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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 recovery of the gaming sector in Macao propelled the growth engine of the Group for 2023. Total contracts secured hitting another record high since 2015, reaching HK\$597,300,000 for the Year, or an approximate 4% year-on-year growth as compared to 2022
- Headline revenue grew to HK\$528,066,000 for the Year, representing a 7.43% year-on-year growth over 2022 of HK\$491,567,000
- Gross profit margin improved by almost two percentage points from 18.31% in 2022 to 20.16% for the Year. Margins on hardware continued to be under pressure, yet the Group managed to balance the overall margins of hardware and services with maintenance support services contracts and outsourcing services contracts
- Profit for the Year of HK\$5,392,000, as compared to profit of HK\$3,412,000 for 2022
- Benefitted from the robust business momentum of the gaming sector, total contracts secured by VHL and MDL in Macao increased by a whopping 64.7% to HK\$437,600,000
- With a rather uncertain outlook, the Hong Kong team brought in HK\$42,700,000 worth of contracts, representing a 9.0% drop as compared to 2022. SD-WAN business dropped for three consecutive years whereas data networks infrastructure business grew over 77% to reach HK\$29,700,000 as compared to 2022
- The Mainland China team secured total data infrastructure and SD-WAN contracts of HK\$64,300,000 and HK\$38,700,000 respectively, representing a drop of over 60% and 38% with both business retracting back to 2020/2021 level
- Equity base of the Group stood at HK\$209,815,000 as at 31st December 2023, of which cash and cash equivalents and yield-enhanced financial instruments (including pledged deposit) totalled HK\$84,244,000
- The Directors recommend payment of a final dividend of HK\$0.01 per Share for the Year, which will be the tenth consecutive year where the Group declared a dividend payout

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	2023 HK\$'000	2022 HK\$'000
REVENUE	2	528,066	491,567
Cost of sales		<u>(421,621)</u>	<u>(401,548)</u>
Gross profit		106,445	90,019
Other (loss)/income and gains		(3,195)	558
Selling and marketing expenses		(24,686)	(18,469)
Administrative expenses		(76,727)	(75,051)
Impairment losses on financial and contract assets		(663)	(2,240)
Gain on disposal of a subsidiary		<u>–</u>	<u>5,667</u>
Operating profit		<u>1,174</u>	<u>484</u>
Finance income		3,778	3,051
Finance costs		<u>(93)</u>	<u>(94)</u>
Finance income, net		<u>3,685</u>	<u>2,957</u>
PROFIT BEFORE TAX	3	4,859	3,441
Income tax credit/(expense)	4	<u>533</u>	<u>(29)</u>
PROFIT FOR THE YEAR		<u><u>5,392</u></u>	<u><u>3,412</u></u>
Attributable to:			
Owners of the parent		6,532	5,460
Non-controlling interests		<u>(1,140)</u>	<u>(2,048)</u>
		<u><u>5,392</u></u>	<u><u>3,412</u></u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	5		
Basic		<u><u>1.06 HK cents</u></u>	<u><u>0.89 HK cent</u></u>
Diluted		<u><u>1.06 HK cents</u></u>	<u><u>0.88 HK cent</u></u>

Consolidated statement of comprehensive income

	2023 HK\$'000	2022 HK\$'000
PROFIT FOR THE YEAR	5,392	3,412
OTHER COMPREHENSIVE INCOME/(LOSS)		
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 the fair value	(2,635)	(10,908)
Adjustments for losses included in the consolidated statement of profit or loss		
– impairment losses	1,522	846
Release to profit or loss on disposal of debt instruments	4,352	589
Exchange differences:		
Exchange differences on translation of foreign operations	146	228
Release to profit or loss on disposal of subsidiaries	–	(890)
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods	3,385	(10,135)
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 the fair value	(1,097)	37,477
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	2,288	27,342
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>7,680</u>	<u>30,754</u>
Attributable to:		
Owners of the parent	8,820	32,802
Non-controlling interests	(1,140)	(2,048)
	<u>7,680</u>	<u>30,754</u>

Consolidated balance sheet

	Notes	As at 31st December	
		2023 HK\$'000	2022 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		1,787	2,106
Right-of-use assets		951	2,493
Investments in associates		–	–
Equity investment designated at fair value through other comprehensive income		36,380	37,477
Debt investments at fair value through other comprehensive income		30,439	37,391
Total non-current assets		<u>69,557</u>	<u>79,467</u>
CURRENT ASSETS			
Inventory		24,953	13,628
Trade receivables	7	165,752	183,554
Contract assets		53,562	35,459
Prepayment		61,835	63,998
Other receivables and deposits		7,396	8,105
Debt investments at fair value through other comprehensive income		55	843
Pledged deposit		3,470	3,470
Cash and cash equivalents		50,280	23,825
Total current assets		<u>367,303</u>	<u>332,882</u>
CURRENT LIABILITIES			
Trade payable	8	128,129	93,250
Other accounts payable and accruals		23,910	17,433
Interest-bearing bank borrowings		–	30,792
Lease liabilities		983	1,517
Contract liabilities		53,921	41,106
Tax payable		6,189	6,784
Warranty provisions		13,913	12,174
Total current liabilities		<u>227,045</u>	<u>203,056</u>
NET CURRENT ASSETS		<u>140,258</u>	<u>129,826</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>209,815</u>	<u>209,293</u>
NON-CURRENT LIABILITIES			
Lease liabilities		–	997
Net assets		<u><u>209,815</u></u>	<u><u>208,296</u></u>

	As at 31st December	
	2023	2022
	HK\$'000	HK\$'000
EQUITY		
Equity attributable to owners of the parent		
Share capital	61,771	61,771
Other reserves	155,000	152,341
	216,771	214,112
Non-controlling interests	(6,956)	(5,816)
Total equity	209,815	208,296

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

Notes:

1 Basis of preparation

The 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. The financial statements are presented in HK\$ and all values were rounded to the nearest thousand except when otherwise indicated.

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

HKFRS 17	<i>Insurance Contracts</i>
Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>
Amendments to HKAS 8	<i>Definition of Accounting Estimates</i>
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>
Amendments to HKAS 12	<i>International Tax Reform – Pillar Two Model Rules</i>

The nature and the impact of the new and revised HKFRS that are applicable to the Group are described below:

- (a) Amendments to HKAS 1 (Revised) *Presentation of Financial Statements* require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in the financial statements of an entity, it could reasonably be expected to influence decisions that the primary users of general purpose financial statements made on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 *Making Materiality Judgements* provided non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The amendments did not have any impact on the measurement, recognition or presentation of any items in the financial statements of the Group.

- (b) Amendments to HKAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* clarified the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarified how entities used measurement techniques and inputs to develop accounting estimates. Since the approach and policy of the Group aligned with the amendments, the amendments had no impact on the financial statements of the Group.
- (c) Amendments to HKAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrowed the scope of the initial recognition exception in HKAS 12 *Income Taxes* so that it no longer applied to transactions that gave rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities were required to recognise a deferred tax asset (provided that sufficient taxable profit was available) and a deferred tax liability for temporary differences arising from these transactions.

The adoption of amendments to HKAS 12 did not have any material impact on the basic and diluted earnings per Share attributable to ordinary equity holders of the parent, other comprehensive income and the consolidated statements of cash flows for the Year and the year ended 31st December 2022.

- (d) Amendments to HKAS 12 *International Tax Reform – Pillar Two Model Rules* introduced a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduced disclosure requirements for the affected entities to help users of the financial statements better understand the exposure of the entities to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation was effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation was enacted or substantively enacted but not yet in effect. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to 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:

	2023 HK\$'000	2022 HK\$'000
Cost of inventory sold	307,029	278,355
Cost of services provided	112,567	122,133
Employee benefit expense (excluding Directors' fee, social security and pension costs):		
Wages and salaries	69,147	64,273
Write-down of inventory to net realisable value	<u>2,024</u>	<u>1,060</u>

4 Income tax (credit)/expense

	2023 HK\$'000	2022 HK\$'000
Current – Macao		
Charge for the year	312	53
Overprovision in prior years	(845)	–
Current – Mainland China		
Overprovision in prior years	–	(24)
	<u>–</u>	<u>(24)</u>
	<u>(533)</u>	<u>29</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 (2022: 616,115,000) in issue during the Year.

The calculation of the diluted earnings per Share amounts was based on the profit for the Year attributable to ordinary equity holders of the parent. The weighted average number of Shares used in the calculation was the number of Shares in issue during the Year, as used in the basic earnings per Share calculation, and the weighted average number of Shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential Shares into Shares.

The calculations of basic and diluted earnings per Share were based on:

	2023 HK\$'000	2022 HK\$'000
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per Share calculation	<u>6,532</u>	<u>5,460</u>
	Number of Shares	
	2023	2022
Shares		
Weighted average number of Shares in issue during the year used in the basic earnings per Share calculation (thousands)	616,115	616,115
Effect of dilution – weighted average number of Shares:		
Options to subscribe for Shares pursuant to the share option scheme approved at the AGM on 22nd June 2012 and terminated on 17th June 2022 by the Members (thousands)	<u>–</u>	<u>4,805</u>
	<u>616,115</u>	<u>620,920</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 5th July 2024, subject to the approval of the Members in the forthcoming AGM for the dividend.

	2023 HK\$'000	2022 HK\$'000
Proposed final to be paid out of contributed surplus – HK\$0.01 (2022: 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:

	2023 HK\$'000	2022 HK\$'000
Within three months	134,499	165,157
Four to six months	23,133	11,102
Seven to twelve months	2,938	1,139
Over twelve months	<u>5,182</u>	<u>6,156</u>
	<u>165,752</u>	<u>183,554</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:

	2023 HK\$'000	2022 HK\$'000
Within three months	117,550	87,652
Four to six months	3,331	1
Seven to twelve months	657	311
Over twelve months	<u>6,591</u>	<u>5,286</u>
	<u>128,129</u>	<u>93,250</u>

9 Comparative amounts

Certain comparative amounts were reclassified to conform to the presentation of the Year as the Directors considered that the new presentation was more relevant and appropriate to the financial statements.

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

Strong recovery of the gaming sector in Macao propelled the growth engine of the Group for 2023, not only making up the lacklustre business experienced in the Hong Kong and Mainland China markets, but driving order book of the Group to reach new record high since 2015. Total contracts secured amounted to HK\$597,300,000 for the Year, or an approximate 4% year-on-year growth as compared to 2022.

Business in Macao

In Macao, attributable to the robust business momentum from the gaming sector, total contracts secured by VHL and MDL in Macao increased by a whopping 64.7% from HK\$265,700,000 in 2022 to HK\$437,600,000 for the Year. The Group experienced an exceptionally strong fourth quarter, generating HK\$191,300,000 of new contracts, accounting for almost 44% of total contracts secured from the Macao market during the Year.

As a premier gaming destination, the good times enjoyed by Macao was hit hard by the pandemic in 2020 as the city faced challenges from travel restrictions and reduced visitor numbers. The easing of travel restrictions in early 2023 marked a major resurgence for Macao. As Macao stepped out of the shroud of the pandemic, the city experienced a strong rebound in 2023 with an impressive uptick in visitor numbers, leading to a major boost in gaming revenue, in particular generated from the strong and solid return of mass markets. Annual gross revenue from games of fortune exponentially swelled by over four-fold from HK\$40,969,000,000 in 2022 to HK\$177,727,000,000 in 2023.

With a strong appeal on tourism and heavy reliance on the gaming industry, when it came to the awarding of the new ten-year gaming concessions that came into effect from 1st January 2023, the Government of Macao quested for far-reaching implications for the local economy and tourism sector, requesting all six gaming incumbents to make pledges to diversify their entertainment offerings, boost local hospitality and promote Macao as a world-class resort to attract both Chinese nationals and foreign visitors yet preserving the local unique cultural heritage. Leveraging technologies, during the Year, different gaming operators embraced and integrated technologies into their marketing campaigns, events and initiatives, not only to attract visitors and to enhance customer experience, but to also strengthen the position of Macao as a smart and digitised city.

Turning a new chapter after the pandemic, different gaming operators actively resumed and accelerated the adoption of digital technologies and data analytics for business insights to optimise operational efficiency, ensure resilience to their IT demands, meet the evolving needs of businesses and improve services and amenities to enhance overall customer experience. The Group is proud to be supporting four of the six gaming incumbents, who have evolved over the years to become pillar customers of the Group. With new demands from them in IT infrastructure and surveillance, the latter of which brought from introduction of new guidelines by the Gaming Inspection and Coordination Bureau, the Group successfully capitalised on these opportunities and secured approximately HK\$266,000,000 worth of IT and surveillance contracts during the Year. Total contracts secured from these four pillar gaming customers not only contributed to a growth of the order book of the Group in Macao in 2023, such order book even exceeded beyond total contracts secured by the Group of HK\$290,700,000 in 2019, or pre-pandemic times.

The Government of Macao is and remains one of the pillar customers of the Group. With a strong rebound of the gaming sector, the Government of Macao downplayed its role as a vital stimulus to the economy and gears focus of its capital expenditure on public housing, healthcare, environmental protection and sporting sector. During the Year, in the absence of any major infrastructure project that VHL and MDL secured from the Government of Macao, total contracts secured by VHL and MDL from the Government of Macao and non-gaming vertical markets amounted to HK\$165,000,000, or a drop of around 25% as compared to 2022 of HK\$221,000,000. New contracts awarded from the Government of Macao included works in the areas of networks infrastructure, surveillance, servers and storage, firewall and maintenance services with customers including Transport Bureau, Judiciary Police, Labour Affairs Bureau, Identification Bureau, Housing Bureau, Customs, Legal Affairs Bureau, to name a few.

Business in Hong Kong

During the Year, a number of factors continue to shadow the Hong Kong market, including high interest environment, absence of strong growth drivers and shortages of professionals skilled in IT, all of which challenge the status of Hong Kong as a global business and financial hub and raising concerns about the business environment of Hong Kong. With a rather uncertain outlook, it is not surprising when the Hong Kong team brought in only HK\$42,700,000 worth of contracts during the Year, representing a 9.0% drop as compared to 2022. SD-WAN business dropped for three consecutive years, with only HK\$12,600,000 worth of contracts secured during the Year, or a drop of almost 50% as compared to 2022. For data networks infrastructure business, attributable to the expansion and partial replacement of the data network infrastructure in Mainland China by one of the pillar customers of the Group, which is a regional ICT solutions provider, total contracts secured during the Year grew over 77% to reach HK\$29,700,000 as compared to 2022. Given the results experienced during the Year, the Group remains cautious over the prospects of the Hong Kong market in 2024 and beyond.

Regarding Meta-V Tech Services Limited (incorporated in Hong Kong with limited liability and an indirect subsidiary of the Company), which engages in managed services on a “pay when use” model, i.e. by shifting from capital expenditures to operating expenditures, due to heated competition from increasing number of managed services players and long selling cycle, total contracts secured for the provision of managed services and underlying server infrastructure totalled HK\$12,100,000 only for the Year, or a 53.8% drop as compared to 2022.

Business in Mainland China

Primarily driving the business activities in Mainland China is the two pillar customers of the Group, which include a leading provider of Internet value-added services and a leading Internet technology company that operates creative content platforms. Amid the Chinese government implementing guidelines to oversee and better regulate the online gaming industry, the Group actively supports these two pillar customers as they built new, and upgraded existing, data centres in overseas, fuelled by the increasing demand for e-commerce, online gaming and video-streaming services during the pandemic. As a result, the Mainland China market has become the fastest growing market of the Group since 2016 and well during the pandemic.

In the post-pandemic era, buoyed in part by the return of domestic and international travel and indisputable rebounds in areas such as services and consumption, the economy of Mainland China experienced healthy recovery, however, recovery has not been entirely smooth and balanced across all sectors with some sectors performed better than others. Areas such as foreign trade and private investment have lagged, coupled with weak exports and currency, the business of the Group of data networks infrastructure was adversely affected. Despite securing a series of data infrastructure contracts worth HK\$64,300,000 during the Year, including installing data networks infrastructure at a newly built data centre in a Nordic country in Northern Europe for one of the two pillar customers, total order book for data networks infrastructure fell short of total contracts secured during 2022 by over 60%, with total contracts secured during the Year retracting back to 2020/2021 level.

SD-WAN business in Mainland China remains promising fuelled by growing demand for secure, reliable and cost-effective networking solutions to support continued global expansion, adoption of cloud-based applications and network optimisation and SD-WAN technology is an option as it offers benefits such as scalability, cost savings, improved network performance and agility, centralised management and enhanced security. However, hurt by increasing number of SD-WAN players and multi-national companies, the domain where the Group traditionally focuses its SD-WAN business on, slowing down their investments, during the Year, the Mainland China team brought in only HK\$38,700,000 worth of SD-WAN business, trailing behind the order book of 2022 by over 38% and, similar to data networks infrastructure business, SD-WAN business retracted back to 2020/2021 level.

Other Investment Holdings

Tidestone Group – The business focus of Tidestone Group remains on the promotion of the self-developed “Tidestone”- branded (local-hosted and cloud-based) network management system, with key modules including intelligent network management system, response support system, centralised alarm system, smart customer service platform and unified monitoring and management system for data centres. During the Year, total contracts collectively secured by Tidestone Group amounted to HK\$18,200,000, which represented a drop of 17.3% as compared to 2022. The telecommunications sector remains the key business sector of Tidestone Group with approximately 30% of total contracts signed related to the cloud-based network management system of Tidestone Group. Contracts secured from telecommunications service providers in the Guangxi Zhuang Autonomous Region, the provinces of Jiangxi, Jiangsu, Hebei and Hunan and municipalities of Chongqing and Shanghai.

TTSA – During the Year, TTSA continued to show improvements to its operating performance. Per the unaudited financial statements of TTSA, as at 31st December 2023, TTSA ended the Year with total assets of HK\$305,232,000 and total equity of HK\$73,940,000. Revenue grew marginally by 1.37% from HK\$190,537,000 in 2022 to HK\$193,150,000 for the Year, while net profit of TTSA decreased to HK\$10,361,000 for the Year from the preceding year of HK\$12,411,000.

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\$42,738,000 and assumption of over HK\$122,982,000 worth of debts, as at the date of this announcement, there is no further official update. The Group will continue to keep close watch of any latest developments.

As at 31st December 2023, the Group revalued the fair value of TTSA. Investment of the Group in TTSA is fair valued at HK\$36,380,000 as at 31st December 2023. Fair value of the investment of the Group in TTSA represented 8.33% of the total assets of the Group.

REVIEW OF OPERATING RESULTS

Turnover and Profitability

Total contracts secured by the Group during the Year marked another record high since 2015 to reach HK\$597,300,000, with the growth engine for the Year ascribed to the strong return of the gaming sector in Macao.

Headline revenue grew to HK\$528,066,000 for the Year, representing a 7.43% year-on-year growth over 2022 of HK\$491,567,000. Although margins on hardware continued to be under pressure, especially the server bulk associated with managed services and those projects where the Group strategically priced to win, the Group managed to balance the overall margins of hardware and services with maintenance support services contracts and outsourcing services contracts. Gross profit margin improved by almost two percentage points from 18.31% in 2022 to 20.16% for the Year. With higher revenue and improved gross profit margin, gross profit for the Year increased from HK\$90,019,000 in 2022 to HK\$106,445,000, representing an 18.25% year-on-year increase.

Selling and marketing costs increased from HK\$18,469,000 in 2022 to HK\$24,686,000 for the Year. Although there was a drop in freight costs of approximately HK\$3,600,000, such drop was met with increase in sales commission paid to the sales team, which is based on gross profit margin, increase in travelling and entertainment expenses as employees resumed both local and overseas travelling to visit customers, attend events and conferences hosted by different vendors and increase in marketing expenses from sponsoring different events to introduce and demonstrate new products and solutions.

Staff costs have always been the biggest cost element. Despite furlough leave continued to be extended to Directors, selected senior management and employees during the Year, administrative expenses for the Year increased slightly from HK\$75,051,000 in 2022 to HK\$76,727,000 for the Year. Factors that explained the increase included exchange losses from the depreciation of Renminbi, the lawful currency of Mainland China, resumption of staff hiring and increase in year-end bonus payout to employees. Since January 2024, the Group has reintroduced the employment separation programme, such move of which is not meant to right-size the Group, but rather to adjust the headcounts with talents that will allow the Group to better serve its stakeholders and to flexibly fit, navigate and support new business directives.

Due to the write-down of its AT1 bonds holdings in CS Group and the impairment of bonds issued by Kaisa Group Holdings Ltd., a company incorporated in the Cayman Islands with limited liability and whose ordinary shares of HK\$0.1 each are listed on the Main Board, totalled HK\$3,909,000, the Group reported profit for the Year of HK\$5,392,000, as compared to profit of HK\$3,412,000 for 2022.

Capital Structure and Financial Resources

With several IT infrastructure and surveillance projects in progress at year-end that requires the need to build up inventory, level of inventory stood at HK\$24,953,000 as at 31st December 2023 as compared to HK\$13,628,000 as at 31st December 2022. Despite a 7.43% year-on-year growth of its headline revenue, due to close watch to ensure timely recovery of receivables and the ability to negotiate extended payment terms from vendors, as at 31st December 2023, contract assets and trade receivables remained at similar level as that of 31st December 2022 of approximately HK\$219,000,000, whereas contract liabilities and trade payable increased from HK\$134,356,000 as at 31st December 2022 to HK\$182,050,000 as at 31st December 2023.

The Group continues to exercise capital discipline and maintained a solid balance sheet with no gearing (save and except for normal trade payable and lease liabilities) as at 31st December 2023. Despite so, in anticipation of a strong order book from its four pillar gaming customers during the Year, the Group continued to put in place standby banking facilities for flexible liquidity management and to support cashflow in the event of any spike in funding need.

Equity base of the Group stood at HK\$209,815,000 as at 31st December 2023, of which cash and cash equivalents and yield-enhanced financial instruments (including pledged deposit) totalled HK\$84,244,000. Among the bond holdings were HK\$2,748,000 from a subsidiary of Hysan Development Company Limited (a company incorporated in Hong Kong with limited liability and whose ordinary shares are listed on the Main Board), HK\$2,593,000 from Chong Hing Bank Limited (a company incorporated in Hong Kong with limited liability), HK\$2,323,000 from HSBC Holdings plc (a company incorporated in England, UK with limited liability and whose ordinary shares of US\$0.50 each are listed on the Main Board and the London Stock Exchange in UK) and HK\$2,183,000 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). For CFLD, on 2nd February 2023, interest-bearing instrument of indebtedness issued by CFLD with a coupon rate of 9% per annum and a maturity date of 31st July 2021 and interest-bearing instrument of indebtedness issued by CFLD with a coupon rate of 6.92% per annum and a maturity date of 16th June 2022, both were cancelled on 2nd February 2023, were restructured to three different instruments of indebtedness with coupon rates ranging from 0% to 2.5% per annum. During the Year, the Group made a full write-down to its HK\$2,471,000 holdings of AT1 bonds subsequent to the official announcement made by the Swiss Financial Market Supervisory Authority on 20th March 2023 to write-down the AT1 bonds issued by CS Group.

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, even during challenging times such as the pandemic. The Group also has banking facilities available for use where needed. Management believes that the current liquidity position, capital structure and banking facilities will continue to 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 tenth 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 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.

C.1.4 The Directors consider that briefing received from the company secretary of the Company is sufficient for them to render their contribution to the Board.

C.1.6 He was away on a business trip 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

“AGM”	annual general meeting
“AT1”	Additional Tier 1
“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
“CFLD”	CFLD (Cayman) Investment Ltd., a company incorporated in the Cayman Islands with limited liability and 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
“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
“CS Group”	Credit Suisse Group AG, a company incorporated in the Swiss Confederation with limited liability
“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 Shanghai Stock Exchange)
“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 Credit Suisse Group AG, CS Group, Kaisa Group Holdings Ltd. and Tidestone Group)
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“HKAS”	Hong Kong Accounting Standard(s)
“HKEC”	Hong Kong Exchanges and Clearing Limited, a company incorporated in Hong Kong with limited liability
“HK cent”	Hong Kong cent, where 100 HK cents equal HK\$1
“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
“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 USA 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
“UK”	The United Kingdom of Great Britain and Northern Ireland
“US\$”	United States dollar, the lawful currency of USA
“USA”	The United States of America
“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 2023

By order of the Board
José Manuel dos Santos
Chairman

Macao, 27th March 2024

Executive Directors

José Manuel dos Santos
Kuan Kin Man
Monica Maria Nunes

Non-executive Director

Ho Wai Chung Stephen

Independent non-executive Directors

Fung Kee Yue Roger
Wong Tsu Au Patrick
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