practical expedients applied*

In applying HKFRS 16 for the first time, the Group used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics
- accounting for operating leases with a remaining lease term of less than twelve months as at 1st January 2019 as short-term leases.

The Group also elected not to reassess whether a contract was, or contained a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*.

(b) *Measurement of lease liabilities*

	2019 HK$'000
Operating lease commitments disclosed as at 31st December 2018	**3,505**
Less: short-term leases not recognised as a liability	**(800)**
	2,705
Discounted using the incremental borrowing rate (i.e. 5.1%)	**(149)**
Lease liabilities relating to operating leases recognised as at 1st January 2019	**2,556**

(c) *Measurement of right-of-use assets*

The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied. Other right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated balance sheet as at 31st December 2018.

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 that will align their expectations in level of choices and service requirements and match their demands, values and aspirations.

As a system integrator and service provider that already represented a list of renowned multinational 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", "Mega DataTech" and "Tidestone" among the most sought system integrators 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 and Hong Kong

During the Year, total contracts awarded to the Group in Macao and Hong Kong was approximately HK$495,000,000, representing an increase of 37% over total contracts secured in 2018, with this strong growth experienced under both the "Vodatel" and "Mega DataTech" brandings. The "Vodatel" branding in Macao and Hong Kong brought in approximately HK$290,000,000 and HK$58,000,000 of business in the Year respectively, representing an increase of 49% and 24% as compared to 2018, whereas the "Mega DataTech" branding brought in approximately HK$147,000,000 of business, representing an increase of 22% as compared to 2018. Worth noting was that this impressive organic growth was achieved in the absence of any expansion phase from the Transport Bureau in relation to the provision of innovative smart cameras and traffic management of intelligent transportation systems that the Group secured in each of 2017 and 2018 and with the Group losing a major gaming operator that the Group has been serving for over ten years in a tender where the end-user opted for a video management system that is not represented by the Group.

One of the key attributes to the strong organic growth was the increase in contracts secured from different gaming operators which grew by 1.1 times in the Year as compared to 2018, among which included the successful award of a major surveillance project by a gaming operator where the Group has very limited business dealings with in the past. This surveillance project involves the supply and installation of a surveillance system, together with the underlying data networks infrastructure, at the new integrated resort on Cotai that is currently under construction – the first footprint of this gaming operator on Cotai. This award is of great significance to the Group as it becomes the entry point in the subsequent bidding of surveillance retrofit and expansion projects at the other establishments run by this gaming operator in Macao. Other awards from other gaming operators included business opportunities generated from the amendments to the minimum internal control requirements introduced by the Gaming Inspection and Coordination Bureau in Macao, which calls for enhanced surveillance coverage at gaming floors, and various customarily upgrades, expansion and renovations.

Of the total contracts secured by the Group in Macao and Hong Kong, 28% of them or approximately HK$138,000,000 related to contracts awarded by the Government of Macao, who has continued to remain a key customer of the Group. Contracts from the Government of Macao, either directly or indirectly via participation through a main contractor where the Government of Macao is the project owner, encompassed products and services in the areas of servers, storage, security, surveillance and networking and in the provision of customised software solutions and on-going maintenance service support. Office of the Chief Executive, Public Security Police Force Bureau, Judiciary Bureau, Municipal Affairs Bureau, Public Administration and Civil Service Bureau, Identification Bureau, Housing Bureau, Financial Services Bureau, to name a few, remain some of the key government departments that VHL and MDL have been serving over the past twenty years.

In addition to the Government of Macao, VHL and MDL also made key wins in some core vertical markets, namely public utilities, education, hospital and airport. During the Year, MDL was again selected as the designated system integrator to support the core network revamp project for a university and in a data network infrastructure upgrade project for a public utility to enhance network performance which involved network revamp with unique applications, such as software defined networking and diversified corporate infrastructure. Also, the network solutions designed by MDL was successfully adopted at a secondary school campus revamp project and at a new integrated medical facilities, both currently under construction. As for VHL, various contracts related to works at an airport in Macao were received, covering surveillance, data networks and a perimeter intrusion detection system.

During the Year, the Hong Kong team generated approximately HK$58,000,000 of business, representing a year-on-year increase of 24% over the preceding year. With business generated from the provision of data networks infrastructure remained stable, the main driver of business growth was SD-WAN infrastructure to regional telecommunications service providers. Through active promotions, contracts for SD-WAN infrastructure received almost tripled on a year-on-year basis.

Business in Mainland China

In the absence of the investment spike made by a leading provider of Internet value-added services in Mainland China in 2018 as it develops network infrastructure in countries to support the "Belt and Road Initiative", total contracts secured by the Mainland China team dropped from approximately HK$82,000,000 in 2018 to approximately HK$58,000,000 in the Year. Similar to the business in Hong Kong where SD-WAN is a key driver, the products composition of contracts secured in Mainland China experienced an obvious shift with SD-WAN infrastructure contributing 25% of total contracts secured in the Year as compared to a mere 5% in 2018.

The operating performance of TSTSH and TSTJX remained less than impressive with improvement only witnessed during the last quarter of the Year. During the Year, TSTSH and TSTJX signed approximately HK$17,000,000 worth of contracts, representing an increase of 50% over the preceding year of 2018, with projects secured from telecommunications service providers in the provinces of Jiangxi, Hebei, Hunan, Hubei and Shandong and the municipalities of Chongqing and Shanghai. However, this improvement would not be reflected in its financial performance for the Year as 70% of the contracts were entered into during the last quarter of the Year.

Other Investment Holdings – TTSA

With Vietnamese-based holding company, Telemor currently standing as the largest mobile operator in Timor-Leste, taking up 54% of the market share of mobile subscribers, coupled with growing political tension subsequent to the collapse of a coalition supporting the current prime minister and the continued distressed financial situation of the major shareholder, Oi, affected capital expenditures programme to grow TTSA, the operating performance of TTSA remained static. Based on the unaudited financial statements of TTSA, during the Year, revenue dropped further from HK$209,344,000 in 2018 to HK$197,970,000 with net loss widening from HK$41,754,000 in 2018 to HK$47,548,000 in the 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.

During the Year, there were press reports regarding different parties expressing interests in acquiring different core assets of Oi, however, with nothing confirmed. The Group will continue to keep close watch of any latest developments about Oi, especially over the disposal of the shareholding of Oi in TTSA.

Outlook of 2020

After the outbreak of COVID-19 in January 2020, a series of precautionary and control measures have been in effect across Macao, Hong Kong and Mainland China. As at 20th March 2020, being the latest practicable date, the Group has witnessed slowdown in its business activities across Macao, Hong Kong and Mainland China as the outbreak has caused interruptions to the capital expenditures programmes of the customers of the Group. The Group is engaged in building data networks and information technology infrastructure primarily for the Government of Macao, gaming operators in Macao and telecommunications service providers in Hong Kong and Mainland China where the end users are the general public, visitors and enterprises. With different governments calling for the general public to stay at home and avoid social gathering, reduced business activities and imposing travelling restrictions, the demand for services of Government of Macao, different gaming operators and telecommunications service providers have been affected. The Group will continue to pay close attention to the development of COVID-19 and evaluate for any enduring impact on the business prospects of the Group.

REVIEW OF OPERATING RESULTS

Turnover and Profitability

With the contracts secured by the Group reaching new high in the Year, the Group closed the Year again with a strong quarter. Revenue for the Year reached HK$531,286,000 as compared to HK$416,848,000 for 2018, representing an increase of 27.45%. With the market getting increasingly competitive causing the Group to adopt more aggressive pricing strategy to maintain market share and to achieve organic growth, coupled with the Group fulfilling primarily the delivery of the equipment, which carried lower margin, under the major surveillance project for a gaming operator at its new integrated resort on Cotai, gross profit margin for the Year stood at 22.60% as compared to 25.69% for 2018. Despite experiencing a 3 percentage-point drop in the gross profit margin, with a strong revenue base, the Group generated gross profit of HK$120,071,000 for the Year as compared to HK$107,083,000 for the preceding year.

With higher revenue, a corresponding increase in selling and marketing costs and administrative expenses was witnessed. Staff costs remain the biggest element of the Group. During the Year, the Group effected an average base salary increase of 3% to keep up with general market practice and to retain talents and amended the commission scheme of the sales teams to provide higher incentives, especially for exceeding sales targets. Coupled with the engagement of contract staff to support the major surveillance project, total selling and marketing costs and administrative expenses (excluding provision of loss allowance) increased 4.85% from HK$109,797,000 in 2018 to HK$115,117,000 in the Year.

Although the Group ran a profitable operation, as the management has yet to reach an agreement on a receivable for works completed from a project owner, who is a leading gaming operator in Macao, of approximately HK$16,000,000, a loss allowance against this receivable was provided for. Except for this receivable, no loss allowance related to other remaining receivables was needed to be provided for. The management will continue to negotiate with this gaming operator to fully recover this receivable.

Due to the loss allowance for this specific receivable, despite double digits growth to its revenue and gross profit and higher finance income generated from cash and financial assets at FVOCI of HK$4,129,000 in the Year due to more effective deployment of surplus funds, the Group reported loss before tax of HK$5,976,000 for the Year as compared to profit before tax of HK$773,000 for the preceding year. In the absence of this loss allowance, the Group would have reported profit before tax of HK$10,202,000 for the Year.

Capital Structure and Financial Resources

With the award of the major surveillance project in Macao, there were movements to the key figures – inventories, contract assets, receivables, trade and bills payables and contract liabilities. Level of inventories jumped from HK$18,120,000 in 2018 to HK$31,846,000 in the Year to reflect the stock-up of equipment to support the major surveillance project. Similarly, contract assets and receivables also increased to HK$57,453,000 and HK$124,812,000 respectively to reflect the billing status related to this project. Attributable to the successful negotiations with respective vendors for more favourable credit terms to back the payment terms with the gaming operator, trade and bills payables reported a corresponding hike from HK$59,608,000 in 2018 to HK$101,616,000 in the Year.

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). Equity base stood at HK$199,160,000 as at 31st December 2019, of which cash and cash equivalents and yield-enhanced financial instruments remained at a healthy level at HK$107,437,000. With improved cashflow from operations, as at 31st December 2019, financial assets at FVOCI of HK$43,174,000 comprised primarily of investments in yield-enhanced financial instruments. Among the bond holdings were HK$6,911,000 from The Bank of East Asia, Limited (a company incorporated in Hong Kong with limited liability and whose ordinary shares are listed on the Main Board), HK$6,764,000 from Barclays PLC (a company registered in England, UK with limited liability and whose ordinary shares of £0.25 each are listed on the London Stock Exchange in UK) and HK$4,267,000 from Société Générale S.A. (a company incorporated in France with limited liability and whose ordinary shares of €1.25 each are listed on Euronext Paris in France).

The group is of the view that the current liquidity position and capital structure will continue to weather the Group against unexpected headwinds and those brought by the COVID-19 while providing flexibility to the management to comfortably pursue new business opportunities.

CORPORATE GOVERNANCE

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

1 the nomination committee of the Company did not review the structure, size and composition (including the skills, knowledge and experience) of the Board in the Year;

2 not all Directors participated in continuous professional development;

3 the independent non-executive Directors did not attend the AGM held in the Year;

4 the management do not provide all Directors with monthly updates; and

5 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 of the Company 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.

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 announcement have been agreed by the Auditor, to the amounts set out in the 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 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
"France"	The French Republic
"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)
"HK(IFRIC)-Int"	HK(IFRIC) Interpretation
"Hong Kong"	the Hong Kong Special Administrative Region of PRC (not applicable to Hong Kong Accounting Standard, Hong Kong Exchanges and Clearing Limited, Hong Kong Financial Reporting Standards, 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
"Oi"	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 the United States of America and BM&FBOVESPA in Brazil

"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
"Timor-Leste"	The Democratic Republic of Timor-Leste
"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 Timor-Leste with limited liability
"UK"	The United Kingdom of Great Britain and Northern Ireland
"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 2019
"€"	euro, the lawful currency of the Eurozone
"£"	pound sterling, the lawful currency of UK

By order of the Board
José Manuel dos Santos
Chairman

Hong Kong, 20th March 2020

Executive Directors	**Independent non-executive Directors**
José Manuel dos Santos	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*