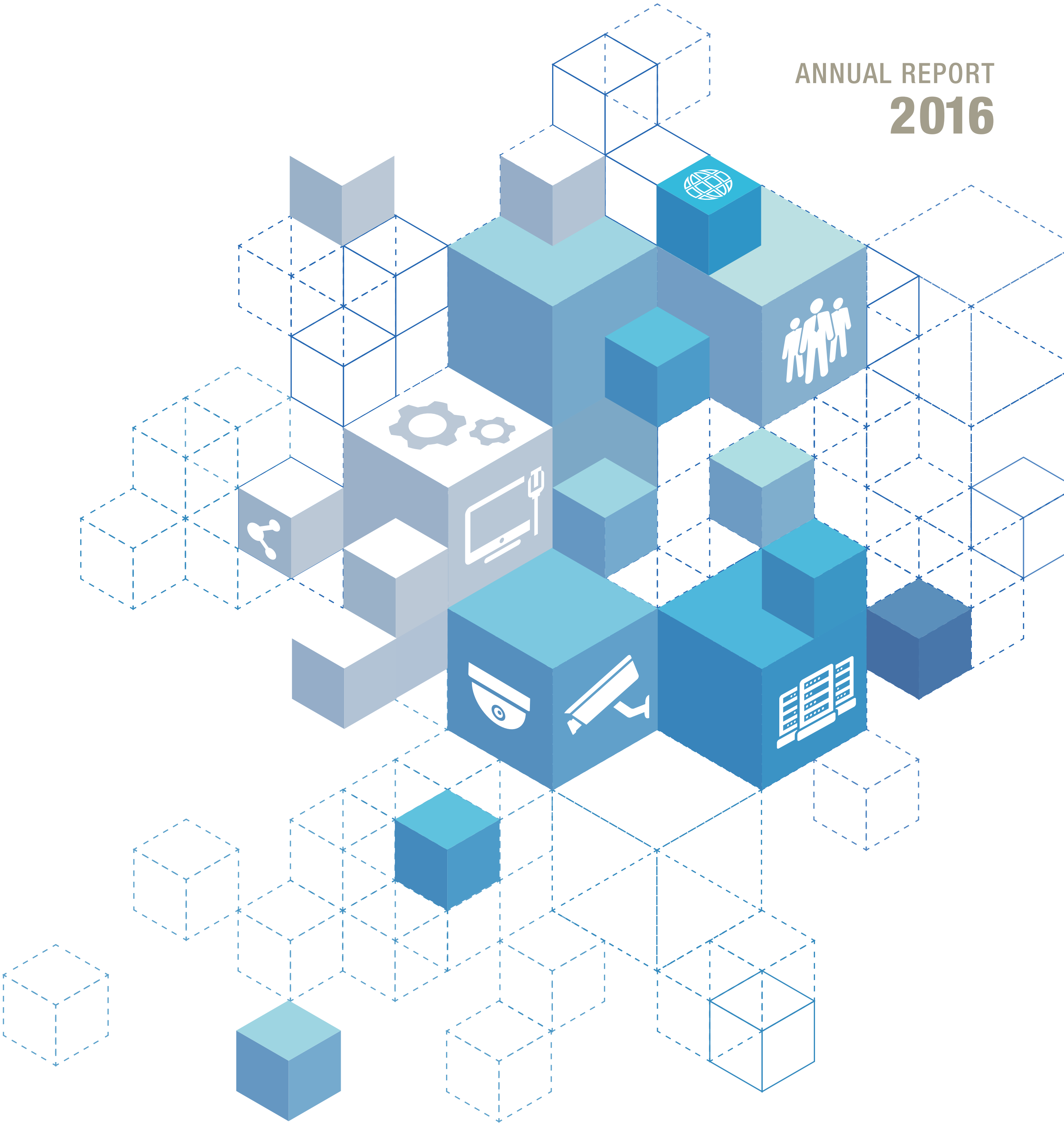
ANNUAL REPORT
2016



VODATEL

(Stock code: 8033)

Characteristics of GEM

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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Corporate Information

Directors
Executive Directors
José Manuel dos Santos
Kuan Kin Man
Monica Maria Nunes

Independent Non-executive Directors
Fung Kee Yue Roger
Wong Tsu An Patrick
Tou Kam Fai

Authorised Representatives of the Company
Monica Maria Nunes
Foo Chun Ngai Redford

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

Compliance Officer
Monica Maria Nunes

Audit Committee
Fung Kee Yue Roger
Wong Tsu An Patrick
Tou Kam Fai

Auditor
PricewaterhouseCoopers
Certified Public Accountants
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Website
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Bankers
Banco Nacional Ultramarino, S.A.
Banco Comercial de Macau, S.A.
The Hong Kong and Shanghai Banking Corporation Limited

Share Registrars
Codan Services Limited
Clarendon House
2 Church Street
Hamilton HM11
Bermuda

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

Company Profile

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

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

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

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

Chairman's Statement

Dear Members of Vodatel,

This year, I'm pleased again to, present to our Members another year of positive results. Riding on our competitive differentiators --- people and products --- we achieved revenue of HK$451,371,000, or an over 28% year-on-year growth of our top line, and net profit of HK$6,306,000 for the financial year. Considering the strength of our balance sheet and to share the success with our Members, the Board proposes a final dividend of HK$0.01 per Share for the Year.

Reflections of the Year Past

Throughout the past years with "ups" and "downs", it is clear to me that our long-term strategic decisions have created resiliency in Vodatel and positioned us for success. With lessons learnt during the tough "downs" and from our peers, we don't make unsustainable spending decisions. Instead, we continued to make little growth steps and carefully mitigate risks as we take advantage of opportunities. This strategy is again put into practice in 2016 where we identified an opportunity to grow our business in Hong Kong. With ambiguity about the gaming sector in Macao, we spared human resources in Macao to support projects in Hong Kong while we sensibly assembled a local team with the preferred mix of talents. As a result, we achieved one of the best years from the Hong Kong market with total secured contracts grew 100% on a year-on-year basis.

Looking across our operations, we experienced stronger than expected performance from business generated from gaming operators in 2016. Gaming operators demand quality services and there is a high barrier to entry. Prior to 2016, one gaming operator contributed to the majority of the revenue of the Group derived from the gaming sector. During 2016, the growth in revenue was attributable to Vodatel making the cut for another gaming operator. This is not an achievement of chance, rather it is the outcome of years of the effort of our team to build a strong link "Vodatel = reliability + quality services".

Looking into 2017

Like any other year, we believe 2017 will be another year of challenges for Vodatel, especially in Macao where our business opportunities are closely tied with capital expenditures of gaming operators who are themselves dependent on a sustainable recovery of the gaming industry. The road ahead will not be easy but Vodatel will continue to use our two competitive differentiators to move forward. We understand the challenges faced by our customers. Only by finding the products that fit best and remaining laser-focused on up-keeping our top-notch level of services as we completed our projects can we generate real value for our customers.

The People behind Vodatel

There is no doubt that the solid performance of Vodatel is attributed to our business strategies, commitment to quality and service and capital discipline. However, the successful execution rests solely on the governance of our Board and excellence among our team of loyal, experienced and highly-talented employees at Vodatel who have no fear to take ownership, think "out-of-the-box" and make us to emerge stronger than ever.

Our Appreciation

On behalf of the Board, I would like to, once again, extend my appreciation to our customers, vendors, business partners and, bankers for backing us, and to our Members, thank you for investing in Vodatel.

José Manuel dos Santos
Chairman

Macao, 21st March 2017

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 are seeking a local partner for turnkey solutions or service provisioning to align their expectations in level of choices and service requirements and matches their demands, values and aspirations.

REVIEW OF BUSINESS ACTIVITIES

Business in Macao and Hong Kong

As a system integrator and service provider that already represents a list of international and renowned manufacturers, the Group is in continuous pursuit to identify products with high potential within their areas of expertise to grow and complement its current products and service offerings. In terms of human resources, the Group remains a major player in Macao reputable to house an inventory of highly trained, skilled and experienced engineers, thus making MDL and VHL among the most sought companies to provide round-the-clock and reliable system maintenance and support services, in particular for the handling of sophisticated turnkey solutions, where unexpected hiccups, if not promptly resolved or contained, can potentially result in significant business and/or service interruptions.

At VHL, subsequent to the nomination by a gaming operator in November 2015 to design, supply, install and commission a surveillance system at its new gaming and hospitality complex in the Cotai Strip, in April 2016, VHL was selected again by the same gaming operator to supply and deploy the full data network infrastructure at the same location. Being awarded these two projects not only strongly reiterated the capacity of VHL as a solid local systems integrator to take on sizable projects requiring a strong financial position, but the confidence of the client over the ability in VHL to deliver complex system infrastructure that requires careful design, sophisticated project planning, quality implementation skills and project management capabilities.

2016 was a year where the gaming and hospitality sector continued to face headwinds from changing market conditions that included, but not limited to, introduction of smoking restrictions, initiatives introduced by the Government of PRC to curb corruption, tightened regulations over gaming promoters and limitations over duration of stay for mainland travellers. Nevertheless, boosted by new resorts including Wynn Palace by Wynn Resorts, Limited (opened on 22nd August 2016) and The Parisian by Sands China Limited, a subsidiary of Las Vegas Sands Corp. (opened on 13th September 2016), together with gaming operators calling for revamp or retrofit over some of their aged infrastructure, both VHL and MDL made remarkable achievements. During the Year, excluding the two major projects being awarded by a gaming operator as above-mentioned, VHL and MDL secured approximately HK$80,000,000 worth of contracts in aggregate from different gaming and hospitality operators, representing over 60% growth as compared to 2015. For one gaming operator where the Group did not have a strong footing, as VHL continued to provide support to its surveillance division, MDL, through cross selling opportunity and competitive pricing strategy, successfully penetrated into its IT division, resulting in total contracts received by VHL and MDL almost doubled in 2016 over 2015. While this business growth was at the expense of profit margins, the Group is confident that as it further penetrates into this gaming operator and gradually expands its product offerings, the Group will be able to pick up on the margins.

Except for years where the Group has secured and won major projects from gaming operators building new gaming premises, the Government of Macao has, over the years, remained one of the biggest clients of the Group. During the Year, both MDL and VHL continued to be chosen as the solution and service providers of turnkey solutions in the areas of servers, storage, security, surveillance and networking and in the provision of customised software solutions and on-going maintenance service support to various universities and different bureaus under the Government of Macao, including the Office of the Chief Executive, Social Security Fund, Health Bureau, Public Security Forces Affairs Bureau, Identification Services Bureau, Housing Bureau, Civic and Municipal Affairs Bureau, to name a few. Since the introduction to the Government of Macao of “premier support services”, which involves partnering with vendor to proactively assist the customer to maximise IT resources, ensure the health status of IT operations, provide customised and personal service management and deliver prioritised 24/7 problem resolution support, MDL continued to receive positive feedback in 2016. In addition to securing contracts from the Government of Macao, such as Health Bureau, Public Security Forces Affairs Bureau and Cultural Industries Fund, “premier support services” were successfully deployed at banks and large local enterprises.

During the Year, the strategic direction of the Group has been to further expand its reach to existing and new telecommunications service providers via broadening its array of services offerings in Hong Kong. The Group considerably invested in its Hong Kong team, expanding from provision of networking equipment to projects that involved construction of data networks infrastructure. Coupled with the strong support from its networks vendors, very positive results were yielded. While penetrating further into existing telecommunications service providers, the Group successfully brought in two new clients, securing total contracts in excess of HK$90,000,000 for the Year, which represented 100% growth from 2015. With such encouraging results, it is the intention of the Group to further expand its team in 2017 and concurrently, to diversify its portfolio, both in products and services offerings.

Business in Mainland China

Business prospects related to Mainland China were less impressive during the Year. While the Group continued to run its traditional business that involves the provision of maintenance support services to telecommunications service providers over their narrow band data networks, in anticipation of possible weak business opportunities in upcoming years, the Group realigned its resources so that the Group could gradually shy away from any overly competitive traditional business in terms of margins and payment terms and to pave way for eventually moving into the area of construction of data networks infrastructure of similar nature to those in Macao and Hong Kong. Consequently, although maintenance contracts were secured from telecommunications service providers in the provinces of Anhui, Hebei, Hunan, Shanxi and Liaoning and the municipality of Shanghai, total business generated from its entities in Mainland China dropped approximately 40% on a year-on-year basis. As the Group will continue the exercise to identify areas with more promising business opportunities, it is expected that further restructuring of resources will take place during 2017.

2016 was also not a fruitful year for TSTSH and TSTJX as telecommunications service providers remained cautious over their capital expenditures and CNMS failed to be among the systems that telecommunications service providers sought after. Consequently, during the Year, TSTSH and TSTJX in aggregate entered into contracts worth only approximately HK$18,000,000, with different modules of "Tidestone" CNMS to be deployed at telecommunications service providers in the provinces of Jiangxi, Jiangsu, Shandong, Shaanxi, Hubei, Hebei, Hunan and Sichuan and municipalities of Chongqing and Shanghai. During 2017, in view of the challenges faced by TSTSH and TSTJX and with the restructuring of other entities in the Group in Mainland China to continue, it is the intention of the Group to explore possibility of business collaboration among the entities in Mainland China.

Other Investments Holdings

TTSA Intense competition as a result of competitive tariffs packages initiated by the other two market players continued to have its adverse impact on the operating performance of TTSA. During the Year, TTSA reported an 11.89% drop in revenue from HK$310,165,000 in 2015 to HK$273,285,000 with net loss widened to HK$21,776,000 in 2016 from HK$5,318,000 in the preceding year. As at 31st December 2016, the Group is holding 17.86% of TTSA.

Subsequent to the decision of the Government of Timor-Leste during the second quarter of 2016 not to increase its equity stake in TTSA, Oi proceeded to dispose of its shareholding in TTSA. To the best knowledge of the Group, Oi, together with its acting-in-concert parties, which in aggregate holds approximately 57% interests in TTSA, announced on 13th December 2016 of its intention to sell their shareholding to an independent third party for a consideration of HK$279,154,000. As Oi is under judicial reorganisation, it has to submit the sale to the corporate court in Brazil for prior approval. As at the Latest Practicable Date, Oi is still pending to receive the approval from the corporate court.

Due to uncertainty at TTSA, subject to a revaluation by an independent valuer, there was a downward adjustment to the carrying amount of the investment of TTSA from HK$54,578,000 as at 31st December 2015 to HK$25,084,000 as at 31st December 2016.

Vodacabo Due to uncertain business landscape in Timor-Leste, the shareholders agreed to a management buyout of Vodacabo in 2015 and the Group entered into a sale and purchase agreement in early February 2016 to dispose of its shareholding. Proceeds from the disposal, which approximated HK$1,238,000, was received in July 2016.

GTGIL GTGIL is principally engaged in 1. the trading of electronic parts and components in relation to display modules and touch panel modules, and provision of professional solution with engineering services; and 2. property development and property investment. As a non-core asset of the Group, it has been the intention to gradually dispose of all its shareholdings in GTGIL in the open market. During the Year, the Group has not disposed of any GTGIL Shares as the share performance of GTGIL remained weak. As at 31st December 2016, the Group held 82,395,392 GTGIL Shares or approximately 2.00% of GTGIL.

REVIEW OF OPERATING RESULTS

Turnover and Profitability

Similar to previous years, the Group continued to experience strong business momentum during the last quarter of the Year. Business activities picked up considerably during the last three months of the Year and accounted for 55.18% of the total revenue for the Year. Revenue of HK$451,371,000 was registered during the Year, representing an increase of 28.87% as compared to 2015. The strong last quarter was attributable primarily to the completion of a number of major projects for the Government of Macao, outstanding business growth witnessed by the Hong Kong entity and commencement of works in relation to the surveillance project and data network infrastructure project that the Group secured from a gaming operator at their new footprints in Cotai during late 2015 and early 2016 respectively. Despite sturdy revenue, gross profit of the Group only grew by a mere 5.05% to HK$112,383,000 as compared to HK$106,980,000 in 2015, and its gross profit margin dropped from 30.54% to 24.90%. During the Year, the Group aggressively took on a number of projects with different gaming operators in Macao and telecommunications service providers in Hong Kong with some very competitive pricing strategies as a means to penetrate into these customers. Moreover, the works of the surveillance project and data network infrastructure project for the local gaming operator related primarily to the stage of equipment delivery, which again customarily carried lower margins.

During the Year, the Group incurred loss of HK$1,536,000 from the disposal of fixed income instruments as the bond market endured a challenging time, which completely offset the gain on disposal of Vodacabo in early February 2016 of HK$230,000.

While staff costs (including staff benefits and welfare) remains the biggest element of total cost structure, the Group has continued its effort to control costs. Despite management approved an average 5% salary increment to its staff to align with market expectations and general level of inflation for the Year, and that the Group added new recruits to the Hong Kong team to support the business in Hong Kong and built two work teams to support the major surveillance project and data network infrastructure project, total administrative expenses recorded HK$94,013,000 in 2016, almost levelling that of 2015 at HK$93,974,000. While management will continue to manage costs, incentives will continue to be offered to engineers who complete technical and product trainings and to those who successfully pass and obtain recognised certifications, in particular from manufacturers that the Group represents or relate to project management.

Despite improved business performance, the Group reported a drop in its operating profit from HK$6,018,000 in 2015 to HK$4,368,000 in the Year subsequent to the recognition of share-based payment expenses of HK$3,264,000. In the absence of the share-based payment expenses, the Group would have reported operating profit of HK$7,632,000, which would represent an increase of 26.82% on a year-on-year basis. Likewise, as a result of, among others, the share-based payment expenses, the Group registered net profit of HK$6,306,000 for the Year, which was similar to the level of net profit of HK$6,460,000 in 2015.

Capital Structure and Financial Resources

With an outstanding last quarter for the Year and strong pipelines of projects generated from customers in Macao and Hong Kong, key figures related to level of inventories, receivables and payables and accruals all witnessed significant hikes as at 31st December 2016. Level of inventories more than doubled from HK$13,674,000 in 2015 to HK$27,713,000 in 2016. Trade receivables increased considerably from HK$135,606,000 to HK$224,738,000 on a year-on-year basis while trade and bills payables correspondingly hiked up from HK$47,204,000 to HK$118,522,000, which was in line with the prudent cash management habitually practised at the Group to negotiate extended favourable trade terms with its suppliers.

As at 31st December 2016, AFS financial assets (non-current and current) of HK$50,638,000 comprised primarily the investment of the Group in TTSA of HK$25,084,000, GTGIL Shares of HK$5,109,000 and investments in corporate bonds of HK$18,989,000. A significant drop of HK$45,488,000 was witnessed, with AFS financial assets (non-current and current) decreased from HK$96,126,000 as at 31st December 2015 to HK$50,638,000 as at 31st December 2016. The drop was explained primarily by the HK$29,494,000 downward revaluation of TTSA from HK$54,578,000 in 2015 to HK$25,084,000 in 2016 and the liquidation of bond holdings to accommodate the working capital requirements of the Group. As at 31st December 2016, corporate bonds held by the Group included HK$7,881,000 from a subsidiary of Shangri-La Asia Limited and HK$4,178,000 in UBS Group AG.

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). Due to the downward adjustment of HK$29,494,000 to the carrying amount of TTSA, despite another year of profitability, equity base of the Group dropped from HK$265,804,000 as at 31st December 2015 to HK$237,781,000 as at 31st December 2016. Restricted cash, cash and cash equivalents and corporate bonds, which totalled HK$108,006,000, remained at a healthy level. Level of cash balances further strengthened as at the Latest Practicable Date as over HK$100,000,000 of trade receivables were settled by customers. Current liquidity position and capital structure continue to weather the Group against unexpected headwinds while provides flexibility to the management to comfortably pursue new business opportunities.

Employees' Information

As at 31st December 2016, the Group had 246 employees, of which 108, 11 and 127 employees were based in Mainland China, Hong Kong and Macao respectively.

The remuneration and bonus policies of the Group were basically determined by the performance of individual Directors and employees.

The Company adopted the Scheme whereby certain employees of the Group were granted Options. Details of the Scheme are set out under the section "Options" in the report of the Directors.

The Group also provided various training programmes and product orientation for the marketing and technical employees so as to improve their overall qualifications and to continuously keep them abreast of industry and technological changes.

Capital Commitments and Significant Investments

As at 31st December 2016, the Group had significant investments of which the details are set out in Note 18 to the consolidated financial statements and in previous paragraphs under "Other Investments Holdings". Save as disclosed, the Group did not have any significant capital commitments and significant investments.

Charges on Group Assets

As at 31st December 2016, bank deposit of approximately HK$24,895,000 was pledged for obtaining banking facilities. Save as disclosed, the Group did not have any charges on assets of the Group.

Details of Material Acquisitions and Disposals

During the Year, the Group disposed of Vodacabo at a consideration of HK$1,238,000. Save as disclosed, the Group had no material acquisitions or disposals.

Details of Future Plans for Material Investment or Capital Assets

The Directors do not have any future plans for material investments or capital assets.

Foreign Exchange Exposure

The Group mainly earns revenue and incurs cost in HK$, MOP, US$ and RMB. The Group incurred net foreign exchange losses of HK$1,555,000 during the Year.

Environmental Policies and Performance

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

Compliance with Relevant Laws and Regulations

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

Relationships with Stakeholders

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

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

José Manuel DOS SANTOS, aged 69, was first appointed as an executive Director on 13th December 1999. He is the founder of the Group and Chairman of the Company. He has experience of over forty years in the telecommunications industry in the Asia Pacific region. He served in a senior position at Direcção dos Serviços de Correcios e Telecomunicações, the telecommunications authority of the Government of Macao, prior to the founding of Zetronic and subsequently the Group. He is the sole director of ERL and OHHL which are Substantial Shareholders.

KUAN Kin Man, aged 51, was first appointed as an executive Director on 14th December 1999. He is the managing director and general manager of the Group in charge of sales and marketing. In 1985, he joined Zetronic as an engineer and was transferred into marketing later. He joined Vodatel Systems (the assets and liabilities of which were assigned to VHL on 1st July 1998) on 8th July 1992 to assume the role of sales manager and was promoted to general manager in 1994.

Monica Maria NUNES, aged 48, was first appointed as an executive Director on 13th December 1999. She is the managing director and finance director of the Company and the Compliance Officer. She graduated from the University of Calgary, Canada with a Bachelor of Commerce degree and from HKU, PRC with a Master of Social Sciences degree. She joined the Group in 1999 and has over twenty years of accounting and banking experience. She holds a Certified Management Accountant Designation of Certified Management Accountants of Alberta, Canada. She is a member of the Chartered Professional Accountants of Alberta, Canada and is entitled to use the designation Chartered Professional Accountant. She is an associate of CIMA and is entitled to use the description Chartered Management Accountant. She is also entitled to hold and use the designation of CGMA. She is an independent non-executive director of AHL.

INDEPENDENT NON-EXECUTIVE DIRECTORS

FUNG Kee Yue Roger, aged 64, was first appointed as an independent non-executive Director on 30th September 2004. He was the managing director of Mitel Networks Asia Pacific Limited, a wholly-owned subsidiary of Mitel Networks Corporation in Canada. Prior to Mitel, he was the President of Newbridge Networks Asia Pacific Limited. He graduated from the University of Toronto, Canada with a Bachelor of Applied Science degree in industrial engineering. He was a member of Professional Engineers Ontario, Canada. He has more than thirty years of experience in the telecommunications and electronics industry.

WONG Tsu An Patrick, aged 43, was first appointed as an independent non-executive Director on 4th June 2008. He is the founder and CEO of Tenacity International Limited, for which he is responsible for its overall strategic development, management and operations. He is also CEO of Wing Tak Group with a focus towards maritime services and private investments. Prior to founding Tenacity International Limited, he has over ten years of investment experience from USA and Asia, working as a portfolio manager for growth-orientated funds at Trust Company of the West, a multi billion US$ (www.tcw.com) fund management company headquartered in Los Angeles, USA. He is a member of the Young Presidents' Organization and also a certified public accountant in USA (qualified by the State Board of Accountancy of the State of Colorado). He is a member of Zhejiang Province Committee, Chinese People's Political Consultative Conference since January 2013.

TOU Kam Fai, aged 59, was first appointed as an independent non-executive Director on 13th May 2009. He first started his own business in seafood processing and trading in 1992 and has since accumulated over fifteen years of experience in the industry with business dealings in the Asia Pacific region and North America. He also liaises business activities between the Bolivarian Republic of Venezuela and PRC and is an investor in both countries.

SENIOR MANAGEMENT (By alphabetical order)

CHAN Chi Pio, aged 47, is the technical support manager of the Group. He joined the Group in 1992 after having graduated from Huaqiao University, PRC with a Bachelor of Science degree in the same year.

CHEONG Kuan Pat, aged 52, is the general manager of MDL. He graduated from CUM, PRC with a Master of Business Administration degree. He is the Vice President of Computer Chamber of Macau since 2006. He has been working in the IT industry in Macao for over twenty years. He joined MDL in 1993 as the chief of product sales and marketing department.

CHUI Yiu Sui, aged 47, is the assistant general manager of MDL. He graduated from CUM, PRC with a degree of Bachelor of Arts. He joined MDL in 1993 as an assistant software manager and was gradually promoted to managerial positions.

SENIOR MANAGEMENT (By alphabetical order) (Continued)

FOO Chun Ngai Redford, aged 43, is the Company Secretary. He joined the Company in September 2003. He is responsible for company secretarial matters and overall financial and accounting management of the Group. He graduated from HKU, PRC with degrees of Bachelor of Business Administration in Accounting and Finance and Master of Arts. He is a fellow of the Association of Chartered Certified Accountants and HKICPA. He is also an associate of the Institute of Chartered Secretaries and Administrators and HKICS. He is an associate of CIMA and is entitled to use the description Chartered Management Accountant. He is also entitled to hold and use the designation of CGMA. Before joining the Company, he worked for another company listed on GEM as the company secretary and qualified accountant and for an international renowned accounting firm.

HO Wai Sam Paul, aged 54, is the director of technical services of the Group. He graduated from CUM, PRC with a Master of Business Administration degree. He had worked in Companhia de Telecomunicações de Macau S.A.R.L. for eighteen years and was head of transport networks covering the international and national engineering such as optical fibre, synchronous and plesiochronous digital hierarchy transmission, submarine cable, microwave and satellite earth station. He joined the Group in June 2000.

Gary Robert JOSLIN, aged 51, is a project manager with the Group. He has over thirteen years of experience as a project manager in a number of projects in Macao, Australia, New Zealand and Canada mainly focused on security systems, CCTV and data networks. The projects have successfully delivered outcomes for prisons, local Government facilities and casinos. The most recent project in Macao was as the senior project manager for CCTV successfully delivering two major projects for a major gaming operator in Macao.

KUOK Cheong Ian, aged 69, is the general manager of ZHMSDL in charge of software research and development. He holds a Master Degree in Business Administration from Barrington University, USA. Before joining the Group, he worked for a number of companies including Heng Va Company Limited and Talent Rank Limited as the technical director and general manager respectively.

LIANG Ka Man Gary, aged 51, is the sales director of the Group in Hong Kong. He joined the Group in 2001 as the business development manager for Hong Kong market. He graduated from UM (formerly known as University of East Asia Macau), PRC with degree of Bachelor of Business Administration in 1989. Before joining the Group, he was a product manager in one of the leading Hong Kong IT distribution companies for over five years. He has over ten years of experience in sales and marketing IT solutions in Hong Kong.

LOI Man Keong, aged 46, is the sales manager of MDL. He obtained a degree of Bachelor of Economics from JU, PRC and a degree of Bachelor of Laws from China University of Political Science and Law, PRC. He joined MDL in 1994 as a sales executive and was promoted to sales manager in 2006 responsible for product sales of MDL.

Manouchehr MEHRABI, aged 58, is the senior project management consultant of the Group. He obtained his Bachelor of Computer Science degree from Concordia University, Canada in Montreal and his Master of Science degree in Telecommunications from Queen Mary University of London, the United Kingdom of Great Britain and Northern Ireland. Over the years, he has filled a number of IT positions, including programmer, database administrator, field engineer, system manager, and network consultant. He joined the Group in June 2000.

SENIOR MANAGEMENT (By alphabetical order) (Continued)

MOK Chi Va, aged 51, is the deputy general manager, sales and marketing, Macao of the Group. He has obtained a Diploma in Business Administration jointly organised by UM, PRC and Macau Management Association and a Master of Business Administration - International Business degree from West Coast Institute of Management and Technology, Australia. He first joined the Group on 3rd July 2000 as the business development manager principally in charge of the business of AHL and was appointed as an executive director of AHL on 29th January 2003. He was back to the Group on 1st July 2007. Prior to joining the Group, he worked for Charter Kingdom Limited as operation manager and Tung Tat E&M Engineering Co. Limited as project manager.

NG Ka Leung, aged 47, is the assistant technical dicector of the Group. He graduated from UM, PRC with a Bachelor of Science degree in 1994. He has been with the Group since 1995.

WANG Qing, aged 46, is the regional business manager of the Group. He graduated from Nanjing University of Posts and Telecommunications, PRC with a Bachelor of Science degree in 1992. He joined the Group in 1994. He was an engineer at a telecommunications equipment firm before joining the Group.

WONG Wai Kan, aged 52, is the senior regional business director of the Group in Mainland China. He graduated from JU, PRC with a Bachelor of Science degree. He has been with the Group since 1993. He worked in the fields of purchasing and banking before joining the Group.

WU Wenhua, aged 53, is currently the CEO of TSTSH in charge of overall operations, overseeing the sales and marketing, technical development and management of TSTSH. With a doctoral degree from the University of Waterloo, Canada, he has previously worked for international software development corporations, where he has accumulated over fifteen years of product development experience, in particular, development of network management systems for telecommunications service providers. He has established good connections with different telecommunications service providers in PRC.

1 Corporate governance practices

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

(a) the Nomination Committee did not review the structure, size and composition (including the skills, knowledge and experience) of the Board in the Year;

(b) not all Directors participated in continuous professional development;

(c) the independent non-executive Directors did not attend the AGM held in the Year;

(d) the management do not provide all Directors with monthly updates; and

(e) the Chairman of the Board did not attend the AGM held in the Year.

A.5.2(a)	The Board considers that such review will be necessary only when casual vacancy exists.
A.6.5	The Directors consider that briefing received from the Company Secretary is sufficient for them to render their contribution to the Board.
A.6.7	The independent non-executive Directors consider that such attendance could not help to develop a balanced understanding of the views of the Members because not many Members attended the AGM in past few years.
C.1.2	Management consider that quarterly updates and periodic instant updates when developments arising out of the ordinary business instead of monthly updates are sufficient for the Board to discharge its duties.
E.1.2	The Chairman of the Board was away on a business trip on the date of AGM.

2 Directors' securities transactions

The Company has adopted Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding Directors' securities transactions.

The Company has made specific enquiry of all Directors that they have complied with the required standard of dealings and its code of conduct regarding Directors' securities transactions.

There is no event of non-compliance with the required standard of dealings.

3 Board

The Directors were:

Chairman:	José Manuel dos Santos
Executive Directors:	Yim Hong (retired on 12th February 2016)
	Kuan Kin Man
	Monica Maria Nunes
Independent non-executive Directors:	Fung Kee Yue Roger
	Wong Tsu An Patrick
	Tou Kam Fai

Five meetings were held during the Year.

3 Board (Continued)

The attendance record of each Director was as follows:

	Board	AGM
José Manuel dos Santos	4/5	Absent
Yim Hong	0/0	Not applicable
Kuan Kin Man	5/5	Present
Monica Maria Nunes	5/5	Present
Fung Kee Yue Roger	5/5	Absent
Wong Tsu An Patrick	5/5	Absent
Tou Kam Fai	4/5	Absent

Matters reserved for the Board are as follows:

(a) Approval of interim and final financial statements.

(b) Approval of the interim dividend and recommendation of the final dividend.

(c) Approval of any significant changes in accounting policies or practices.

(d) Appointment or removal of the Company Secretary.

(e) Remuneration of the Auditor where, as usual, Members have delegated this power to the Board and recommendations for the appointment or removal of Auditor following recommendations of the Audit Committee.

(f) Resolutions and corresponding documentations to be put forward to Members at general meetings.

(g) Approval of all circulars and listing particulars.

(h) Approval of press releases concerning matters decided by the Board.

(i) Board appointments and removals and any special terms and conditions attached to the appointment subject to the recommendations of the Nomination Committee and the Remuneration Committee.

(j) Terms of reference of Chairman, other executive Directors and Chief Executive.

(k) Terms of reference and membership of Board committees.

(l) Approval of the long term objectives and commercial strategies of the Group.

(m) Approval of the annual operating and capital expenditure budgets.

(n) Changes relating to the capital structure or its status of the Group.

(o) Terms and conditions of Directors and senior executives.

(p) Changes to the management and control structure of the Group.

(q) Major capital projects.

(r) Material contracts, either by reason of size or strategy, of the Company or any subsidiary in the ordinary course of business, for example, bank borrowings and acquisition or disposal of PPE.

3 Board (Continued)

(s) Contracts of the Company or any subsidiary not in the ordinary course of business, for example, loans and repayments, foreign currency transactions, major acquisitions or disposals.

(t) Major investments.

(u) Risk management strategy.

(v) Treasury policies, including foreign currency exposure.

(w) Review of the overall corporate governance arrangements of the Company.

(x) Major changes to the rules of the Company pension scheme, and changes of trustees and changes in the fund management arrangements.

(y) Major changes to employee share schemes and the allocation of executive Options.

(z) Formulation of policy regarding charitable donations.

(aa) Political donations.

(ab) Approval of the principal professional advisors of the Company.

(ac) Prosecution, defence or settlement of litigation.

(ad) Internal control arrangements.

(ae) Directors' and officers' liability insurance.

Matters not mentioned above will be delegated to the management.

The Company confirmed that it has received from each of the independent non-executive Directors an annual confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules and it still considers the independent non-executive Directors to be independent.

There is no financial, business or other material/relevant relationships among the Directors.

José Manuel dos Santos, Yim Hong, Kuan Kin Man, Fung Kee Yue Roger, Wong Tsu An Patrick and Tou Kam Fai did not comply with Code A.6.5.

Monica Maria Nunes complied with Code A.6.5 by attending seminars organised by HKICS, the Exchange, a professional body, a supplier and an accounting firm.

During the Year, the Board determined the policy for the corporate governance of the Company, and duties performed by the Board under Code D.3.1.

4 Chairman and Chief Executives

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

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

5 Non-executive Directors

Tou Kam Fai was re-appointed for a two-year term expiring on 12th May 2017. Wong Tsu An Patrick was re-appointed for a two-year term expiring on 3rd June 2018. Fung Kee Yue Roger was re-appointed for a two-year term expiring on 29th September 2018. Each Director's fee is HK$10,000 per month.

6 Remuneration of Directors

The Remuneration Committee is to assist the Board in determining the policy and structure for the remuneration of executive Directors, evaluating the performance of executive Directors, reviewing incentive schemes and Directors' service contracts and fixing the remuneration packages for all Directors and senior management.

The members of the Remuneration Committee during the Year and up to the date of this report are:

Wong Tsu An Patrick	(Chairman) (independent non-executive Director)
José Manuel dos Santos	(executive Director)
Fung Kee Yue Roger	(independent non-executive Director)
Tou Kam Fai	(independent non-executive Director)

One meeting was held during the Year.

The attendance record of each Director was as follows:

José Manuel dos Santos	1/1
Fung Kee Yue Roger	1/1
Wong Tsu An Patrick	1/1
Tou Kam Fai	1/1

During the Year, the Remuneration Committee determined the policy and structure for the remuneration of the Directors; evaluated their performance and recommended the bonuses for the year ended 31st December 2015 and on the salary increment for the Year of all the executive Directors, and Yim Hong's gratuity for the consideration of the Board.

7 Nomination of Directors

The purpose of the Nomination Committee is to assist, identify, screen and recommend to the Board appropriate candidates to serve as Directors, to oversee the process for evaluating the performance of the Board and to develop, recommend to the Board and monitor nomination guidelines for the Company.

The members of the Nomination Committee during the Year and up to the date of this report are:

José Manuel dos Santos	(Chairman) (executive Director)
Fung Kee Yue Roger	(independent non-executive Director)
Wong Tsu An Patrick	(independent non-executive Director)
Tou Kam Fai	(independent non-executive Director)

One meeting was held during the Year.

The attendance record of each Director was as follows:

José Manuel dos Santos	1/1
Fung Kee Yue Roger	1/1
Wong Tsu An Patrick	1/1
Tou Kam Fai	1/1

During the Year, the Nomination Committee recommended Fung Kee Yue Roger to be reappointed in the AGM.

With a view to achieving a sustainable and balanced development, the Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. In designing the composition, Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. The composition of the Board (including gender, ethnicity, age, length of service) will be disclosed in the annual report.

8 Auditor's remuneration

Remuneration of audit was HK$1,570,000 for the Year.

9 Audit Committee

The Audit Committee is to assist the Board to deal with the matters concerning the Auditor, to review the financial information of the Company, and to oversee the financial reporting system and internal control procedures of the Company.

The members of the Audit Committee during the Year and up to the date of this report are:

Wong Tsu An Patrick	(Chairman) (independent non-executive Director)
Fung Kee Yue Roger	(independent non-executive Director)
Tou Kam Fai	(independent non-executive Director)

Four meetings were held during the Year. Record of individual attendance was as follows:

Fung Kee Yue Roger	4/4
Wong Tsu An Patrick	4/4
Tou Kam Fai	3/4

During the Year, the Audit Committee reviewed the financial reports for the year ended 31st December 2015, for the six months ended 30th June 2016 and for the quarters ended 31st March 2016 and 30th September 2016. The Audit Committee also reviewed and discussed the report of the Auditor to the Audit Committee for the year ended 31st December 2015 and reviewed the Auditor's statutory audit plan for the Year.

10 Other specific disclosures

The Directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRS and the disclosure requirements of CO, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

The objectives of the Auditor are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report that includes its opinion. It reports its opinion solely to the Members, as a body, in accordance with Section 90 of CA 1981 and for no other purpose. It does not assume responsibility towards or accept liability to any other person for the contents of its report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Hong Kong Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

11 Members' rights

Members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting the requisitionists themselves may do so in accordance with the provisions of Section 74(3) of CA 1981.

Enquiries in written form may be put to the Board by sending a letter detailing such enquiries to the Company Secretary at Room 713B, 7th Floor, Block B, Sea View Estate, 2-8 Watson Road, North Point, Hong Kong.

Procedures for Members to propose a person for election as a Director are made available on the website of the Company. Members with other proposals could require a special general meeting to be called.

12 Investor relations

There is no changes in the memorandum of association of the Company and the Bye-laws during the Year.

13 Risk management and internal control

The management identified and evaluated the significant risks relevant to the Group based on their experience in the business environment, regular meetings with frontline employees and operational and financial forecasts. The risk management and internal control systems are designed to cope with different areas covering currency, liquidity, fraud and other financial, operational and compliance risks. The Board acknowledges that it is responsible for the risk management and internal control systems and for reviewing their effectiveness. A report was compiled and presented to the Board and the Board conducted a review of the effectiveness of the systems of risk management and internal control of the Group in the Year. The Company considers them effective and adequate, though they are designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss. If material internal control defects are identified, they will be discussed in the Board meeting for resolution. Inside information is identified by the management and the Board will be notified. It will be kept in strict confidence and only disseminated to employees on a "need-to-know" basis.

13 Risk management and internal control (Continued)

Currently there is no separate internal audit function within the Group. Management are now working with a Hong Kong consultancy to apply for ISO9001 on its business model, while two subsidiaries in Guangzhou, Guangdong already obtained ISO9001 in the Year. ISO9001 requires an annual audit on the internal control systems and procedures. An internal audit function will be developed, either in-house or outsourced. Management consider to apply for ISO9001 for subsidiaries in other locations, and internal audits will be implemented afterwards.

On behalf of the Board

José Manuel dos Santos
Chairman

Macao, 21st March 2017

Report of the Directors

The Directors submit their report together with the audited financial statements for the Year.

Principal activities and geographical analysis of operations

The principal activity of the Company is investment holding. The activities of the subsidiaries are set out in Note 10 to the financial statements.

An analysis of the performance of the Group for the Year by operating segment is set out in Note 5 to the financial statements.

Business review

The business review is set out on pages 6 to 11 under the section headed "Management Discussion and Analysis".

Results and appropriations

The results of the Group for the Year are set out in the consolidated income statement on page 38.

The Directors recommend the payment of a final dividend of HK$0.01 per Share, totalling HK$6,144,000 (2015: HK$0.01 per Share, totaling HK$6,138,000).

Distributable reserves

Distributable reserves of the Company as at 31st December 2016, calculated under CA 1981 (as amended), amounted to HK$177,677,000 (2015: HK$177,709,000).

Options granted to Directors and selected employees

Details of the Options granted in the Year is set out in Note 24 to the financial statements and "Options" section contained in this report of the Directors. None of the Options granted during the Year were exercised during the Year.

Five year financial summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 103 of the annual report.

Purchase, sale or redemption of securities

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

Options

The purpose of the Scheme was to reward Participants who have contributed or will contribute to the Group and to encourage Participants to work towards enhancing the value of the Company and the Shares for the benefit of the Company and the Members as a whole.

The Directors may, at their discretion, invite Participants to take up Options at the Subscription Price.

The total number of Shares available for issue under the Scheme as at 31st December 2016 was 61,381,900, representing 10% of the issued share capital of the Company as at 31st December 2016.

Under the Scheme, the maximum number of Shares issued and to be issued upon exercise of the Options granted and to be granted to each Participant (including both exercised and outstanding Options) in any twelve-month period shall not exceed 1% of the Shares in issue for the time being.

An Option may be exercised in accordance with the terms of the Scheme at any time during the period to be determined and notified by the Board to the Grantee at the time of making an Offer which shall not expire later than ten years from the Date of Grant.

Pursuant to the Scheme, the Grantee shall pay HK$1 to the Company as consideration for the grant of Option.

The Subscription Price shall be determined by the Board in its absolute discretion but in any event shall not be less than the higher of 1. the closing price of the Shares as stated in the daily quotations sheets issued by the Exchange on the Date of Grant which must be a Business Day; 2. the average closing price of the Shares as stated in the daily quotations sheets issued by the Exchange for the five Business Days immediately preceding the Date of Grant; and 3. the nominal value of the Shares.

As at the Latest Practicable Date, Options to subscribe for a total of 50,760,000 Shares were still outstanding under the Scheme which represented approximately 8.26% of the issued Shares.

The Scheme was adopted for a period of ten years commencing on 22nd June 2012.

Options (Continued)

Details of the Shares outstanding on which Options were granted as at 31st December 2016 under the Scheme are as follows:

	Number of Options						
	held as at 1st January 2016	Granted during the Year (Note 1)	held as at 31st December 2016	Exercise Price HK$	Grant date	Exercisable from	Exercisable until
Directors							
Kuan Kin Man	—	960,000	960,000	0.305	27th September 2016	28th September 2016	27th September 2019
Monica Maria Nunes	—	960,000	960,000	0.305	27th September 2016	28th September 2016	27th September 2019
Fung Kee Yue Roger	—	400,000	400,000	0.305	27th September 2016	28th September 2016	27th September 2019
Wong Tsu An Patrick	—	400,000	400,000	0.305	27th September 2016	28th September 2016	27th September 2019
Tou Kam Fai	—	400,000	400,000	0.305	27th September 2016	28th September 2016	27th September 2019
Director's associate							
Kuan Ieng Cheok	—	30,000	30,000	0.305	27th September 2016	28th September 2016	27th September 2019
Continuous contract employees	—	26,718,000	26,718,000	0.305	27th September 2016	28th September 2016	27th September 2019
Others	—	21,508,000	21,508,000	0.305	27th September 2016	28th September 2016	27th September 2019
	—	51,376,000	51,376,000				

Note:

1 As at 26th September 2016, the date before the Options were granted, the market value per Share was HK$0.305. The value of the Options granted to the respective parties is as follows:

	HK$'000
Directors:	
Kuan Kin Man	114
Monica Maria Nunes	114
Fung Kee Yue Roger	48
Wong Tsu An Patrick	48
Tou Kam Fai	48
Director's associate:	
Kuan Ian Cheok	3
Continuous contract employees	2,831
Others	58
	3,264

Options (Continued)

The value of the Options granted during the Year was HK$3,264,000, based on the binomial valuation model. The significant inputs into the model were spot price of HK$0.305 at the Date of Grant, Subscription Price of HK$0.305 per Option, volatility of 69.24%, dividend yield of 3.12%, an expected Option life of three years, and an annual risk-free interest rate of 0.56%. The volatility was determined by using the volatility of the stock return of the Company as at valuation date. During the Year, an amount of share-based payment expenses of HK$3,264,000 (2015: Nil) was recognised in the income statement for the Options granted to Directors, employees and certain consultants; whilst nil was recognised for four consultants employed under consultancy agreement as the business advisory services are not yet performed.

At each reporting date, the Group revises its estimates of the number of Options granted to the four consultants employed under the consultancy agreement that are expected to ultimately vest. The impact of the revision of the estimates, if any, is recognised in the income statement, with a corresponding adjustment to the share-based payment reserve. The Company received less than HK$1,000 for granting the Options.

Directors

The Directors during the Year and up to the date of this report were:

Executive Directors

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

Independent non-executive Directors

Fung Kee Yue Roger
Wong Tsu An Patrick
Tou Kam Fai

In accordance with Article 87 of the Bye-laws, Wong Tsu An Patrick retires by rotation at the forthcoming AGM and, being eligible, offers himself for re-election. Pursuant to Code A.4.3, any re-appointment of independent non-executive Directors who have served more than nine years shall be subject to a separate resolution to be approved by the Members. Wong Tsu An Patrick will have been an independent non-executive Director for more than nine years at the forthcoming AGM. The Board believes that, despite his length of service, he remains independent as he has not held any executive or management positions in the Group throughout his appointment. He has also demonstrated his ability to provide an independent view to the matters of the Company. Notwithstanding his years of service as an independent non-executive Director, the Board is of the view that he is able to continue to fulfill his role as required and thus recommends him for re-election at the AGM. In this regard, a separate resolution will be put forward at the AGM to re-elect Wong Tsu An Patrick as an independent non-executive Director.

To comply with the Code, Monica Maria Nunes retires by rotation at the forthcoming AGM and, being eligible, offers herself for re-election.

Yim Hong retired on 12th February 2016 as executive Director. Yim Hong confirmed that he had no disagreement with the Board and nothing relating to the affairs of the Company needed to be brought to the attention of the Members.

Tou Kam Fai, Wong Tsu An Patrick and Fung Kee Yue Roger, independent non-executive Directors, are re-appointed with two-year terms expiring on 12th May 2017, 3rd June 2018 and 29th September 2018 respectively.

Directors' service contracts

None of the Directors who were proposed for re-election at the forthcoming AGM has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

Directors' material interests in transactions, arrangements and contracts that were significant in relation to the business of the Company

Details of José Manuel dos Santos's interests in contracts of significance in relation to the business of the Group are set out in Note 32 to the financial statements.

Save for contracts amongst Group companies and the aforementioned transactions, no other transactions, arrangements and contracts of significance to which the subsidiaries of the Company was a party and in which a Director and his connected party had a material interest, whether directly or indirectly, subsisted as at 31st December 2016 or at any time during the Year.

Biographical details of Directors and senior management

Brief biographical details of Directors and senior management (including the professional qualifications of the Company Secretary and the Compliance Officer) are set out on pages 12 to 15.

Directors' and Chief Executives' interests and/or short positions in the Shares, underlying Shares and debentures of the Company or any Associated Corporation

As at 31st December 2016, the relevant interests and short positions of the Directors or Chief Executives in the Shares, underlying Shares and debentures of the Company or its Associated Corporations which will be required to be notified to the Company and the Exchange pursuant to Divisions 7 and 8 of Part XV of SFO (including interests and short positions which he took or deemed to have taken under such provisions of SFO) or required pursuant to Section 352 of SFO, to be entered in the register referred to therein or required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors to be notified to the Company and the Exchange were as follows:

Aggregate long positions in the Shares

Name of Director	Nature of interest	Number of Shares held	Number of underlying Shares (in respect of Options held)	Approximate % of the issued share capital of the Company
José Manuel dos Santos	Settlor of a discretionary trust (Note 1)	301,538,000	—	49.12
Kuan Kin Man	Personal (Note 2)	22,112,500	960,000	3.76
Monica Maria Nunes	Personal (Note 3)	2,452,500	960,000	0.56
Fung Kee Yue Roger	Personal (Note 4)	210,000	400,000	0.10
Wong Tsu An Patrick	Personal (Note 5)	—	400,000	0.07
Tou Kam Fai	Personal (Note 6)	—	400,000	0.07

Notes:

1 As at 31st December 2016, these Shares were held in the name of ERL. The entire issued share capital in ERL was held by OHHL, a company wholly-owned by HSBCITL, which was a trustee of the existing trust whereby the family members of José Manuel dos Santos (the settlor of the trust) were the discretionary objects and which assets included a controlling stake of 49.12% of the issued share capital of the Company.

2 The personal interest of Kuan Kin Man comprised 22,112,500 Shares and 960,000 underlying Shares in respect of Options granted to him by the Company. The aforesaid interest was held by Kuan Kin Man as beneficial owner.

3 The personal interest of Monica Maria Nunes comprised 2,452,500 Shares and 960,000 underlying Shares in respect of Options granted to her by the Company. The aforesaid interest was held by Monica Maria Nunes as beneficial owner.

4 The personal interest of Fung Kee Yue Roger comprised 210,000 Shares and 400,000 underlying Shares in respect of Options granted to him by the Company. The aforesaid interest was held by Fung Kee Yue Roger as beneficial owner.

5 The personal interest of Wong Tsu An Patrick comprised 400,000 underlying Shares in respect of Options granted to him by the Company. The aforesaid interest was held by Wong Tsu An Patrick as beneficial owner.

6 The personal interest of Tou Kam Fai comprised 400,000 underlying Shares in respect of Options granted to him by the Company. The aforesaid interest was held by Tou Kam Fai as beneficial owner.

Substantial Shareholders' interests and/or short positions in the Shares and underlying Shares

The register of Substantial Shareholders required to be kept under Section 336 of Part XV of SFO showed that as at 31st December 2016, the Company was notified of the following Substantial Shareholders' interests, being 5% or more of the issued share capital of the Company. These interests were in addition to those disclosed above in respect of the Directors and Chief Executives:

Aggregate long positions in the Shares

Name	Nature of interest	Number of Shares held	Approximate % of the issued share capital of the Company
ERL	Corporate interest (Note 1)	301,538,000	49.12
OHHL	Corporate interest (Note 1)	301,538,000	49.12
HSBCITL	Corporate interest (Note 1)	301,538,000	49.12
Lei Hon Kin	Family interest (Note 2)	301,538,000	49.12

Notes:

1 As at 31st December 2016, these Shares were held in the name of ERL. The entire issued share capital in ERL was held by OHHL, a company wholly-owned by HSBCITL, being the trustee of the existing trust.

2 Lei Hon Kin, the spouse of José Manuel dos Santos, was deemed to be interested in all the interests of José Manuel dos Santos.

Management contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Year.

Major suppliers and customers

The percentages of purchases and sales for the Year attributable to the major suppliers and customers of the Group were as follows:

Purchases	
– the largest supplier	28.91%
– five largest suppliers in aggregate	76.45%
Sales	
– the largest customer	27.23%
– five largest customers in aggregate	63.91%

None of the Directors, their Close Associates or any Member (which to the knowledge of the Directors owns more than 5% of the share capital of the Company) had an interest in these major suppliers or customers.

Connected transactions

A summary of the related party transactions entered into by the Group during the Year is contained in Note 32 to the consolidated accounts. Certain related party transactions also constituted connected transactions, but are exempted from Members' approval, annual review and all disclosure requirements under Chapter 20 of the GEM Listing Rules.

Sufficiency of public float

Based on the information that was publicly available to the Company and within the knowledge of the Directors, it was confirmed that there is sufficient public float of at least 25% of the issued Shares as at the Latest Practicable Date.

Corporate governance report

The corporate governance report is set out on pages 16 to 23.

Permitted indemnity provisions

During the Year and as at 21st March 2017, a permitted indemnity provision is in force for the benefit of all the Directors.

Auditor

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

On behalf of the Board

José Manuel dos Santos
Chairman

Macao, 21st March 2017

Independent Auditor's Report

pwc 羅兵咸永道

To the Shareholders of Vodatel Networks Holdings Limited
(incorporated in Bermuda with limited liability)

Opinion

What we have audited

The consolidated financial statements of Vodatel Networks Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 38 to 102, which comprise:

- the consolidated balance sheet as at 31 December 2016;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Fair value measurement of investments in Timor Telecom, S.A. ("TTSA") classified as available-for-sale financial assets
- Provision for impairment of trade receivables

Key Audit Matter	How our audit addressed the Key Audit Matter
1. Fair value measurement of investments in TTSA classified as available-for-sale financial assets Refer to note 2(i) (summary of significant accounting policies), note 3(c) (financial risk management) and note 18 As at 31 December 2016, the Group held equity interests in TTSA with carrying amount of HK$25.1 million. The investment was recognised as available-for-sale financial assets and classified as level three in the fair value hierarchy. The Group engaged an external valuer to perform the valuation of TTSA as at 31 December 2016 by using discounted cash flow method with revenue growth rate, discount rate, discount for lack of marketability and discount for lack of control as key assumptions. The valuation of TTSA is therefore based on unobservable inputs and requires a high degree of judgement.	We assessed the competence, capabilities and objectivity of the external valuer. We read the valuation report, discussed with the external valuer its scope, and assessed the appropriateness of the valuation method used in determining the fair value. We assessed the reasonableness of the key assumptions used by the external valuer by comparing against relevant market data and industry research. We also involved our internal valuation specialist to assist us in assessing the methodology and certain key assumptions used in the discounted cash flow calculation. Based on the procedures performed, we found the assumptions and judgements applied in the valuation to be supportable by available evidence.

Key Audit Matters (Continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
2. Provision for impairment of trade receivables Refer to note 4(b) (critical accounting estimates, judgements and assumptions) and note 19 As at 31 December 2016, the Group had gross trade receivables amounting to HK$239.4 million and impairment provisions amounting to HK$14.6 million. A provision of HK$0.7 million was charged to the consolidated income statement for the year ended 31 December 2016. The net trade receivables represented approximately 53% of the total assets. Management needs to exercise significant judgement in assessing the recoverability of the trade receivables. In making such assessment, management needs to consider the current creditworthiness and the past collection history of each customer in developing its expectation of the ultimate realisation of the receivables. The assessment was an area of focus for us given the inherent uncertainties in this area and the significance of the related balance.	We checked, on a sample basis, the accuracy of aging profile of the trade receivables balances. We performed analytics on aging profile of trade receivables, and by making reference to settlement received towards and after the year end, if any, to identify aged debts in respect of which there has been little or no recent subsequent settlement. We challenged management as to the recoverability of trade receivables which were past due but not impaired, corroborating explanations through examining underlying relevant supporting documents such as post year end settlements, historical payment record, financial position information of the customers and other corresponding documents. Based on the procedures performed, we found the assumption and judgement made by management in respect of the provision for impairment of trade receivables to be supportable by available evidence.

Other Information

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and Audit Committee for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The audit committee is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

We communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Kong Ling Yin, Raymond.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 21 March 2017

Consolidated Income Statement

		Year ended 31st December	
	Note	**2016**	2015
		HK$'000	HK$'000
Revenue	5	**451,371**	350,263
Cost of sales	7	**(338,988)**	(243,283)
Gross profit		**112,383**	106,980
Selling and marketing costs	7	**(9,583)**	(7,753)
Administrative expenses	7	**(94,013)**	(93,974)
Other (loss)/income	6	**(1,155)**	765
Share-based payment expenses	24	**(3,264)**	—
Operating profit		**4,368**	6,018
Finance income		**3,083**	3,476
Finance expenses		**(35)**	(191)
Finance income – net	9	**3,048**	3,285
Share of loss of an associate	11	**(3)**	(649)
Profit before income tax		**7,413**	8,654
Income tax expense	12	**(1,107)**	(2,194)
Profit for the Year		**6,306**	6,460
Profit attributable to:			
Owners of the Company		**8,989**	7,253
Non-controlling interests		**(2,683)**	(793)
		6,306	6,460
Earnings per Share attributable to owners of the Company for the Year (expressed in HK cents per Share)			
Basic and diluted earnings per Share	13	**1.46**	1.18

The notes on pages 44 to 102 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

	Note	Year ended 31st December 2016 HK$'000	2015 HK$'000
Profit for the Year		**6,306**	6,460
Other comprehensive expense:			
Items that may be reclassified to profit or loss			
Change in value of AFS financial assets	26	**(32,852)**	(13,943)
Revaluation transfer to profit or loss	26	**1,541**	709
Currency translation differences		**(144)**	(342)
Other comprehensive expense for the Year, net of tax		**(31,455)**	(13,576)
Total comprehensive expense for the Year		**(25,149)**	(7,116)
Attributable to:			
– Owners of the Company		**(22,442)**	(6,232)
– Non-controlling interests		**(2,707)**	(884)
Total comprehensive expense for the Year		**(25,149)**	(7,116)

The notes on pages 44 to 102 are an integral part of these consolidated financial statements.

Consolidated Balance Sheet

	Note	As at 31st December 2016 HK$'000	2015 HK$'000
Assets			
Non-current assets			
Property, plant and equipment ("PPE")	15	**2,646**	2,405
Investment in an associate	11	**801**	804
AFS financial assets	18	**39,402**	93,705
		42,849	96,914
Current assets			
Inventories	20	**27,713**	13,674
Current income tax recoverable		**4**	427
Trade receivables	19	**224,738**	135,606
Other receivables, deposits and prepayments	19	**26,569**	24,546
Amount due from an associate	11	**—**	1,197
AFS financial assets	18	**11,236**	2,421
Cash and cash equivalents	17,21	**64,122**	77,495
Restricted cash	17,21	**24,895**	26,047
		379,277	281,413
Assets classified as held for sale	22	**—**	1,008
		379,277	282,421
Liabilities			
Current liabilities			
Trade and bills payables	27	**118,522**	47,204
Other payables and accruals	27	**57,236**	55,047
Current income tax liabilities		**8,587**	11,280
		184,345	113,531
Net current assets		**194,932**	168,890
Total assets less current liabilities		**237,781**	265,804

	Note	As at 31st December 2016 HK$'000	2015 HK$'000
Financed by:			
Equity			
Equity attributable to owners of the Company			
Share capital	23	**61,382**	61,382
Other reserves	26	**156,501**	184,668
Retained earnings			
– Proposed final dividend	29	**6,144**	6,138
– Others		**14,898**	12,053
		238,925	264,241
Non-controlling interests		**(1,144)**	1,563
Total equity		**237,781**	265,804

The notes on pages 44 to 102 are an integral part of these consolidated financial statements.

The financial statements on pages 38 to 102 were approved by the Board on 21st March 2017 and were signed on its behalf.

José Manuel dos Santos
Director

Monica Maria Nunes
Director

Consolidated Statement of Changes in Equity

	Attributable to owners of the Company					
	Share capital HK$'000	Other reserves (Note 26) HK$'000	Retained earnings HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance as at 1st January 2015	**61,382**	**198,153**	**17,076**	**276,611**	**2,447**	**279,058**
Comprehensive income						
Profit/(loss) for the year ended 31st December 2015	—	—	7,253	7,253	(793)	6,460
OCI						
AFS financial assets - revaluation loss	—	(13,943)	—	(13,943)	—	(13,943)
AFS financial assets - revaluation transfer to profit or loss	—	709	—	709	—	709
Currency translation differences - Group	—	(251)	—	(251)	(91)	(342)
Total other comprehensive expense, net of tax	—	(13,485)	—	(13,485)	(91)	(13,576)
Total comprehensive expense	**—**	**(13,485)**	**7,253**	**(6,232)**	**(884)**	**(7,116)**
Total transactions with owners in their capacity as owners - dividend relating to 2014	**—**	**—**	**(6,138)**	**(6,138)**	**—**	**(6,138)**
Balance as at 31st December 2015	**61,382**	**184,668**	**18,191**	**264,241**	**1,563**	**265,804**
Comprehensive income						
Profit/(loss) for the Year	—	—	8,989	8,989	(2,683)	6,306
OCI						
AFS financial assets - revaluation loss	—	(32,852)	—	(32,852)	—	(32,852)
AFS financial assets - revaluation transfer to profit or loss	—	1,541	—	1,541	—	1,541
Currency translation differences - Group	—	(120)	—	(120)	(24)	(144)
Total other comprehensive expense, net of tax	—	(31,431)	—	(31,431)	(24)	(31,455)
Total comprehensive expense	**—**	**(31,431)**	**8,989**	**(22,442)**	**(2,707)**	**(25,149)**
Transactions with owners in their capacity as owners						
Scheme - value of services	—	3,264	—	3,264	—	3,264
Dividend relating to 2015	—	—	(6,138)	(6,138)	—	(6,138)
Total transactions with owners in their capacity as owners	**—**	**3,264**	**(6,138)**	**(2,874)**	**—**	**(2,874)**
Balance as at 31st December 2016	**61,382**	**156,501**	**21,042**	**238,925**	**(1,144)**	**237,781**

The notes on pages 44 to 102 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

	Note	Year ended 31st December 2016 HK$'000	2015 HK$'000
Cash flows from operating activities			
Cash used in operations	30	**(19,730)**	(9,653)
Interest paid		**(35)**	(191)
Income tax paid		**(2,913)**	(2,245)
Net cash used in operating activities		**(22,678)**	(12,089)
Cash flows from investing activities			
Proceeds from sale of AFS financial assets		**62,189**	152,407
Purchases of AFS financial assets	18	**(49,553)**	(135,767)
Proceeds from sale of PPE		**366**	96
Purchases of PPE	15	**(1,737)**	(1,356)
Distributions from an associate	11	**—**	1,186
Proceeds from sale of an associate	22	**1,238**	—
Interest received	9	**3,083**	3,476
Dividends received	6	**28**	97
Net cash generated from investing activities		**15,614**	20,139
Cash flows from financing activities			
Repayment of borrowings		**—**	(3,881)
Decrease in restricted bank deposits		**1,152**	428
Dividend paid to Members		**(6,138)**	(6,138)
Net cash used in financing activities		**(4,986)**	(9,591)
Net decrease in cash and cash equivalents		**(12,050)**	(1,541)
Cash and cash equivalents at beginning of Year		**77,495**	79,305
Exchange losses on cash and cash equivalents		**(1,323)**	(269)
Cash and cash equivalents at end of Year		**64,122**	77,495

The notes on pages 44 to 102 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

1 General information

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

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

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

The Company is a limited liability company incorporated in Bermuda. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda.

The Company has its listing on GEM.

These financial statements are presented in thousands of units of HK$ (HK$'000), unless otherwise stated.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies were consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

The consolidated financial statements of the Company were prepared in accordance with all applicable HKFRS. The consolidated financial statements were prepared under the historical cost convention, as modified by the revaluation of AFS financial assets, which were carried at fair value.

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

2 Summary of significant accounting policies (Continued)

(a) Basis of preparation (Continued)

(i) Changes in accounting policy and disclosures – New and amended standards adopted by the Group

The following amendments to standards were adopted by the Group for the first time for the financial year beginning on or after 1st January 2016:

Amendments to HKFRS 11, "Joint Arrangements"– "Accounting for acquisitions of interests in joint operations".

Amendments to HKAS 16, "PPE" and HKAS 38, "Intangible Assets"– "Clarifications of acceptable methods of depreciation and amortisation".

Annual improvements to HKFRS 2012 – 2014 Cycle.

Amendments to HKAS 1 (Revised), "Presentation of Financial Statements"– "Disclosure initiative".

The adoption of these amendments did not have any impact on the current period or any prior period and is not likely to affect future periods.

(ii) Changes in accounting policy and disclosures – New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1st January 2016 and were not applied in preparing these consolidated financial statements. None of these was expected to have significant effect on the consolidated financial statements of the Company, except the following set out below:

<u>HKFRS 9, "Financial Instruments"</u>

The new standard addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

While the Group has yet to undertake a detailed assessment of the classifications and measurement of financial assets, debt instruments currently classified as AFS financial assets would appear to satisfy the conditions for classifications as at FVOCI and hence there will be no change to the accounting for these assets.

2 Summary of significant accounting policies (Continued)

(a) Basis of preparation (Continued)

(ii) Changes in accounting policy and disclosures – New standards and interpretations not yet adopted (Continued)

HKFRS 9, "Financial Instruments" *(Continued)*

The other financial assets held by the Group include:

- Equity instruments currently classified as available for sale for which an FVOCI election is available
- Equity investments currently measured at FVPL which would likely continue to be measured on the same basis under HKFRS 9

Accordingly, the Group does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets.

There will be no impact on the accounting of the Group for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at FVPL and the Group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39, "Financial Instruments: Recognition and Measurement" and have not been changed.

The new hedge accounting rules will have no impact on the accounting of the Group as it does not have any hedging instruments.

The new impairment model requires the recognition of impairment provisions based on expected credit losses rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified as amortised cost, debt instruments measured at FVOCI, contract assets under HKFRS 15, "Revenue from Contracts with Customers", lease receivables, loan commitments and certain financial guarantee contracts. While the Group has not yet undertaken a detailed assessment of how its impairment provisions would be affected by the new model, it may result in an earlier recognition of credit losses.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the disclosures of the Group about its financial instruments particularly in the year of the adoption of the new standard.

HKFRS 9 must be applied for financial years commencing on or after 1st January 2018. Based on the transitional provisions in the completed HKFRS 9, early adoption in phases was only permitted for annual reporting periods beginning before 1st February 2015. After that date, the new rules must be adopted in their entirety. The Group does not intend to adopt HKFRS 9 before its mandatory date.

2 Summary of significant accounting policies (Continued)

(a) Basis of preparation (Continued)

(ii) Changes in accounting policy and disclosures – New standards and interpretations not yet adopted (Continued)

HKFRS 15

HKICPA has issued a new standard for the recognition of revenue. This will replace HKAS 18, "Revenue" which covers contracts for goods and services and HKAS 11, "Construction Contracts" which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption.

Management is currently assessing the effects of applying the new standard on the financial statements of the Group and has identified the following areas that are likely to be affected:

- revenue from service – the application of HKFRS 15 may result in the identification of separate performance obligations which could affect the timing of the recognition of revenue,
- accounting for certain costs incurred in fulfilling a contract – certain costs which are currently expensed may need to be recognised as an asset under HKFRS 15, and
- rights of return – HKFRS 15 requires separate presentation on the balance sheet of the right to recover the goods from the customer and the refund obligation.

At this stage, the Group is not able to estimate the impact of the new rules on the financial statements of the Group. The Group will make more detailed assessments of the impact over the next twelve months.

HKFRS 15 is mandatory for financial years commencing on or after 1st January 2018. At this stage, the Group does not intend to adopt the standard before its effective date.

2 Summary of significant accounting policies (Continued)

(a) Basis of preparation (Continued)

(ii) Changes in accounting policy and disclosures – New standards and interpretations not yet adopted (Continued)

HKFRS 16, "Leases"

HKFRS 16 will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for operating leases of the Group. As at the reporting date, the Group has non-cancellable operating lease commitments of HK$5,364,000, see Note 31. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the profit of the Group and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low value leases and some commitments may relate to arrangements that will not qualify as leases under HKFRS 16.

The new standard is mandatory for financial years commencing on or after 1st January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

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

(b) Subsidiaries

(i) Consolidation

A subsidiary was an entity (including a structured entity) over which the Company directly or indirectly had control. The Company directly or indirectly controlled an entity when the Company was directly or indirectly exposed to, or had rights to, variable returns from its involvement with the entity and had the ability to affect those returns through its power over the entity. Subsidiaries were consolidated from the date on which control was transferred to the Company directly or indirectly. They were deconsolidated from the date that control ceased.

2 Summary of significant accounting policies (Continued)

(b) Subsidiaries (Continued)

(i) Consolidation (Continued)

Business combinations

The Group applied the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred included the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination were measured initially at their fair values at the acquisition date.

The Group recognised any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that were present ownership interests and entitled their holders to a proportionate share of the net assets of the entity in the event of liquidation were measured at either fair value or at the proportionate share of the present ownership interests in the recognised amounts of the identifiable net assets of the acquiree. All other components of non-controlling interests were measured at their acquisition date fair value, unless another measurement basis was required by HKFRS.

Intra-group transactions, balances and unrealised gains on transactions between Group companies were eliminated. Unrealised losses were also eliminated unless the transaction provided evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries were adjusted to conform with the accounting policies of the Group.

(ii) Separate financial statements

Investments in subsidiaries were accounted for at cost less impairment. Cost included direct attributable costs of investment. The results of subsidiaries were accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries was required upon receiving a dividend from these investments if the dividend exceeded the total comprehensive income of the subsidiary in the period the dividend was declared or if the carrying amount of the investment in the separate financial statements exceeded the carrying amount in the consolidated financial statements of the net assets of the investee including goodwill.

2 Summary of significant accounting policies (Continued)

(c) Associates

An associate was an entity over which the Group had significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates were accounted for using the equity method of accounting. Under the equity method, the investment was initially recognised at cost, and the carrying amount was increased or decreased to recognise the share of the investor of the profit or loss of the investee after the date of acquisition.

If the ownership interest in an associate was reduced but significant influence was retained, only a proportionate share of the amounts previously recognised in OCI was reclassified to profit or loss where appropriate.

The share of post-acquisition profit or loss of the Group was recognised in the income statement, and its share of post-acquisition movements in OCI was recognised in OCI with a corresponding adjustment to the carrying amount of the investment. When the share of losses of the Group in an associate equalled or exceeded its interest in the associate, including any other unsecured receivables, the Group did not recognise further losses, unless it had incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determined at each reporting date whether there was any objective evidence that the investment in the associate was impaired. If this was the case, the Group calculated the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognised the amount adjacent to "share of loss of an associate" in the income statement.

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

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

(d) Segment reporting

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

2 Summary of significant accounting policies (Continued)

(e) Foreign currency translation

(i) Functional Currency and presentation currency

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

(ii) Transactions and balances

Foreign currency transactions were translated into the Functional Currency using the exchange rates prevailing at the dates of the transactions or valuation where items were re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies were recognised in the income statement.

All foreign exchange gains and losses were presented in the income statement within "administrative expenses".

Changes in the fair value of debt securities denominated in foreign currency classified as available for sale were analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost were recognised in profit or loss, and other changes in carrying amount were recognised in OCI.

Translation differences on non-monetary financial assets, such as equities classified as available for sale, were included in OCI.

(iii) Group companies

The results and financial position of all the Group entities (none of which had the currency of a hyper-inflationary economy) that had a Functional Currency different from the presentation currency were translated into the presentation currency as follows:

(I) assets and liabilities for each balance sheet presented were translated at the closing rate at the date of that balance sheet;

(II) income and expenses for each income statement were translated at average exchange rates (unless this average was not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses were translated at the rate on the dates of the transactions); and

(III) all resulting currency translation differences were recognised in OCI.

2 Summary of significant accounting policies (Continued)

(f) PPE

PPE were stated at historical cost less depreciation. Historical cost included expenditure that was directly attributable to the acquisition of the items.

Subsequent costs were included in the carrying amount of the asset or recognised as a separate asset, as appropriate, only when it was probable that future economic benefits associated with the item would flow to the Group and the cost of the item could be measured reliably. The carrying amount of the replaced part was derecognised. All other repairs and maintenance were charged to the income statement during the financial period in which they were incurred.

Depreciation on assets was calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

– Leasehold improvements	Five years or over the lease terms, whichever is shorter
– Furniture, fixtures and office equipment	Two to five years
– Motor vehicles	Five years
– Demonstration equipment	Three years

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

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

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

(g) Impairment of non-financial assets

Assets that were subject to amortisation were reviewed for impairment whenever events or changes in circumstances indicated that the carrying amount might not be recoverable. An impairment loss was recognised for the amount by which the carrying amount of the asset exceeded its recoverable amount. The recoverable amount was the higher of the fair value of an asset less costs to sell and value in use. For the purposes of assessing impairment, assets were grouped at the lowest levels for which there were separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment were reviewed for possible reversal of the impairment at each reporting date.

2 Summary of significant accounting policies (Continued)

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

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

(i) Financial assets

(i) Classification

The Group classified its financial assets in the following categories: loans and receivables, and available for sale. The classification depended on the purpose for which the financial assets were acquired. Management determined the classification of its financial assets at initial recognition.

(I) Loans and receivables

Loans and receivables were non-derivative financial assets with fixed or determinable payments that were not quoted in an active market. They were included in current assets, except for the amounts that were settled or expected to be settled more than twelve months after the end of the reporting period. These were classified as non-current assets. The loans and receivables of the Group comprised “trade receivables”, “other receivables and deposits”, “cash and cash equivalents” and “restricted cash” in the balance sheet (Notes 2(m) and 2(n)).

(II) AFS financial assets

AFS financial assets were non-derivatives that were either designated in this category or not classified in any of the other categories. They were included in non-current assets unless the investment matured or management intended to dispose of it within twelve months after the end of the reporting period.

2 Summary of significant accounting policies (Continued)

(i) Financial assets (Continued)

(ii) Recognition and measurement

Regular way purchases and sales of financial assets were recognised on the trade-date - the date on which the Group committed to purchase or sell the asset. Investments were initially recognised at fair value plus transaction costs for all financial assets not carried at FVPL. Financial assets were derecognised when the rights to receive cash flows from the investments expired or were transferred and the Group transferred substantially all risks and rewards of ownership. AFS financial assets were subsequently carried at fair value. Loans and receivables were subsequently carried at amortised cost using the effective interest method.

Changes in the fair value of monetary and non-monetary securities classified as available for sale were recognised in OCI.

When securities classified as available for sale were sold or impaired, the accumulated fair value adjustments recognised in equity were included in the income statement as "other income".

Interest on AFS securities calculated using the effective interest method was recognised in the income statement as part of finance income. Dividends on AFS equity instruments were recognised in the income statement as part of other income when the right of the Group to receive payments was established.

(j) Offsetting financial instruments

Financial assets and liabilities were offset and the net amount reported in the balance sheet when there was a legally enforceable right to offset the recognised amounts and there was an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right had not to be contingent on future events and had to be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

2 Summary of significant accounting policies (Continued)

(k) Impairment of financial assets

(i) Assets carried at amortised cost

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

Evidence of impairment might include indications that the debtors or a group of debtors was experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they would enter bankruptcy or other financial reorganisation, and where observable data indicated that there was a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlated with defaults.

For loans and receivables category, the amount of the loss was measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows (excluding future credit losses that were not incurred) discounted at the original effective interest rate of the financial asset. The carrying amount of the asset was reduced and the amount of the loss was recognised in the consolidated income statement. If a loan had a variable interest rate, the discount rate for measuring any impairment loss was the current effective interest rate determined under the contract. As a practical expedient, the Group might measure impairment on the basis of the fair value of an instrument using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreased and the decrease could be related objectively to an event occurring after the impairment was recognised (such as an improvement in the credit rating of the debtor), the reversal of the previously recognised impairment loss was recognised in the consolidated income statement.

2 Summary of significant accounting policies (Continued)

(k) Impairment of financial assets (Continued)

(ii) Assets classified as available for sale

The Group assessed at the end of each reporting period whether there was objective evidence that a financial asset or a group of financial assets was impaired.

For debt securities, if any such evidence existed the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – was reclassified from equity and recognised in profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increased and the increase could be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss was reversed through the consolidated income statement.

For equity investments, a significant or prolonged decline in the fair value of the security below its cost was also evidence that the assets were impaired. If any such evidence existed the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss - was reclassified from equity and recognised in profit or loss. Impairment losses recognised in the consolidated income statement on equity instruments were not reversed through the consolidated income statement.

(l) Inventories

Inventories were stated at the lower of cost and net realisable value. Cost was determined using the weighted average basis. The cost comprised invoiced cost of inventories. Net realisable value was the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

(m) Trade and other receivables

Trade receivables were amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables was expected in one year or less (or in the normal operating cycle of the business if longer), they were classified as current assets. If not, they were presented as non-current assets.

Trade and other receivables were recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. See Note 2(i)(i)(l) for further information about the accounting of the Group for trade receivables and Note 2(k)(i) for a description of the impairment policies of the Group.

2 Summary of significant accounting policies (Continued)

(n) Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents included cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

(o) Share capital

Shares were classified as equity.

(p) Trade payables

Trade payables were obligations to pay for goods or services that were acquired in the ordinary course of business from suppliers. Trade payables were classified as current liabilities if payment was due within one year or less (or in the normal operating cycle of the business if longer). If not, they were presented as non-current liabilities.

Trade payables were recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(q) Borrowing costs

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

(r) Current and deferred income tax

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

(i) Current income tax

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

2 Summary of significant accounting policies (Continued)

(r) Current and deferred income tax (Continued)

(ii) Deferred income tax

Inside basis differences

Deferred income tax was recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax was not accounted for if it arose from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affected neither accounting nor taxable profit or loss. Deferred income tax was determined using tax rates (and laws) that were enacted or substantively enacted by the balance sheet date and were expected to apply when the related deferred income tax asset was realised or the deferred income tax liability was settled.

Deferred income tax assets were recognised only to the extent that it was probable that future taxable profit would be available against which the temporary differences could be utilised.

Outside basis differences

Deferred income tax liabilities were provided on taxable temporary differences arising from investments in subsidiaries and an associate, except for deferred income tax liability where the timing of the reversal of the temporary difference was controlled by the Group and it was probable that the temporary difference would not reverse in the foreseeable future. Generally the Group was unable to control the reversal of the temporary difference for an associate. Only when there was an agreement in place that gave the Group the ability to control the reversal of the temporary difference in the foreseeable future, deferred tax liability in relation to taxable temporary differences arising from the undistributed profits of the associate was not recognised.

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

2 Summary of significant accounting policies (Continued)

(r) Current and deferred income tax (Continued)

(iii) Offsetting

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

(s) Employee benefits

The Group operated various post-employment schemes which were defined contribution pension plans.

(i) Pension obligations

A defined contribution plan was a pension plan under which the Group paid fixed contributions into a separate entity. The Group had no legal or constructive obligations to pay further contributions if the fund did not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The Group paid contributions to publicly or privately administered pension insurance plans on a mandatory and contractual basis. The Group had no further payment obligations once the contributions were paid. The contributions were recognised as employee benefit expense when they were due. Prepaid contributions were recognised as an asset to the extent that a cash refund or a reduction in the future payments was available.

(ii) Termination benefits

Termination benefits were payable when employment was terminated by the Group before the normal retirement date, or whenever an employee accepted voluntary redundancy in exchange for these benefits. The Group recognised termination benefits when the Group could no longer withdraw the offer of those benefits. Benefits falling due more than twelve months after the end of the reporting period were discounted to their present value.

(iii) Bonus plans

The Group recognised a liability and an expense for bonuses, based on a formula that took into consideration the profit attributable to the Members after certain adjustments. The Group recognised a provision where contractually obliged or where there was a past practice that created a constructive obligation.

2 Summary of significant accounting policies (Continued)

(t) Share-based payments

(i) Equity-settled share-based payment transactions

The Group operated an equity-settled, share-based compensation plan, under which the Group received services from employees as consideration for equity instruments (Options) of the Group. The fair value of the employee services received in exchange for the grant of the Options was recognised as an expense. The total amount to be expensed was determined by reference to the fair value of the Options granted:

- Excluding the impact of any service and non-market performance vesting conditions; and
- Including the impact of any non-vesting conditions.

At the end of each reporting period, the Group revised its estimates of the number of Options that were expected to vest based on the non-marketing performance and service conditions. It recognised the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

(ii) Share-based payment transactions among Group entities

The grant by the Company of Options over its equity instruments to the employees of subsidiary undertakings in the Group was treated as a capital contribution. The fair value of employee services received, measured by reference to the Date of Grant fair value, was recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the parent entity accounts.

(u) Provisions

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

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

Provisions were measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflected current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time was recognised as interest expense.

2 Summary of significant accounting policies (Continued)

(v) Revenue recognition

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

(i) Project sales

Revenue from the design, sale and implementation of network and systems infrastructure; customer data automation, customisation and integration; and provision of technical support services was recognised upon the satisfactory completion of installation, which generally coincided with the time when the systems were delivered to customer.

(ii) Sales of services

The Group sold maintenance services to the end users. These services were provided as a fixed-price contract, with contract terms generally ranging from less than one year to three years. Revenue from fixed-price contracts for delivering maintenance services was generally recognised in the period the services were provided, using a straight-line basis over the term of the contract.

(iii) Sales of software

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

(w) Interest income

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

2 Summary of significant accounting policies (Continued)

(x) Dividend income

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

(y) Leases

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

(z) Dividend distribution

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

(aa) Government subsidies

Government subsidies were financial assistance by local municipal Government in Mainland China in the form of transfer of resources to an enterprise to encourage business development in the local municipality and were recognised at their fair value where there were reasonable assurance that the subsidies would be received and the Group would comply with all attached conditions.

3 Financial risk management

(a) Financial risk factors

The activities of the Group exposed it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The overall risk management programme of the Group focused on the unpredictability of financial markets and sought to minimise potential adverse effects on the financial performance of the Group.

Risk management was carried out by the Directors. The Directors identified and evaluated financial risks in close co-operation with the operating units of the Group.

3 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(i) Market risk

(I) Foreign exchange risk

The Group operated internationally and was exposed to foreign exchange risk arising from various currency exposures, primarily with respect to US$, MOP and RMB. Foreign exchange risk arose from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

The Group had certain investments in foreign operations, whose net assets were exposed to foreign currency translation risk. Fluctuation in such currencies would be reflected in the movement of the translation reserve.

Management considered that foreign exchange risk related to financial assets denominated in US$ and MOP was minimal, since these currencies were pegged to HK$ and exchange rate fluctuation was minimal throughout the Year.

As at 31st December 2016, if HK$ had weakened/strengthened by 5% against RMB with all other variables held constant, post-tax profit for the Year would have been HK$1,325,000 (2015: HK$2,162,000) higher/lower, mainly as a result of foreign exchange gains/losses on translation of RMB denominated financial assets and liabilities.

(II) Price risk

The Group was exposed to equity and debt securities price risk because of investments held by the Group and classified on the consolidated balance sheet as available for sale. The Group was not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, corporate bonds and debentures, the Group diversified its portfolio. Diversification of the portfolio was done in accordance with the limits set by the Group.

With all other variables held constant, if the market price of AFS financial assets measured at fair value had been 10% higher/lower than the actual closing price as at 31st December 2016, the equity as at 31st December 2016 would increase/decrease by approximately HK$4,918,000 (2015: HK$9,467,000).

(III) Cash flow and fair value interest rate risk

The interest rate risk of the Group arose from bank deposits. The interest income from bank deposits was not significant. As such, the cash flows of the Group were substantially independent of changes in market interest rates.

3 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(ii) Credit risk

Credit risk was managed on Group basis, except for credit risk relating to accounts receivable balances. Each local entity was responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions were offered. Credit risk arose from cash and cash equivalents, deposits and restricted cash with banks, as well as credit exposures to customers, including outstanding receivables. Risk control assessed the credit quality of the customer, banks and financial institutions, taking into account its financial position, past experience and other factors. Individual risk limits were set based on internal or external ratings in accordance with limits set by the Board. The utilisation of credit limits was regularly monitored.

(iii) Liquidity risk

Prudent liquidity risk management implied maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the Directors maintained flexibility in funding by maintaining availability under committed credit lines.

Management monitored rolling forecasts of the liquidity requirements of the Group to ensure it had sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group did not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting took into consideration the debt financing plans of the Group, covenant compliance, compliance with internal balance sheet ratio targets and, if applicable external regulatory or legal requirements – for example, currency restrictions.

Surplus cash held by the operating entities over and above balance required for working capital management were transferred to interest bearing bank accounts, time deposits and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the above-mentioned forecasts. As at 31st December 2016, the Group held cash and cash equivalents of HK$64,122,000 (2015: HK$77,495,000). In addition, the Group held listed equity securities and corporate bonds of HK$24,098,000 (2015: HK$40,092,000), which could be readily realised to provide a further source of cash if the need arose.

3 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(iii) Liquidity risk (Continued)

The table below analysed the financial liabilities of the Group into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table were the contractual undiscounted cash flows.

	Less than one year HK$'000
Group	
As at 31st December 2016	
Trade and bills payables	118,522
Other payables	26,933
As at 31st December 2015	
Trade and bills payables	47,204
Other payables	2,729

(b) Capital management

The objectives of the Group when managing capital were to safeguard the ability of the Group to continue as a going concern in order to provide returns for Members and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group might adjust the amount of dividends paid to Members, return capital to Members, issue new Shares or sell assets to reduce debt.

3 Financial risk management (Continued)

(c) Fair value estimation

The table below analysed financial instruments of the Group carried at fair value as at 31st December 2016 by level of the inputs to valuation techniques used to measure fair value. Such inputs were categorised into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level one).
- Inputs other than quoted prices included within level one that were observable for the asset or liability, either directly (that was, as prices) or indirectly (that was, derived from prices) (level two).
- Inputs for the asset or liability that were not based on observable market data (that was, unobservable inputs) (level three).

The following table presents the assets of the Group that are measured at fair value.

		2016	
	Level one HK$'000	**Level three HK$'000**	**Total HK$'000**
Assets			
AFS financial assets			
Equity securities	**5,109**	**25,084**	**30,193**
Debt investments	**18,989**	**—**	**18,989**
Total assets	**24,098**	**25,084**	**49,182**

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

3 Financial risk management (Continued)

(c) Fair value estimation (Continued)

(i) Financial instruments in level one

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

(ii) Financial instruments in level three

The fair value of financial instruments that were not traded in an active market was determined by using valuation techniques. If one or more significant inputs was not based on observable market data, the instrument was included in level three.

There was no transfer of financial instruments between differecnt fair value hieraichies for the Year.

The following table presents the changes in level three instruments:

	2016 **HK$'000**	2015 HK$'000
As at 1st January	**54,578**	61,488
Net loss transferred to equity	**(29,494)**	(6,910)
As at 31st December	**25,084**	54,578

The fair value of equity securities available for sale was determined by an independent qualified valuer based on discounted cash flow. The Directors reviewed the valuation performed by the independent valuer for financial reporting purposes.

3 Financial risk management (Continued)

(c) Fair value estimation (Continued)

(ii) Financial instruments in level three (Continued)

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

Valuation technique	Unobservable inputs	2016
Discounted cash flow	Weighted average cost of capital	21.74%
	Long-term revenue growth rate	1.20%
	Long-term pre-tax operating margin	13.88%
	Discount for lack of marketability	10.90%
	Discount for lack of control	24.76%

4 Critical accounting estimates, judgements and assumptions

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

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

(a) Provision for impairment of inventories

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

4 Critical accounting estimates, judgements and assumptions (Continued)

(b) Provision for impairment of trade and other receivables

The provisioning policy for trade and other receivables of the Group was based on the evaluation of the collectability of those receivables and on management's judgement. A considerable amount of judgement was required in assessing the ultimate realisation of the receivables, including the current creditworthiness and the past collection history of each customer and the realisation of any repayment pattern promised. If the financial conditions of these customers were to deteriorate, resulting in an impairment of their individual ability to make payments, additional provision might be required.

(c) Income taxes

The Group was subject to income taxes in a few jurisdictions. Significant judgement was required in determining the worldwide provision for income taxes. There were many transactions and calculations for which the ultimate tax determination was uncertain. The Group recognised liabilities for anticipated tax audit issues based on estimates of whether additional taxes would be due. Where the final tax outcome of these matters was different from the amounts that were initially recorded, such differences would impact the current and deferred income tax assets and liabilities in the period in which such determination was made.

(d) Fair value of AFS financial assets

The fair value of financial instruments that were not traded in an active market was determined by using valuation techniques. The Group used its judgement to select a variety of methods and made assumptions that were mainly based on market conditions existing at the end of each reporting period. The Group had used discount cash flow analysis for an AFS financial asset that was not traded in active markets.

5 Segment information

The executive Directors were the chief operating decision-makers of the Group. Management determined the operating segments based on the information reviewed by the executive Directors for the purposes of allocating resources and assessing performance.

The executive Directors considered the business from both a product and geographic perspective. From a product perspective, management assessed the performance of the segment of design, sale and implementation of network and systems infrastructure; customer data automation, customisation and integration; and provision of technical support services and the segment of CNMS. The first segment was further evaluated on a geographic basis (Mainland China, and Hong Kong and Macao).

The executive Directors assessed the performance of the operating segments based on a measure of adjusted EBITDA. This measurement basis excluded the effects of non-recurring income and expenditure from the operating segments such as loss on disposal of AFS financial assets. Interest income and expenditure were not allocated to segments, as this type of activity was driven by the executive Directors, who managed the cash position of the Group.

5 Segment information (Continued)

Revenue

The revenue from external parties reported to the executive Directors was measured in a manner consistent with that in the income statement.

	Revenue from external customers	
	2016	2015
	HK$'000	HK$'000
Design, sale and implementation of network and systems infrastructure; customer data automation, customisation and integration; and provision of technical support services:		
– Mainland China	**12,914**	21,160
– Hong Kong and Macao	**421,617**	303,143
CNMS	**16,840**	25,960
Total	**451,371**	350,263

Adjusted EBITDA

	2016	2015
	HK$'000	HK$'000
Design, sale and implementation of network and systems infrastructure; customer data automation, customisation and integration; and provision of technical support services:		
– Mainland China	**(7,346)**	799
– Hong Kong and Macao	**17,026**	2,808
CNMS	**(3,066)**	3,237
	6,614	6,844
Dividend income	**28**	97
Total	**6,642**	6,941
Depreciation	**(971)**	(957)
Finance income – net	**3,048**	3,285
Loss on disposal of AFS financial assets	**(1,536)**	(615)
Profit on disposal of an associate	**230**	—
Profit before income tax	**7,413**	8,654

5 Segment information (Continued)

Other profit and loss disclosures

	2016			2015		
	Depreciation HK$'000	Income tax credit/(expense) HK$'000	Share of loss of an associate HK$'000	Depreciation HK$'000	Income tax expense HK$'000	Share of loss of associates HK$'000
Design, sale and implementation of network and systems infrastructure; customer data automation, customisation and integration; and provision of technical support services:						
– Mainland China	(185)	1,960	–	(136)	(3)	–
– Hong Kong and Macao	(520)	(3,208)	(3)	(631)	(1,760)	(649)
CNMS	(266)	141	–	(190)	(431)	–
Total	(971)	(1,107)	(3)	(957)	(2,194)	(649)

Assets

	2016			2015		
	Total assets HK$'000	Investment in an associate HK$'000	Additions to non-current assets HK$'000	Total assets HK$'000	Investment in an associate HK$'000	Additions to non-current assets HK$'000
Design, sale and implementation of network and systems infrastructure; customer data automation, customisation and integration; and provision of technical support services:						
– Mainland China	23,592	–	228	22,771	–	142
– Hong Kong and Macao	331,294	801	769	237,753	804	654
CNMS	16,602	–	740	21,677	–	560
Total	371,488	801	1,737	282,201	804	1,356
Unallocated						
AFS financial assets	50,638			96,126		
Assets classified as held for sale	–			1,008		
Total assets per the balance sheet	422,126			379,335		

5 Segment information (Continued)

Assets (Continued)

The amounts provided to the executive Directors with respect to total assets were measured in a manner consistent with that of the financial statements. These assets were allocated based on the operations of the segment and the physical location of the asset.

Investments in equity and debt instruments (classified as AFS financial assets) held by the Group were not considered to be segment assets as they were managed centrally. The measure of assets reviewed by the executive Directors did not include assets held for sale.

Entity-wide information

Breakdown of the revenue from all services is as follows:

Analysis of revenue by category

	2016 **HK$'000**	2015 HK$'000
Design, sale and implementation of network and systems infrastructure; customer data automation, customisation and integration; and provision of technical support services	**434,531**	324,303
CNMS	**16,840**	25,960
	451,371	350,263

Non-current assets, other than AFS financial assets, were located in PRC.

Revenue of approximately HK$122,920,000 (2015: HK$82,566,000) were derived from a single group of external customers. These revenues were attributable to the segment of design, sale and implementation of network and systems infrastructure; customer data automation, customisation and integration; and provision of technical support services in Hong Kong and Macao.

6 Other (loss)/income

	2016 HK$'000	2015 HK$'000
Dividend income on AFS financial assets	**28**	97
Loss on disposal of AFS financial assets	**(1,536)**	(615)
Profit on disposal of an associate	**230**	—
Government subsidies (Note)	**—**	687
Management service income	**—**	523
Others	**123**	73
	(1,155)	765

Note:

Government subsidies mainly represented cash received from the local municipal Government in Mainland China for the year ended 31st December 2015 as incentives to encourage self-developed software in Mainland China, the conditions attached thereto were fully complied with.

7 Expenses by nature

	2016 HK$'000	2015 HK$'000
Auditor's remuneration – audit services	**1,570**	1,545
Changes in inventories	**295,773**	190,829
Depreciation (Note 15)	**971**	957
Employee benefit expense and Directors' emoluments (Note 8)	**60,925**	66,198
Provision on inventories	**266**	2,085
Provision on trade receivables, net (Note 19)	**677**	1,151
Loss on disposal of PPE	**48**	99
Operating lease payments	**3,385**	3,635
Transportation expenses	**2,654**	1,828
Other expenses	**76,315**	76,683
Total cost of sales, selling and marketing costs and administrative expenses	**442,584**	345,010

8 Employee benefit expense and Directors' emoluments

	2016 HK$'000	2015 HK$'000
Wages and salaries	**54,998**	63,052
Directors' fees	**765**	880
Social security costs	**1,665**	2,053
Options granted to Directors and employees (Note 24)	**3,206**	—
Pension costs - defined contribution plans	**291**	213
Total employee benefit expense	**60,925**	66,198

(a) Pensions - defined contribution plans

There were no forfeited contributions.

Contributions totalling HK$291,000 (2015: HK$213,000) were paid to the fund as at 31st December 2016.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the Year included three (2015: four) Directors whose emoluments are reflected in the analysis shown in Note 34. The emoluments paid to the remaining two (2015: one) individuals during the Year are as follows:

	2016 HK$'000	2015 HK$'000
Basic salaries, allowances and Options	**2,043**	2,216

The emoluments fell within the following bands:

	Number of individual	
	2016	2015
Emolument bands		
<HK$1,000,000	**2**	—
HK$2,000,000 – HK$2,500,000	**—**	1
	2	1

8 Employee benefit expense and Directors' emoluments (Continued)

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

	Number of individual	
	2016	2015
Emolument bands		
<HK$500,000	**3**	4
HK$500,001 – HK$1,000,000	**10**	9
>HK$1,000,000	**2**	1

9 Finance income and costs

	2016 **HK$'000**	2015 HK$'000
Finance costs:		
– Bank borrowing interest expense	**(35)**	(191)
Finance income:		
– Interest income on short-term bank deposits	**836**	875
– Interest income on AFS financial assets	**2,247**	2,601
Finance income	**3,083**	3,476
Net finance income	**3,048**	3,285

10 Subsidiaries

The following is a list of the principal subsidiaries as at 31st December 2016:

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital/ registered capital	Proportion of ordinary shares held by the Company (%)	Proportion of ordinary shares held by non-controlling interests (%)
泰思通軟件(江西)有限公司("TSTJX")	PRC, limited liability company	Research and development of software and related software consultancy services in Mainland China	RMB5,000,000	76	24
泰思通軟件(上海)有限公司("TSTSH")	PRC, limited liability company	Investment holding, research and development of software and related software consultancy services in Mainland China	US$1,510,000	76	24
廣州市愛達利發展有限公司("GVDL")	PRC, limited liability company	Design, sale and implementation of network and systems infrastructure; customer data automation, customisation and integration; and provision of technical support services in Mainland China	RMB3,000,000	54	46
廣州市圖文資訊有限公司("GZIC")	PRC, limited liability company	Provision of Internet related data services in Mainland China	RMB1,000,000	44 (Note (i))	56
廣州愛達利科技有限公司	PRC, limited liability company	Design, sale and implementation of network and systems infrastructure; customer data automation, customisation and integration; and provision of technical support services in Mainland China	HK$3,000,000	100	—
Guangzhou Thinker Vodatel Limited	PRC, limited liability company	Research and development of wireless data communications and Internet related products in Mainland China	US$1,505,000	82	18
Mega Datatech Limited ("MDL")	Macao, limited liability company	Provision of computer software, hardware and system integration in Macao	MOP100,000	100	—
Tidestone Science and Technology (Hong Kong) Company Limited	Hong Kong, limited liability company	Investment holding in Mainland China and software consultancy services in Hong Kong	1,000 ordinary shares	76	24

10 Subsidiaries (Continued)

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital/ registered capital	Proportion of ordinary shares held by the Company (%)	Proportion of ordinary shares held by non-controlling interests (%)
Vodatel Holdings Limited ("VHL")	BVI, limited liability company	Investment holding and design, sale and implementation of network and systems infrastructure, customer data automation, customisation and integration; and provision of technical support services in Macao	10,000 ordinary shares of US$1 each	100 (Note (ii))	—
VDT Operator Holdings Limited	BVI, limited liability company	Investment holding in Hong Kong and Timor-Leste	1,000 ordinary shares of US$1 each	100	—
Vodatel Networks (H.K.) Limited	Hong Kong, limited liability company	Sale of data networking systems and provision of related engineering services in Hong Kong	2 ordinary shares	100	—
Vodatel Systems Inc.	BVI, limited liability company	Sale of data networking systems in Macao	1,000 ordinary shares of US$1 each	100	—
Vodatel Systems (HK) Limited	BVI, limited liability company	Provision of warehouse services in Hong Kong	1,000 ordinary shares of US$1 each	100	—
Zhuhai MegaSoft Software Development Co., Ltd. ("ZHMSDL")	PRC, limited liability company	Research and development of software and related software consultancy services in Mainland China	HK$3,200,000	100	—

Notes:

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

(ii) Shares held directly by the Company.

(a) Material non-controlling interests

The total non-controlling interest as at 31st December 2016 was a deficit of HK$1,144,000 (2015: a surplus of HK$1,563,000). The non-controlling interests in respect of each individual subsidiary was not material.

11 Investment in an associate

	2016 HK$'000	2015 HK$'000
As at 1st January	**804**	3,647
Share of loss of an associate	**(3)**	(649)
Dividend income	**—**	(1,186)
Transferred to assets classified as held for sale (Note 22)	**—**	(1,008)
As at 31st December	**801**	804
Amount due from an associate	**—**	1,197

The amount due from an associate was denominated in US$ and was unsecured, interest-free and repayable on demand.

Set out below is the only associate of the Group as at 31st December 2016, the associate as listed below had share capital consisting solely of shares; the place of incorporation was also its principal place of business.

Nature of material investment in an associate as at 31st December 2016 and 2015.

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

Note:

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

STL was a private company and there was no quoted market price available for its shares.

There were no contingent liabilities relating to the interest of the Group in STL.

11 Investment in an associate (Continued)

Summarised financial information for an associate

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

Summarised balance sheet

	2016 HK$'000	2015 HK$'000
Total current assets	**1,783**	1,833
Total current liabilities	**(2)**	(46)
Net assets	**1,781**	1,787

Summarised income statement

	2016 HK$'000	2015 HK$'000
Revenue	**13**	2,598
Post-tax (loss)/profit and total comprehensive (expense)/income	**(6)**	34

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

12 Income tax expense

Hong Kong profits tax was provided at the rate of 16.5% (2015: 16.5%) on the estimated assessable profit for the Year. Taxation on non-Hong Kong profits was calculated on the estimated assessable profit for the Year at the rates of taxation prevailing in the regions in which the Group operated.

	2016 **HK$'000**	2015 HK$'000
Current tax:		
Current tax on profits for the Year		
– Hong Kong profits tax	**—**	4
– Macao complementary profits tax	**2,217**	1,760
– Mainland China corporate income tax	**23**	450
Adjustments in respect of prior years	**(1,133)**	(20)
Income tax expense	**1,107**	2,194

The tax on profit before tax of the Group differed from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

	2016 **HK$'000**	2015 HK$'000
Profit before tax	**7,413**	8,654
Tax calculated at domestic tax rates applicable to profits in the respective regions	**104**	680
Tax effects of:		
– Income not subject to tax	**(478)**	(397)
– Expenses not deductible for tax purposes	**561**	635
– Utilisation of previously unrecognised tax losses	**(341)**	(781)
– Tax losses for which no deferred income tax asset was recognised	**2,394**	2,077
Adjustments in respect of prior years	**(1,133)**	(20)
Tax charge	**1,107**	2,194

The weighted average applicable tax rate was 14.93% (2015: 25.35%). The change was caused by a change in the profitability of the subsidiaries of the Company in the respective regions and over provision of income tax in prior years.

13 Earnings per Share

(a) Basic

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

	2016 **HK$'000**	2015 HK$'000
Profit attributable to owners of the Company	**8,989**	7,253
Weighted average number of Shares in issue (thousands)	**613,819**	613,819

(b) Diluted

Diluted earnings per Share for the Year was the same as the basic earnings per Share since the exercise of the Options would have an anti-dilutive effect on the profit per Share. No diluted earnings per Share for the year ended 31st December 2015 were presented as there were no outstanding Options as at 31st December 2015.

14 Net foreign exchange losses

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

	2016 **HK$'000**	2015 HK$'000
Administrative expenses	**1,555**	2,329

15 PPE

	Leasehold improvements HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Demonstration equipment HK$'000	Total HK$'000
As at 1st January 2015					
Cost	3,699	12,146	3,034	1,057	19,936
Accumulated depreciation	(3,550)	(10,670)	(2,438)	(1,004)	(17,662)
Net book amount	149	1,476	596	53	2,274
Year ended 31st December 2015					
Opening net book amount	149	1,476	596	53	2,274
Currency translation differences	(7)	(50)	(16)	—	(73)
Additions	224	787	9	336	1,356
Disposals	—	(20)	(175)	—	(195)
Depreciation charge (Note 7)	(151)	(630)	(98)	(78)	(957)
Closing net book amount	215	1,563	316	311	2,405
As at 31st December 2015					
Cost	1,970	9,054	2,676	659	14,359
Accumulated depreciation	(1,755)	(7,491)	(2,360)	(348)	(11,954)
Net book amount	215	1,563	316	311	2,405
Year					
Opening net book amount	215	1,563	316	311	2,405
Currency translation differences	(7)	(97)	(7)	—	(111)
Additions	196	1,359	149	33	1,737
Disposals	—	(357)	(57)	—	(414)
Depreciation charge (Note 7)	(118)	(569)	(123)	(161)	(971)
Closing net book amount	**286**	**1,899**	**278**	**183**	**2,646**
As at 31st December 2016					
Cost	2,156	9,365	1,814	692	14,027
Accumulated depreciation	(1,870)	(7,466)	(1,536)	(509)	(11,381)
Net book amount	**286**	**1,899**	**278**	**183**	**2,646**

16 Financial instruments by category

	Loans and receivables HK$'000	AFS HK$'000	Total HK$'000
As at 31st December 2016			
Assets as per balance sheet			
AFS financial assets	—	50,638	50,638
Trade and other receivables and deposits excluding prepayments	245,822	—	245,822
Cash and cash equivalents	64,122	—	64,122
Restricted cash	24,895	—	24,895
Total	**334,839**	**50,638**	**385,477**

	Financial liabilities at amortised cost HK$'000
Liabilities as per balance sheet	
Trade, bills and other payables excluding non-financial liabilities	**145,455**

16 Financial instruments by category (Continued)

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

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

17 Credit quality of financial assets

The credit quality of financial assets that were neither past due nor impaired could be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

Cash and cash equivalents

	2016 HK$'000	2015 HK$'000
Banks with external credit rating (Moody's)		
A1	**18,120**	6,305
A2	**22**	34,719
A3	**7,433**	3,101
Aa1	**—**	2,664
Aa2	**3,862**	840
Aa3	**12,149**	1,201
B1	**19,408**	16,993
Baa1	**2,224**	2,335
Baa3	**363**	—
Bank in Mainland China without external credit rating	**—**	7,964
Cash	**541**	1,373
	64,122	77,495

Restricted cash

	2016 HK$'000	2015 HK$'000
Banks with external credit rating (Moody's)		
B1	**24,895**	25,906
Bank in Mainland China without external credit rating	**—**	141
	24,895	26,047

18 AFS financial assets

	2016 HK$'000	2015 HK$'000
As at 1st January	**96,126**	126,615
Additions	**49,553**	135,767
Disposals	**(52,822)**	(68,242)
Redemption	**(9,367)**	(84,071)
Revaluation loss charged to equity (Note 26)	**(32,852)**	(13,943)
As at 31st December	**50,638**	96,126
Less: non-current portion	**(39,402)**	(93,705)
Current portion	**11,236**	2,421

AFS financial assets included the following:

	2016 HK$'000	2015 HK$'000
Listed securities:		
– Equity securities – Hong Kong	**5,109**	7,169
– Corporate bonds (Note)	**18,989**	32,923
	24,098	40,092
Unlisted securities:		
– Equity securities	**26,540**	56,034
	50,638	96,126

Note:

The corporate bonds were debt investments with fixed interest ranging from 4.00% to 7.13% and maturity dates between April 2017 and June 2046 (2015: ranging from 4.10% to 7.13% and maturity dates between April 2016 and November 2022).

18 AFS financial assets (Continued)

AFS financial assets were denominated in the following currencies:

	2016 **HK$'000**	2015 HK$'000
HK$	**5,109**	7,168
MOP	**1,456**	1,456
RMB	**—**	5,978
US$	**44,073**	81,524
	50,638	96,126

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

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

19 Trade and other receivables, deposits and prepayments

	2016 **HK$'000**	2015 HK$'000
Trade receivables	**239,363**	150,730
Less: allowance for impairment of trade receivables	**(14,625)**	(15,124)
Trade receivables - net	**224,738**	135,606
Other receivables, deposits and prepayments	**26,569**	24,546
	251,307	160,152

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

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

Sales of the Group were on receipts in advance, letter of credit documents against payment and open terms credit. The credit terms granted to customers varied and were generally the result of negotiations between the individual customers and the Group. As at 31st December 2016 and 2015, the ageing analysis of the trade receivables based on invoice date was as follows:

	2016 **HK$'000**	2015 HK$'000
Within three months	**177,569**	103,999
> Three months but ≤ six months	**11,006**	15,123
> Six months but ≤ twelve months	**1,337**	4,366
Over twelve months	**49,451**	27,242
	239,363	150,730

As at 31st December 2016, trade receivables of HK$182,063,000 (2015: HK$84,010,000) were past due but not impaired. These related to a number of independent customers for whom there was no recent history of default. The ageing analysis of these trade receivables is as follows:

	2016 **HK$'000**	2015 HK$'000
Within three months	**134,894**	52,404
> Three months but ≤ six months	**11,006**	15,123
> Six months but ≤ twelve months	**1,337**	4,366
Over twelve months	**34,826**	12,117
	182,063	84,010

As at 31st December 2016, trade receivables of HK$14,625,000 (2015: HK$15,124,000) were impaired and were fully provided for. The trade receivables were aged more than twelve months.

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

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

	2016 HK$000	2015 HK$000
HK$	**12,634**	2,981
US$	**26,982**	21,930
MOP	**196,589**	112,729
RMB	**15,102**	22,512
	251,307	160,152

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

	2016 HK$000	2015 HK$000
As at 1st January	**15,124**	14,832
Currency translation differences	**(1,176)**	(859)
Provision for receivables impairment	**861**	1,518
Unused amounts reversed	**(184)**	(367)
As at 31st December	**14,625**	15,124

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

The other classes within trade and other receivables, deposits and prepayments did not contain impaired assets.

The maximum exposure to credit risk at the reporting date was the carrying value of each class of receivable mentioned above. The Group did not hold any collateral as security.

20 Inventories

	2016 HK$'000	2015 HK$'000
Networking equipment	**27,713**	13,674

The cost of inventories recognised as expense and included in "cost of sales" amounted to HK$295,773,000 (2015: HK$190,829,000).

A provision of HK$8,264,000 was made as at 31st December 2016 (2015: HK$7,998,000).

21 Cash and bank balances

(a) Cash and cash equivalents

	2016 HK$'000	2015 HK$'000
Cash at banks and on hand	**63,792**	77,168
Short-term bank deposits	**330**	327
Cash and cash equivalents	**64,122**	77,495

(b) Restricted cash

As at 31st December 2016, HK$24,895,000 (2015: HK$26,047,000) were restricted deposits held at bank. A majority of restricted deposit was held as reserve for obtaining banking facilities provided by a bank.

(c) Significant restrictions

The conversion of bank and cash balances denominated in RMB into foreign currencies and the remittance of these deposits or cash out of Mainland China were subject to the relevant rules and regulations of foreign exchange control promulgated by the Government of PRC. As at 31st December 2016, the cash at banks of HK$16,645,000 (2015: HK$15,003,000) were deposited in banks in Mainland China.

22 Non-current assets held for sale

On 31st December 2015, the Group signed a sale and purchase agreement with an independent third party whereby the Group agreed to sell, and the counter party agreed to buy, its 30% investment in Vodacabo at a consideration of HK$1,238,000 (approximately HK$825 per share). As a result, the investment in Vodacabo of HK$1,008,000 was presented as held for sale as at 31st December 2015. The transaction was completed in February 2016.

23 Share capital

	2016		2015	
	Number of Shares (thousands)	**HK$'000**	Number of Shares (thousands)	HK$'000
Authorised:				
Shares	**2,000,000**	**200,000**	2,000,000	200,000

Shares, issued and fully paid:

	Number of Shares (thousands)	**Share capital HK$'000**
As at 1st January 2015, 31st December 2015 and 2016	**613,819**	**61,382**

24 Share-based payments

Options were granted to certain Directors, consultants and selected employees. The Subscription Price of the granted Options was equal to the market price of the Shares of the Date of Grant. The Options were exercisable starting three years from the Date of Grant. The Group had no legal or constructive obligation to repurchase or settle the Options in cash.

Movements in the number of Options outstanding were as follows:

	Number of Options outstanding as at 1st January 2016	Number of Options granted during the Year and outstanding as at 31st December 2016	Shared-based payment expenses recognised for the Year HK$'000
Directors	—	3,120,000	372
Employees (inluding members of senior management)	—	26,748,000	2,834
Consultants	—	21,508,000	58
Total	—	51,376,000	3,264

The fair values of Options measured using binominal model at the Date of Grant on 27th September 2016 were HK$0.12 and HK$0.10 per Option granted to Directors and senior management, and employees, respectively. The fair value of each Option granted to Directors, employees and certain consultants was vested in current year immediately; whilst fair value of each Option granted to four consultants employed under a consultancy agreement will be vested upon the completion of business advisory services.

24 Share-based payments (Continued)

The significant inputs into the model were spot price of HK$0.305 at the Date of Grant, Subscription Price of HK$0.305 per Option, volatility of 69.24%, dividend yield of 3.12%, an expected Option life of three years, and an annual risk-free interest rate of 0.56%. The volatility was determined by using the volatility of the stock return of the Company as at valuation date. During the Year, an amount of share-based payment expenses of HK$3,264,000 (2015: Nil) was recognised in the income statement for the Options granted to Directors, employees and certain consultants; whilst nil was recognised for four consultants employed under consultancy agreement as the business advisory services are not yet performed.

At each reporting date, the Group revises its estimates of the number of Options granted to the four consultants employed under the consultancy agreement that are expected to ultimately vest. The impact of the revision of the estimates, if any, is recognised in the income statement, with a corresponding adjustment to the share-based payment reserve.

25 Retained earnings

	HK$'000
As at 1st January 2015	17,076
Profit for the year ended 31st December 2015	7,253
Dividend paid relating to 2014	(6,138)
As at 31st December 2015	18,191
Profit for the Year	8,989
Dividend paid relating to 2015	(6,138)
As at 31st December 2016	**21,042**

26 Other reserves

	Contributed surplus HK$'000	Share-based payment reserve (Note 24) HK$'000	Capital redemption reserve HK$'000	AFS investments HK$'000	Merger reserve (Note (a)) HK$'000	Statutory reserve (Note (b)) HK$'000	Translation HK$'000	Total HK$'000
As at 1st January 2015	97,676	4,178	702	56,715	35,549	49	3,284	198,153
AFS financial assets - revaluation loss	—	—	—	(13,943)	—	—	—	(13,943)
AFS financial assets - revaluation transfer to profit or loss	—	—	—	709	—	—	—	709
Currency translation differences	—	—	—	—	—	—	(251)	(251)
As at 31st December 2015	97,676	4,178	702	43,481	35,549	49	3,033	184,668
AFS financial assets - revaluation loss	—	—	—	(32,852)	—	—	—	(32,852)
AFS financial assets - revaluation transfer to profit or loss	—	—	—	1,541	—	—	—	1,541
Currency translation differences	—	—	—	—	—	—	(120)	(120)
Scheme – value of service	—	3,264	—	—	—	—	—	3,264
As at 31st December 2016	**97,676**	**7,442**	**702**	**12,170**	**35,549**	**49**	**2,913**	**156,501**

Notes:

(a) The merger reserve of the Group included the difference between the nominal value of the share capital of a subsidiary acquired and the nominal value of the Shares in exchange thereof together with an existing balance on the share premium account of a subsidiary.

(b) The Macao Decreto-Lei nº 40/99/M Código Comercial (Commercial Code) required a company incorporated in Macao to set aside a minimum of 25% of the profit after income tax expense to the statutory reserve each financial year until the balance of the reserve reached a level equivalent to 50% of the capital of the company. Statutory reserve represented the amount set aside and not distributable to the Members.

27 Trade, bills and other payables and accruals

	2016 HK$'000	2015 HK$'000
Trade and bills payables	**118,522**	47,204
Other payables and accruals	**57,236**	55,047
	175,758	102,251

As at 31st December 2016, the ageing analysis of the trade and bills payables based on invoice date was as follows:

	2016 HK$'000	2015 HK$'000
Within three months	**103,795**	39,117
> Three months but ≤ six months	**196**	504
> Six months but ≤ twelve months	**6,948**	215
Over twelve months	**7,583**	7,368
	118,522	47,204

28 Deferred income tax

Deferred income tax assets were recognised for tax loss carried forward to the extent that the realisation of the related tax benefit through future taxable profits was probable. The Group did not recognise deferred income tax assets of HK$11,295,000 (2015: HK$11,121,000) in respect of tax losses amounting to HK$63,665,000 (2015: HK$60,429,000) that could be carried forward against future taxable income. Cumulative tax losses amounting to HK$41,812,000 (2015: HK$38,124,000) can be carried forward indefinitely; cumulative tax losses of HK$21,853,000 (2015: HK$22,305,000) would expire (if not utilised) within the next five years.

29 Dividends

The dividends paid in the Year and the year ended 31st December 2015 were HK$6,138,000 (HK$0.01 per Share) and HK$6,138,000 (HK$0.01 per Share) respectively. A final dividend in respect of the Year of HK$0.01 per Share, amounting to a total dividend of HK$6,144,000, is to be proposed at the coming AGM. The Company will give notice of the closure of its register of Members once the date of the AGM is determined. Such notice will be given at least ten Business Days before such closure, pursuant to Rule 17.78 of the GEM Listing Rules. These financial statements do not reflect this dividend payable.

	2016	2015
	HK$'000	HK$'000
Proposed final dividend of HK$0.01 (2015: HK$0.01) per Share	**6,144**	6,138

30 Cash used in operations

	2016	2015
	HK$'000	HK$'000
Profit before income tax	**7,413**	8,654
Adjustments for:		
- Depreciation of PPE (Note 15)	**971**	957
- Loss on disposal of AFS financial assets (Note 6)	**1,536**	615
- Loss on disposal of PPE (Note 7)	**48**	99
- Profit on disposal of an associate (Note 6)	**(230)**	—
- Share-based payment expenses (Note 24)	**3,264**	—
- Dividend income on AFS financial assets (Note 6)	**(28)**	(97)
- Finance income - net (Note 9)	**(3,048)**	(3,285)
- Share of loss from associates (Note 11)	**3**	649
- Impairment of inventories (Note 7)	**266**	2,085
- Impairment of trade receivables, net (Note 7)	**677**	1,151
	10,872	10,828
Changes in working capital (excluding the effects of currency translation differences on consolidation)		
- Inventories	**(14,305)**	40,741
- Trade and other receivables, deposits and prepayments	**(91,001)**	59,689
- Trade and bills payables	**71,318**	(82,951)
- Other payables and accruals	**2,189**	(38,672)
- Amount due from an associate	**1,197**	712
Cash used in operations	**(19,730)**	(9,653)

31 Operating lease commitments - Group as lessee

The Group leased various offices and a warehouse under non-cancellable operating lease agreements. The leases had varying terms and renewal rights.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2016 **HK$'000**	2015 HK$'000
No later than one year	**2,735**	1,774
Later than one year and no later than five years	**2,629**	773
	5,364	2,547

32 Related party transactions

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

(a) Sale of goods and services

	2016 **HK$'000**	2015 HK$'000
Sale of goods:		
- An entity controlled by key management personnel	**227**	39
Sale of services:		
- An associate (management services)	**—**	70
Total	**227**	109

Goods were sold based on the price lists in force and terms that would be available to third parties. Goods were sold to an entity controlled by key management personnel on normal commercial terms and conditions. The entity controlled by key management personnel was a firm belonging to José Manuel dos Santos, an executive Director. Sales of services were negotiated with related parties at terms determined and agreed by both parties and carried out in the normal course of business.

32 Related party transactions (Continued)

(b) Purchases of goods

	2016 HK$'000	2015 HK$'000
- An entity controlled by key management personnel	**747**	76

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

(c) Operating lease payments

	2016 HK$'000	2015 HK$'000
- An executive Director	**1,355**	1,380

Operating lease payments were paid to an executive Director, José Manuel dos Santos, on normal commercial terms and conditions.

(d) Key management compensation

Management considered remuneration to all key management of the Group is disclosed in Notes 8 and 34 to the financial statements.

(e) Year-end balances

	2016 HK$'000	2015 HK$'000
Receivables from related parties:		
- An associate (Note 11)	**—**	1,197
- An entity controlled by key management personnel	**16**	—
Payables to related parties:		
- An entity controlled by key management personnel	**—**	350
- Executive Directors	**3,148**	3,405

The receivables from related parties as at 31st December 2016 arose from sale of goods. The receivables from related parties as at 31st December 2015 arose from dividend declared by Vodacabo. These balances were denominated in MOP and US$, unsecured in nature, bore no interest and repayable on demand. No provisions were held against receivables from related parties (2015: Nil).

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

33 Balance sheet and reserve movement of the Company

		As at 31st December	
		2016	2015
		HK$'000	HK$'000
Assets			
Non-current assets			
Investments in subsidiaries		**80,001**	76,937
Current assets			
Amounts due from subsidiaries		**214,157**	212,110
Prepayments		**264**	264
Cash and cash equivalents		**550**	813
		214,971	213,187
Liabilities			
Current liabilities			
Amounts due to subsidiaries		**46,426**	44,182
Other payables and accruals		**1,343**	1,971
		47,769	46,153
Net current assets		**167,202**	167,034
Total assets less current liabilities		**247,203**	243,971
Financed by:			
Equity			
Equity attributable to owners of the Company			
Share capital		**61,382**	61,382
Other reserves	(Note (b))	**179,538**	176,274
Retained earnings	(Note (a))		
– Proposed final dividend		**6,144**	6,138
– Others		**139**	177
Total equity		**247,203**	243,971

The balance sheet of the Company was approved by the Board on 21st March 2017 and was signed on its behalf.

José Manuel dos Santos
Director

Monica Maria Nunes
Director

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

Notes:

(a) Retained earnings movement of the Company

	HK$'000
As at 1st January 2015	6,459
Profit for the year ended 31st December 2015	5,994
Dividend paid relating to 2014	(6,138)
As at 31st December 2015	6,315
Profit for the Year	6,106
Dividend paid relating to 2015	(6,138)
As at 31st December 2016	**6,283**

(b) Other reserves

	Contributed surplus (Note (c)) HK$'000	Share-based payment reserve HK$'000	Capital redemption reserve HK$'000	Total HK$'000
Balance as at 1st January and 31st December 2015	171,394	4,178	702	176,274
Scheme – value of services (Note 24)	—	3,264	—	3,264
Balance as at 31st December 2016	**171,394**	**7,442**	**702**	**179,538**

(c) The contributed surplus represented the difference between the consolidated shareholders' funds of the subsidiaries and the nominal value of the Shares issued for the acquisition at the time of the group reorganisation and the entire amount standing to the credit of share premium account of the Company reduced and credited to contributed surplus. Under CA 1981 (as amended), contributed surplus was distributable to the Members, subject to the condition that the Company could not declare or pay a dividend, or make a distribution out of contributed surplus if it was, or would after the payment be, unable to pay its liabilities as they become due, or the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium account.

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

(a) Directors' and Chief Executives' emoluments:

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

For the Year:

Name	Fees HK$'000	Salary HK$'000	Discretionary bonuses HK$'000	Employer's contribution to a retirement benefit scheme HK$'000	Share-based payment expenses HK$'000	Total HK$'000
José Manuel dos Santos	130	4,572	750	—	—	5,452
Yim Hong (Note (i))	15	219	—	5	—	239
Kuan Kin Man (Note (ii))	130	1,180	750	—	114	2,174
Monica Maria Nunes (Note (ii))	130	1,456	750	22	114	2,472
Fung Kee Yue Roger	120	—	—	—	48	168
Wong Tsu An Patrick	120	—	—	—	48	168
Tou Kam Fai	120	—	—	—	48	168

For the year ended 31st December 2015:

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

Note:

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

(ii) Also Chief Executive.

No Director waived or agreed to waive any of their emoluments in respect of the Year (2015: Nil).

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

(b) Director's retirement benefits

The retirement benefits given to Yim Hong for the year ended 31st December 2015 in respect of Yim Hong's services as a Director was HK$634,000, and the retirement benefits given to Yim Hong for the year ended 31st December 2015 in respect of Yim Hong's services in connection with the management of the affairs of the Group was HK$560,000. No Director's retirement benefits were recognised for the Year.

(c) Directors' material interests in transactions, arrangements or contracts

Details of José Manuel dos Santos's interests in contracts of significance in relation to the business of the Group are set out in Note 32 to the financial statements.

Save for contracts amongst Group companies and the aforementioned transactions, no other transactions, arrangements and contracts of significance to which the subsidiaries of the Company was a party and in which a Director and his connected party had a material interest, whether directly or indirectly, subsisted as at 31st December 2016 or at any time during the Year.

Five Year Financial Summary

	Year ended 31st December				
Results	**2016** **HK$'000**	2015 HK$'000	2014 HK$'000	2013 HK$'000	2012 HK$'000
Profit/(loss) attributable to:					
– Owners of the Company	**8,989**	7,253	29,746	(3,919)	29,274
– Non-controlling interests	**(2,683)**	(793)	(1,182)	2,045	473
Assets and liabilities					
Total assets	**422,126**	379,335	517,717	395,085	416,383
Total liabilities	**(184,345)**	(113,531)	(238,659)	(111,330)	(117,968)
Total equity	**237,781**	265,804	279,058	283,755	298,415

Definitions

In this annual report (excluding the "Independent Auditor's Report to the shareholders of the Company"), unless the context otherwise requires, the following expressions shall have the following meanings:

"AFS"	available-for-sale
"AGM"	annual general meeting
"AHL"	AGTech Holdings Limited, a company incorporated in Bermuda with limited liability and ordinary shares of HK$0.002 each in the share capital of AHL are listed on GEM
"Associated Corporation"	a corporation: 1 which is a subsidiary or holding company of the Company or a subsidiary of the holding company of the Company; or 2 (not being a subsidiary of the Company) in which the Company has an interest in the shares of a class comprised in its share capital exceeding in nominal value one-fifth of the nominal value of the issued share of that class
"Audit Committee"	the audit committee of the Company
"Auditor"	the auditor of the Company
"Australia"	The Commonwealth of Australia
"Board"	the board of Directors (not applicable to Main Board)
"Brazil"	The Federative Republic of Brazil
"Business Day"	any day (excluding Saturday and Sunday) on which licensed banks are generally open for business in Hong Kong
"BVI"	the British Virgin Islands
"Bye-law"	the bye-laws of the Company
"CA 1981"	the Companies Act 1981 of Bermuda
"CDIBDR"	the Companies (Disclosure of Information about Benefits of Directors) Regulation (Chapter 622G of the laws of Hong Kong)
"CGMA"	Chartered Global Management Accountant
"Chief Executive"	a person who either alone or together with one or more other persons is or will be responsible under the immediate authority of the Board for the conduct of the business of the Company

"CIMA"	Chartered Institute of Management Accountants
"Close Associate"	has the meaning ascribed thereto in the GEM Listing Rules
"CNMS"	customer network management system
"CO"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) as amended from time to time
"Code"	the code provision of the Corporate Governance Code set out in Appendix 15 of the GEM Listing Rules
"Company"	Vodatel Networks Holdings Limited
"Company Secretary"	the company secretary of the Company
"Compliance Officer"	the compliance officer of the Company
"CUM"	City University of Macau
"Date of Grant"	in respect of an Option and unless otherwise specified in the letter of grant, the Business Day on which the Board resolves to make an Offer to a Participant, whether or not the Offer is subject to Members' approval on the terms of the Scheme
"Director"	the director of the Company
"EBITDA"	earnings before interest, tax, depreciation and amortisation
"ERL"	Eve Resources Limited, a company incorporated in BVI with limited liability
"Exchange"	The Stock Exchange of Hong Kong Limited, a company incorporated in Hong Kong with limited liability
"Functional Currency"	the currency of the primary economic environment in which an entity operates
"FVOCI"	fair value through OCI
"FVPL"	fair value through profit or loss
"GEM"	the Growth Enterprise Market operated by the Exchange
"GEM Listing Rules"	the Rules Governing the Listing of Securities on GEM made by the Exchange from time to time
"Grantee"	any Participant who accepts an Offer in accordance with the terms of the Scheme, or (where the context so permits) any person who is entitled to any such Option in consequence of the death of the original Grantee, or the legal personal representative of such person

Definitions

"Group" or "Vodatel"	the Company and its subsidiaries (not applicable to Gold Tat Group International Limited)
"GTGIL"	Gold Tat Group International Limited, a company incorporated in the Cayman Islands with limited liability and GTGIL Shares are listed on GEM
"GTGIL Share"	ordinary share of US$0.001 each in the share capital of GTGIL
"GVDL"	廣州市愛達利發展有限公司, details of which can be referred to in Note 10 to the financial statements
"GZIC"	廣州市圖文資訊有限公司, details of which can be referred to in Note 10 to the financial statements
"HK$"	Hong Kong Dollar, the lawful currency of Hong Kong
"HKAS"	Hong Kong Accounting Standard
"HK cent"	Hong Kong Cent, where 100 HK cents equal HK$1
"HKFRS"	financial reporting standards and interpretations issued by HKICPA. They comprise 1. Hong Kong Financial Reporting Standards, 2. HKAS, and 3. Interpretations
"HKICPA"	the Hong Kong Institute of Certified Public Accountants, established under the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong)
"HKICS"	the Hong Kong Institute of Chartered Secretaries, a company incorporated in Hong Kong with limited liability by guarantee
"HKU"	The University of Hong Kong, established under the University of Hong Kong Ordinance (Chapter 1053 of the Laws of Hong Kong)
"Hong Kong"	the Hong Kong Special Administrative Region of PRC (not applicable to Hong Kong Accounting Standard, Hong Kong Exchanges and Clearing Limited, Hong Kong Financial Reporting Standards, Hong Kong (IFRIC) Interpretation, the Hong Kong Institute of Certified Public Accountants, the Hong Kong Institute of Chartered Secretaries, The Stock Exchange of Hong Kong Limited, Tidestone Science and Technology (Hong Kong) Company Limited and the University of Hong Kong)
"HSBCITL"	HSBC International Trustee Limited, a company incorporated in BVI with limited liability
"JU"	Jinan University

"Latest Practicable Date"	20th March 2017, being the latest practicable date prior to the printing of this report for ascertaining certain information contained herein
"Macao"	the Macao Special Administrative Region of PRC
"Main Board"	the stock market operated by the Exchange prior to the establishment of GEM (excluding the options market) and which stock market continues to be operated by the Exchange in parallel with GEM. For the avoidance of doubt, the Main Board excludes GEM
"Mainland China"	PRC, other than the regions of Hong Kong, Macao and Taiwan
"MDL"	Mega Datatech Limited, details of which can be referred to in Note 10 to the financial statements
"Member"	the holder of the Shares
"MOP"	Patacas, the lawful currency of Macao
"Nomination Committee"	the nomination committee of the Company
"OCI"	other comprehensive income
"Offer"	the offer of the grant of an Option under the Scheme
"OHHL"	Ocean Hope Holdings Limited, a company incorporated in BVI with limited liability
"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 BM&FBOVESPA in Brazil
"Option"	an option to subscribe for Shares pursuant to the Scheme and for the time subsisting
"Participant"	Directors (including executive Directors, non-executive Directors and independent non-executive Directors) and employees of the Group and any advisors, consultants, distributors, contractors, suppliers, agents, customers, business partners, joint venture business partners, promoters and service providers of any member of the Group who the Board considers, in its sole discretion, have contributed or will contribute to the Group
"PPE"	property, plant and equipment
"PRC"	The People's Republic of China
"Remuneration Committee"	the remuneration committee of the Company

Definitions

"RMB"	Renminbi, the lawful currency of Mainland China
"Scheme"	the share option scheme approved by the Members at the AGM on 22nd June 2012
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended from time to time
"Share"	ordinary share of HK$0.10 each in the share capital of the Company (not applicable to GTGIL Share)
"STL"	Source Tech Limited, details of which can be referred to in Note 11 to the financial statements
"Subscription Price"	the price per Share at which a Grantee may subscribe for Shares on the exercise of an Option under the Scheme
"Substantial Shareholder"	a person who is entitled to exercise, or control the exercise of, 10% or more of the voting power at any general meeting of the Company
"Timor-Leste"	The Democratic Republic of Timor-Leste
"TSTJX"	泰思通軟件(江西)有限公司, details of which can be referred to in Note 10 to the financial statements
"TSTSH"	泰思通軟件(上海)有限公司, details of which can be referred to in Note 10 to the financial statements
"TTSA"	Timor Telecom, S.A., a company incorporation in Timor-Leste with limited liability
"UM"	University of Macau
"US$"	United States Dollar, the lawful currency of USA
"USA"	The United States of America
"VHL"	Vodatel Holdings Limited, details of which can be referred to in Note 10 to the financial statements
"Vodacabo"	Vodacabo, S A, a company incorporated in Timor-Leste with limited liability and a former indirectly owned associate of the Company
"Year"	the year ended 31st December 2016
"Zetronic"	Zetronic Communications (Macau) Limited, a company incorporated in Macao with limited liability
"ZHMSDL"	Zhuhai MegaSoft Software Development Co. Ltd., details of which can be referred to in Note 10 to the financial statements