VODATEL

Stock Code: 8033

EMBRACING CHALLENGES

2019 ANNUAL REPORT

Characteristics of GEM

GEM has been positioned as a market designed to accommodate small and mid-sized 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.

Given that the companies listed on GEM are generally small and mid-sized companies, 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.

Hong Kong Exchanges and Clearing Limited (a company incorporated in Hong Kong with limited liability) and the Exchange take no responsibility for the contents of this document, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this document.

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

Contents

Corporate Information	2
Company Profile	3
Chairman's Statement	4
Management Discussion and Analysis	6
Biographical Details of Directors and Senior Management	12
Corporate Governance Report	15
ESG Report	23
Report of the Directors	31
Financial Information	
Independent Auditor's Report	38
Consolidated Statement of Profit or Loss	43
Consolidated Statement of Comprehensive Income	44
Consolidated Balance Sheet	45
Consolidated Statement of Changes in Equity	47
Consolidated Statement of Cash Flows	48
Notes to the Consolidated Financial Statements	49
Five Year Financial Summary	113
Definitions	114

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
Wong Kwok Kuen

Authorised Representatives of the Company

Monica Maria Nunes
Foo Chun Ngai Redford

Company Secretary

Foo Chun Ngai Redford, ACIS, ACMA, ACS, CGMA, CGP, FCCA, FCPA

Compliance Officer

Monica Maria Nunes

Audit Committee

Fung Kee Yue Roger
Wong Tsu An Patrick
Wong Kwok Kuen

Auditor

PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor
22nd Floor, Prince's Building
Central
Hong Kong

Registered Office

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Head Office and Principal Place of Business

74 da Rua da Felicidade
Edifício Vodatel
Taipa
Macao
Tel: (853) 28721182, 28718033
Fax: (853) 28717800, 28752909

Place of Business in Hong Kong

Room 713B, 7th Floor
Block B, Sea View Estate
2-8 Watson Road
North Point
Tel: (852) 25878868
Fax: (852) 25878033

Website

http://www.vodatelsys.com

Bankers

Banco Nacional Ultramarino, S.A.
Banco Comercial de Macau, S.A.
The Hongkong and Shanghai Banking Corporation Limited

Share Registrars

Codan Services Limited
Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Tricor Abacus Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

Company Profile

Headquartered in Macao and listed on GEM, the Group primarily engages in the design, supply, implementation and maintenance of turnkey solutions in the areas of IT, networks and surveillance and in the development of customised software for its customers. Working in close collaboration with many renowned multinational manufacturers, the Group embodies the vision to deliver high-quality, cutting-edge and custom-tailored IT infrastructure for its customers across Macao, Hong Kong and Mainland China, offering them technology and solutions that optimise deployment of resources, maximise operational efficiency and enhance network security.

Over the years, the Group strives for excellence in its core business and develops a comprehensive set of competencies in IT, networks, surveillance and software solutions for the public sectors, as well as the telecommunications, Internet-related, educational, medical, gaming and hospitality sectors. The Group will continue to pursue latest technology for future IT industry applications that currently might not be feasible due to infrastructure limitations.

In addition to its main offices in Macao and Hong Kong, the Group has established research and development facilities in Jiangxi and Shanghai, 24-hour service hubs and several presence across Mainland China.

Chairman's Statement

Dear Members of Vodatel,

Looking at the operating results of 2019, I certainly have very mixed feelings. While I'm pleased to report to you that, despite highly capable competition, 2019 was a good year as the effort of the team was fully reflected in our strong organic sales growth. Revenue for the Year grew by a whopping 27.45% to reach HK$531,286,000, yet attributable to the provision of a loss allowance against a receivable from a leading gaming operator in Macao that we have yet to reach an agreement on its recoverability, a loss before tax of HK$5,976,000 was recorded. In the absence of such loss allowance, we would have reported profit before tax of over HK$10,000,000.

The COVID-19 outbreak undoubtedly will affect the business of Vodatel in 2020, yet with an aim to bring recurring cash return to our Members and taking into consideration that we have run a profitable operation in 2019 and continue to maintain a solid balance sheet, the Board proposes a final dividend of HK$0.01 per Share. 2019 will become the sixth consecutive year where we declared a dividend payout.

Reflections of 2019

During 2019, each of the key markets that the Group operates faced challenges. In Macao, with only few remaining mega gaming resorts still under construction, we saw escalated competition not only within the gaming sector but also within the Government sector as some of our competitors in the gaming sector now also compete against us in the Government sector. In Hong Kong, some of our customers in the telecommunications sector adopted a "wait-and-see" strategy as their appetite to invest was shadowed by the prolonged social unrest. In Mainland China, trade tensions with USA also prompted our customers in the telecommunications sector to remain cautious with their expansion plans.

Continuing to leverage on the "Vodatel" and "Mega Datatech" brandings, to further embrace the challenges in each of these markets, internally, we motivated our sales teams by improving their sales commission packages, while externally, we adopted more aggressive pricing strategies in the acquisition of new customers, actively promoted our SD-WAN products to second-tier telecommunications and Internet service providers in Hong Kong and Mainland China and further penetrated into different vertical markets in Macao.

So how well we have done? The contracts added to our order book should well speak for itself. In 2019, we secured over HK$570,000,000 worth of contracts, which represented not only a year-on-year growth of approximately 25%, it was the highest achieved over the last five years.

Looking into 2020

Keeping the momentum of 2019 going, we made good progress in 2020 as we added over HK$33,000,000 of new works to our order book in just January. However, as the COVID-19 continues to sweep through the globe since late January, we have seen unprecedented challenges with different governments taking extraordinary moves to control this overwhelming situation. As to when the situation will subside is unknown, but it is expected that the COVID-19 will instil an enduring and significant impact that will result in economic slowdown or even dampen global growth, hence markets, including those in Macao, Hong Kong and Mainland China, could not decouple from this dislocation. No company in our industry, ourselves included, can be unscathed.

The markets have always been challenging and with the COVID-19, they will only get tougher. No one can predict when there will be economic resurgence or whether stimulus from different governments can revive the markets, hence we will need to prepare ourselves to operate in a period of sustained uncertainty. The markets that we operate in have, in the past, provided some degree of insulation and the continuity of Vodatel has always rest on our ability to embrace challenges as we navigate changes and adapt to uncertainty. As always, we will continue to hold ourselves accountable for our responsibilities under such market vulnerabilities and without any doubt, our abilities to weather through the new realities and in the continuous creation of value at such unusual time will be put to a test.

The People behind Vodatel

The heart at Vodatel remains with our people, who are central to ensuring long-term delivery of our success over the years. They are the ones who build Vodatel on solid foundations with strong business ethics and principles and the Board is pleased to see their engagement to use their skills, experience and backgrounds to continue to nurture a culture of high standards and performance.

On 12th March 2020, Mr Tou Kam Fai stepped down as an independent non-executive Director as he wished to devote more time to his personal business and family matters. I thanked Mr Tou for his contribution during his years with Vodatel.

The business world presents a range of operational and financial risks and opportunities. To ensure effective Board monitoring and management, it is essential to maintain the right mix of skills of the Board to upkeep with the changing needs of the business over time. I therefore welcomed Mr Wong Kwok Kuen as an independent non-executive Director. Mr Wong has over twenty-eight years of banking experience and over fifteen years of investment and asset management experience and he will sure be a valuable addition to our Board.

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
Hong Kong, 20th March 2020

Management Discussion and Analysis

VODATEL – AT A GLANCE!

Headquartered in Macao, Vodatel is an integrated company that operates under the "Multiple Branding" philosophy, with "Vodatel", "Mega Datatech" and "Tidestone" each positioned to achieve market differentiation, yet complementing one another in product and service offerings. Always putting customers first, the primary driver at Vodatel is to become the partner-of-choice of its customers when they seek a local partner for turnkey solutions or service provisioning that will align their expectations in level of choices and service requirements and match their demands, values and aspirations.

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

REVIEW OF BUSINESS ACTIVITIES

Business in Macao and Hong Kong

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

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

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

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

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

Management Discussion and Analysis

Business in Mainland China

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

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

Other Investment Holdings – TTSA

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

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

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

Outlook of 2020

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

REVIEW OF OPERATING RESULTS

Turnover and Profitability

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

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

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

Management Discussion and Analysis

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

Capital Structure and Financial Resources

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

The Group continued to exercise capital discipline and maintain a solid balance sheet with no gearing (save for and except normal trade and other payables). Equity base stood at HK$199,160,000 as at 31st December 2019, of which cash and cash equivalents and yield-enhanced financial instruments remained at a healthy level at HK$107,437,000. With improved cashflow from operations, as at 31st December 2019, financial assets at FVOCI of HK$43,174,000 comprised primarily of investments in yield-enhanced financial instruments. Among the bond holdings were HK$6,911,000 from The Bank of East Asia, Limited (a company incorporated in Hong Kong with limited liability and whose ordinary shares are listed on the Main Board), HK$6,764,000 from Barclays PLC (a company registered in England, UK with limited liability and whose ordinary shares of £0.25 each are listed on the London Stock Exchange in UK) and HK$4,267,000 from Société Générale S.A. (a company incorporated in France with limited liability and whose ordinary shares of €1.25 each are listed on Euronext Paris in France).

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

Employees' Information

As at 31st December 2019, the Group had 217 employees, of which 77, 14 and 126 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 may be 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 2019, the Group had significant investments of which the details are set out in Note 18 to the consolidated financial statements. Save as disclosed, the Group did not have any significant capital commitments and significant investments.

Charges on Group Assets

As at 31st December 2019, the Group did not have any charges on the assets of the Group.

Details of Material Acquisitions and Disposals

During the Year, the Group disposed of 15,000 shares of MOP100 each in the share capital of Macau New Technologies Incubator Centre, Limited, a company incorporated in Macao with limited liability, at a consideration of HK$1,939,000. 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$363,000 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 72, 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 fifty 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 54, was first appointed as an executive Director on 14th December 1999. He is the managing director and Group general manager that oversees all the key operating entities across Macao, Hong Kong and Mainland China. 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 51, 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 and has over twenty-five years of management, accounting and finance experience. 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 is a Canadian Chartered Professional Accountant, Certified Management Accountant and is a member of the Chartered Professional Accountants of Alberta, Canada. She is an associate of CIMA and a designee of CGMA. She is an independent non-executive director of AHL.

INDEPENDENT NON-EXECUTIVE DIRECTORS

FUNG Kee Yue Roger, aged 67, 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 46, 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 director of Wing Tak Group and companies 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 in USA. He has been a member of the American Institute of Certified Public Accountants since 2010, a member of the Young Presidents' Organization since 2009, and a member of the Zhejiang Provincial Committee of the Chinese People's Political Consultative Conference since 2013. He has been the executive president of The Hong Kong Association of Zhejiang Entrepreneurs since 2017. He is member of the Harrow Development Trust of the Harrow School in UK, and has been admitted to the Freedom of the City of London.

INDEPENDENT NON-EXECUTIVE DIRECTORS (Continued)

WONG Kwok Kuen, aged 64, has twenty-eight years of banking experience specialising in credit, marketing and general management functions in Hong Kong, Macao and Mainland China and fifteen years of investment and asset management experience in Hong Kong, Macao, Mainland China and London, UK. He holds the degree of Master of Business Administration from Bangor University, UK in cooperation with Alliance Manchester Business School, UK. He is an associate of The London Institute of Banking & Finance, CGI and HKICS respectively and was awarded CGP qualification.

SENIOR MANAGEMENT (By alphabetical order)

CHAN Chi Pio, aged 50, 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.

CHUI Yiu Sui, aged 50, 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.

FOO Chun Ngai Redford, aged 46, 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 CGI and HKICS and was awarded CGP qualification. He is an associate of CIMA and a designee 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, aged 57, 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 54, 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 was as project manager for the delivery of a data network for the entire property at a major new Macao property.

LIANG Ka Man Gary, aged 54, 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, PRC with a 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 twenty years of experience in sales and marketing IT solutions in Hong Kong.

Biographical Details of Directors and Senior Management

SENIOR MANAGEMENT (By alphabetical order) (Continued)

LOI Man Keong, aged 49, 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 61, 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, UK. 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.

MOK Chi Va, aged 54, is the general manager of VHL. 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 50, is the assistant technical director 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 49, 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 55, 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 56, 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.

Corporate Governance Report

1 Corporate governance practices

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

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

2 not all Directors participated in continuous professional development;

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

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

5 the Chairman of the Board did not attend the AGM held in the Year.

A.5.2(a) The Board considers that such review will be necessary only when casual vacancy exists.

A.6.5 The Directors consider that briefing received from the Company Secretary 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 during the Year and up to the date of this report are:

Chairman:	José Manuel dos Santos
Executive Directors:	Kuan Kin Man
	Monica Maria Nunes
Independent non-executive Directors:	Fung Kee Yue Roger
	Wong Tsu An Patrick
	Tou Kam Fai (resigned on 12th March 2020)
	Wong Kwok Kuen (appointed on 12th March 2020)

Four meetings were held during the Year.

Corporate Governance Report

3 Board (Continued)

The attendance record of each Director was as follows:

	Board	AGM
José Manuel dos Santos	3/4	Absent
Kuan Kin Man	4/4	Present
Monica Maria Nunes	4/4	Present
Fung Kee Yue Roger	4/4	Absent
Wong Tsu An Patrick	4/4	Absent
Tou Kam Fai	4/4	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 Executives.

(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 property, plant and equipment.

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, 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, banks and accounting firms.

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.

Corporate Governance Report

4 Chairman and Chief Executives

Chairman:	José Manuel dos Santos
Chief Executives:	Kuan Kin Man
	Monica Maria Nunes

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

5 Independent non-executive Directors

Wong Tsu An Patrick was reappointed for a two-year term expiring on 3rd June 2020. Fung Kee Yue Roger was reappointed for a two-year term expiring on 29th September 2020. Wong Kwok Kuen was appointed for a two-year term expiring on 11th March 2022. Tou Kam Fai resigned on 12th March 2020. 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) (resigned on 12th March 2020)
Wong Kwok Kuen	(independent non-executive Director) (appointed on 12th March 2020)

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 2018 and on the salary increment for the Year of all the executive Directors.

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) (resigned on 12th March 2020)
Wong Kwok Kuen	(independent non-executive Director) (appointed on 12th March 2020)

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.

Corporate Governance Report

8 Auditor's remuneration

Remuneration of audit was HK$1,487,000 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) (resigned on 12th March 2020)
Wong Kwok Kuen	(independent non-executive Director) (appointed on 12th March 2020)

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	4/4

During the Year, the Audit Committee reviewed the financial reports for the year ended 31st December 2018, for the six months ended 30th June 2019 and for the quarters ended 31st March 2019 and 30th September 2019. The Audit Committee also reviewed and discussed the report of the Auditor to the Audit Committee for the year ended 31st December 2018 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 change 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.

Corporate Governance Report

13 Risk management and internal control (Continued)

Currently there is no separate internal audit function within the Group. Management are still working for ISO9001 on its business model, while two subsidiaries in Guangzhou, Guangdong already obtained ISO9001 in the year ended 31st December 2016. 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.

14 Dividend policy

The Group is committed to a stable ordinary dividend policy. The aim of the policy is to at least maintain a basic annual dividend per Share. The continuity of such policy and any potential dividend growth are dependent on the financial performance and funding requirements of the Group.

On behalf of the Board

José Manuel dos Santos
Chairman

Hong Kong, 20th March 2020

ESG Report

ESG AT VODATEL

Vodatel is a renowned and reliable system integrator which delivers high quality IT infrastructure and solutions to the public sector and private enterprises in Macao, Hong Kong and Mainland China. With "quality, safety and efficiency" as core principles of our operations and management style, we are committed to building trust with all of our stakeholders, including Members, customers, employees, the local community and regulators.

We adhere to vigorous people-oriented principles, under which our employees and subcontractors are our greatest asset. At Vodatel, we are firmly committed to the well-being and development of the people who help us to succeed and the communities in which we operate.

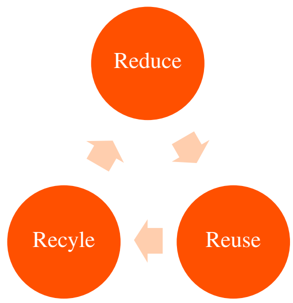
As we continue our ESG journey, we remain as staunch believers in the environment in which we work and live, and are resolute in our mission to integrate ESG elements in our operations, business strategies and management in order to foster sustainable, long-term growth for the business, our stakeholders and communities.

A) ENVIRONMENTAL

Exchange ESG Guide Aspects	Material Areas
A1 Emissions	Waste Management
A2 Use of Resources	n/a
A3 The Environment and Natural Resources	n/a

Aspect A1: Emissions

Vodatel is conscious of the need to protect the environment. The Group believes that environmental management starts at the source and should be cultivated at all levels in order to nurture positive attitudes on how environmental resources are used and protected. We support the waste hierarchy of "3Rs"– Reduce, Reuse and Recycle – which is aimed at waste control and minimisation.



As a system integrator, there are a few aspects regarding emissions that routinely apply to our day-to-day business operations:

Air Emission – Vodatel provides vehicles to our engineers in Macao for easy access to construction sites and premises of the customers. Other than adhering to Decree 24/2016 in Macao, where light motor vehicles and heavy motorcycles are subject to annual mandatory inspection after eight years from the date of acceptance of the initial inspection, we regularly inspect our fleet to ensure that any damaged exhaust pipe is immediately repaired or replaced. Though this is not an area of concern as the fleet numbers around ten vehicles, better fleet utilisation through vehicle-sharing is also strongly encouraged.

ESG Report

Waste Management – As a provider of IT equipment, solid waste, such as packaging material, is systematically collected and transported to designated Government-funded disposal facilities. For surplus resources, e.g. end-of-life disposal products, we make every effort to ensure their responsible handling and disposal. Donation of surplus resources to charitable organisations is strongly supported and, where disposal is necessary, Vodatel routinely isolates any recyclable components, e.g. paper and metals, prior to disposal.

Hazardous Waste – Hazardous waste is not an area of concern at Vodatel. Where we are required to handle hazardous waste, it is securely packaged in purpose-built containers, stored safely and marked as "dangerous" before being independently stored and transported to third-party professionals for safe and legal disposal.

Policies applicable at Vodatel

√ **Continually monitor regulatory developments in order to remain compliant at all times;**

√ **Communicate relevant legal requirements or corporate best practices to all affected stakeholders; and**

√ **Practise common sense when it comes to generation of emissions which may be harmful to the environment.**

KPI A1.1 Referring to the types of emissions mentioned above, normal level of NOx is generated from engines in the fleet of vehicles. Other emissions data (if applicable) are disclosed in the KPI below.

KPI A1.2 Greenhouse gas emissions are produced due to consumption of electricity by various offices in different locations. The largest office of the Group, which is in Macao, generates around 130 tonnes of carbon dioxide each year, while the Hong Kong office around 50 tonnes.

KPI A1.3 There is no hazardous waste produced and this KPI is not applicable.

KPI A1.4 Packaging materials weighs approximately 0.7kg to 4kg for each piece of equipment, depending on its size. Such waste weighs less than 30 tonnes each year.

KPI A1.5 Measures to mitigate emissions and results achieved can be referred to in the paragraphs above.

KPI A1.6 How non-hazardous wastes are handled, reduction initiatives and results achieved are mentioned under the paragraph "Waste Management" above. There is no hazardous waste produced.

Aspect A2: Use of Resources

Given that the business of Vodatel involves no production element, as a system integrator for various IT-related turnkey solutions and services, the use of resources by Vodatel, such as energy, water and other raw materials, in its day-to-day operations is minimal. This aspect is not of great relevance to our cost-structure, which mainly involves purchase of equipment from our suppliers and the associated freight and insurance, salaries and benefits to staff and third-party expenses, e.g. inland transportation and engagement of sub-contractors, incurred during the installation of equipment and commissioning of surveillance and IT solutions. Despite that the use of natural resources is not largely relevant to Vodatel, we are aware of our consumption of electricity, water and fuel within an office environment, and will, therefore, focus our ESG improvement efforts in those areas.

Policies applicable at Vodatel

√ **Instil a culture of resource-usage consciousness;**

√ **Introduction of a framework for assessing resource utilisation, ensuring its optimised application on a systematic basis; and**

√ **Dissemination of any current-term measure/procedures, relating to resource usage to stakeholders.**

KPI A2.1	Details of electricity consumption can be referred to KPI A1.2 above.
KPI A2.2	The Macao office consumes around 3,000 cubic metres of water each year.
KPI A2.3	Staff are reminded to turn off lights and computers when leaving the premises and the level of electricity consumption is considered reasonable.
KPI A2.4	There is no issue in sourcing water that is fit for purpose. The level of water consumption in pantries and toilets is considered reasonable.
KPI A2.5	Details of packaging materials used can be referred to KPI A1.4 above.

Aspect A3: The Environment and Natural Resources

Vodatel specialises in the design and system integration of IT infrastructure, hence our operations have little impact on the environment or natural resources apart from those mentioned in the previous section. While we do encourage our employees to practise the “3Rs” and to protect the natural environment, as this aspect has no material relevance to our business, we have opted not to report on it, and KPI A3.1 (concerning the significant impacts of activities on the environment and natural resources and the actions taken to manage them) is not applicable.

ESG Report

B) SOCIAL

Our people are our greatest asset and they are essential to continued growth at Vodatel. We staunchly believe that investing in our people and their development is inseparable from the development and ongoing success of our business.

Exchange ESG Guide Aspects	Material Areas
B1 Employment	Attraction and Retention of Talents Working Hours and Rest Periods
B2 Health and Safety	Occupational Health and Safety
B3 Development and Training	Learning and Training
B4 Labour Standards	Human Rights
B5 Supply Chain Management	Assessment of Suppliers
B6 Product Responsibility	Reliable Services and Products
B7 Anti-corruption	Anti-Corruption and Anti-Bribery
B8 Community Investment	Contribution to the Community

Aspect B1: Employment

Vodatel is an equal opportunity employer which believes strongly in the principles of diversification and anti-discrimination. Our human resources policies are in strict compliance with those labour laws issued by the Governments in different jurisdictions in which we operate, namely Macao, Hong Kong and Mainland China, and other applicable laws and regulations regarding compensation and insurance, employment, promotion and termination of employees. To this end, the employee handbook at Vodatel outlines the benefits and rights enjoyed by all employees.

Attraction and Retention of Talents – With people being our key to success, we offer market-competitive employment packages, consisting of both staff benefits and welfare for all our employees, to ensure that we attract and retain the best people for our business operations. Our comprehensive packages offer discretionary incentives, including bonus scheme, sales commission, Options, medical insurance and retirement protection. We encourage our employees to enjoy a well-balanced work and personal life. In addition to annual leaves, we help our employees to effectively manage their work and life commitments through such policies as marriage and compassionate leave allowances. Promotions are decided within a level-playing field environment and are awarded based on performance and the ability to cohere to teamwork.

Working Hours and Rest Periods – As a system integrator that provides around-the-clock, top quality support services to our customers, many of our engineers are required to be on standby duty in case of emergency and to work during non-office hours and on public holidays. In addition, we provide overtime pay and additional compensation for those on roster. Any compensation on working hours and rest periods are in full compliance with the relevant local employment ordinances.

Policies applicable at Vodatel

√ **Focus on sustaining employment practices of excellence, from selection to employee satisfaction;**

√ **Preserving a broad approach towards employment standards, beyond legal stipulations; and**

√ **Observing good monitoring and assessment methodologies regarding employment practices.**

Aspect B2: Health and Safety

Vodatel strictly abides by all legal requirements, as well as industry best practices, to ensure a healthy and safe workplace for all its employees, contractors and customers. The status quo is dictated by, and adheres to, Decree 37/89 in Macao (published on 22nd May 1989) and also observes occupational health and safety standards under the Labour Department in Hong Kong, coupled with other discretionary policies implemented by Vodatel, covering:

1 Workplace conditions (seat, space, schedule/workload, office supplies, protective equipment, etc.);

2 Workplace tidiness and conservation;

3 Workplace ambience (air quality, luminosity, temperature, noise and vibration);

4 Adequate safety features to prevent risk of injury from fire, explosion and toxic substances;

5 Self-care facilities or conditions (showers, lockers, restrooms, among others);

6 Insurance policy for employees (travel, health, accident-related and others); and

7 Readily accessible first-aid assistance and equipment.

Policies applicable at Vodatel

√ **Assuring good practices for self-controlled workspaces by establishing sound working standards and anticipating, or swiftly resolving, issues;**

√ **Due diligence on the workplace/facilities owned/controlled by clients, contractors, suppliers or any other external entity; and**

√ **Promoting effective data gathering systems for periodic review.**

Aspect B3: Development and Training

The training and development of personnel is of utmost importance to the management at Vodatel. As our business continues to grow, it is crucial that we build a sustainable workforce and continue to develop a team of employees who keep up with emerging technologies and deliver solutions that meet the fast-changing requirements of our customers.

ESG Report

Learning and Training – Our training and development approach focuses on 1. internal and on-the-job training, rotating them to different support teams to broaden their exposure and to build up their technical skills; and 2. external training in several specific knowledge areas or skill sets, such as technology-related (associated with certain vendor technologies), management techniques, individual worker skills and certification-related courses (Project Management Professional, Certified Public Accountant, etc.).

Policies applicable at Vodatel

- √ **Formulation of a long-term training and development strategy;**
- √ **Elaboration of training and development plans; and**
- √ **Periodic formal review of the training and development programmes.**

Aspect B4: Labour Standards

Vodatel strictly prohibits the employment of minors or engagement of child labour activities.

Human Rights – We will only employ persons who meet minimum age requirements of the regions in which we operate. Child and forced labour are considered criminal acts in all the jurisdictions where Vodatel operates, thus we remain vigilant in this regard, including inspection of all associated partners, to ensure Vodatel is not exposed to any illegal acts or injury. The Group has an active whistleblower policy and encourages individuals to come forward in complete privacy and without penalty to report potential incidents of abuse or illegality. The Group actively educates its workforce to clearly understand, recognise and report acts of corporate malfeasance, such as fiscal improprieties, or perceived criminal activity.

Policies applicable at Vodatel

- √ **Incorporation of guidelines concerning forced and child labour in employment practices;**
- √ **Consistent verification of compliance with the latest legal development; and**
- √ **Whistleblower protection to record any illegal activities.**

Aspect B5: Supply Chain Management

Committed to "quality, safety and efficiency", Vodatel closely monitors and constantly reviews its key procedures in operations, from supplier assessment and procurement to contract execution and safety management. We support collaboration, mutual benefits, standards and integrity throughout our supply chain.

Assessment of Suppliers – Though Vodatel depends on the support of its suppliers, we remain vigilant in our selection of contractors, not only in terms of quality, cost, service and delivery, but also for their corporate commitment to upholding high standards of environmental and social responsible behaviour over 1. legal and regulatory compliance; 2. environmental protection; 3. human rights of workers; 4. occupational health and safety; and 5. prevention of corruption and bribery.

Policies applicable at Vodatel

- √ **Conduct yearly assessment concerning environmental and social risks over selection of suppliers; and**

- √ **Whistleblower protection to record any illegal activities related to kick-backs.**

Aspect B6: Product Responsibility

The fiduciary nature of concerns of Vodatel over product responsibility revolve mainly around the inspection and selection of responsible and competent suppliers and their products to ensure that we deliver quality and reliable products and services to our customers.

Reliable Services and Products – Providing reliable services and products to our customers is our top priority. We place great importance in applying stringent due diligence on the products and systems that we install for our customers to ensure that, while they meet their intended business requirements, they also adhere to internationally-recognised safety standards, i.e. minimal risk of electrocution, etc.

Policies applicable at Vodatel

- √ **Establishment of formal guidelines concerning product responsibility;**

- √ **Periodic assessment/revision of product responsibility guidelines; and**

- √ **Effecting action/initiatives when deemed necessary.**

Aspect B7: Anti-corruption

Vodatel is committed to conducting our business with honesty and integrity and in compliance with the laws of the countries in which we are active. This includes compliance with all laws, domestic and foreign, prohibiting improper payments or inducements to any person, including public officials.

Anti-Corruption and Anti-Bribery – It is the policy at Vodatel to conduct all business in an honest and ethical manner. At Vodatel, we take a zero-tolerance approach to corruption and bribery and are committed to acting professionally, fairly and with integrity in all our business dealings and relationships. In the normal course of conducting its business, our usual financial framework revolves around the purchasing of equipment for and on behalf of customers under strict contractual terms. These actions are closely monitored to avoid any instances of fraud, misappropriation or favouritism. We also perform regular due diligence when it comes to appointing Board, management, and other personnel at Vodatel to avoid potential conflicts of interest.

Our employees, whether existing or newly hired, are all provided with the relevant policies and guidelines, including any updates or revisions, and are required to attend anti-corruption and anti-bribery training. Where there exists new laws and regulations that may impact our business, all employees will be provided updates with training to ensure compliance.

ESG Report

Vodatel aims to encourage openness and will support anyone who raises genuine concerns in good faith under the anti-corruption and anti-bribery policies of the Group, even if they turn out to be mistaken. Vodatel has adopted a whistleblower policy to strongly encourage individuals to come forward in complete privacy and without penalty.

Policies applicable at Vodatel

√ **Implementation of guidelines on anti-corruption and anti-bribery practices; and**

√ **Whistleblower protection.**

Aspect B8: Community Investment

Vodatel is committed to making a positive impact on our internal and external stakeholders, as well as the communities we interact with through active social or philanthropic investments.

Contributions to the Community – Vodatel is committed to developing positive relationships with the communities in which we operate. In October 2019, we made payment of MOP30,000 to The Macau Association for the Mentally Handicapped to purchase 1,200 small packs of "Fortune Rice" as a means to support job opportunities for the mentally handicapped children who are engaged by the association to do the rice packing. To share these packs of "Fortune Rice" with the less fortunate, other than 600 packs being reserved for distribution to the employees of the Group in Macao and Hong Kong, the balance of 600 packs were either sent or pending to be sent to different elderly homes in Macao and Hong Kong. During the Year, visits to elderly homes and mentally-handicapped centre were also made to better understand the needs of these under-privileged groups. Going forward, we aim to deepen our understanding of our communities and their needs. We will continue to explore different channels and platforms to contribute meaningfully to the local communities.

Policies applicable at Vodatel

√ **Definition of the nature and extent of involvement in the communities where the corporation has operations, or is related to; and**

√ **Periodic assessment of success, regarding philanthropic initiatives.**

Report of the Directors

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

An analysis of the performance of the Group for the Year by operating segment is set out in Note 5 to the consolidated 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 statement of profit or loss on page 43.

The Directors recommend the payment of a final dividend of HK$0.01 per Share, totalling HK$6,144,000 (2018: HK$0.005 per Share, totalling HK$3,072,000).

Donations

Charitable donations made by the Group during the Year amounted to HK$62,000 (2018: HK$43,000).

Distributable reserves

Distributable reserves of the Company as at 31st December 2019, calculated under CA 1981 (as amended), amounted to HK$177,729,000 (2018: HK$174,651,000).

Options granted to Directors and selected employees

Details of the Options granted in 2016 is set out in Note 25 of the consolidated financial statements and "Options" section contained in this report of the Directors.

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 113 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.

Report of the Directors

Options

Options were granted to certain Directors and employees at the invitation of the Directors under the Scheme. 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 2019 was 61,443,500, representing 10% of the issued share capital of the Company as at 31st December 2019.

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.

All Options were lapsed during the Year.

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 2019 under the Scheme are as follows:

	Held as at 1st January 2019	Lapsed during the Year	Held as at 31st December 2019	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	23,790,000	(23,790,000)	–	0.305	27th September 2016	28th September 2016	27th September 2019
Others	508,000	(508,000)	–	0.305	27th September 2016	28th September 2016	27th September 2019
	27,448,000	(27,448,000)	–				

Directors

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

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

Independent non-executive Directors
Fung Kee Yue Roger
Wong Tsu An Patrick
Tou Kam Fai (resigned on 12th March 2020)
Wong Kwok Kuen (appointed on 12th March 2020)

In accordance with Article 86 of the Bye-laws, Wong Kwok Kuen was appointed by the Directors to fill a casual vacancy and he shall hold office until the forthcoming AGM. He is eligible and offers himself for re-election.

Report of the Directors

Directors (Continued)

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 reappointment 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 twelve 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 fulfil 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.

Wong Tsu An Patrick and Fung Kee Yue Roger, independent non-executive Directors, were re-appointed for two-year terms expiring on 3rd June 2020 and 29th September 2020 respectively. Wong Kwok Kuen, an independent non-executive Director, was appointed for a two-year term expiring on 11th March 2022.

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 31 to the consolidated 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 were a party and in which a Director and his connected party had a material interest, whether directly or indirectly, subsisted as at 31st December 2019 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 14.

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

As at 31st December 2019, 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	Approximate % of the issued share capital of the Company
José Manuel dos Santos	Corporate *(Note 1)*	357,945,500	58.26
Kuan Kin Man	Personal *(Note 2)*	22,112,500	3.60
Monica Maria Nunes	Personal *(Note 3)*	2,452,500	0.40
Fung Kee Yue Roger	Personal *(Note 4)*	210,000	0.03

Notes:

1 As at 31st December 2019, 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 José Manuel dos Santos.

2 The personal interest of Kuan Kin Man comprised 22,112,500 Shares. 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. 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. The aforesaid interest was held by Fung Kee Yue Roger as beneficial owner.

Report of the Directors

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 2019, 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 (Note 1)	357,945,500	58.26
OHHL	Corporate (Note 1)	357,945,500	58.26
Lei Hon Kin	Family (Note 2)	357,945,500	58.26

Notes:

1 As at 31st December 2019, 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 José Manuel dos Santos.

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	21.90%
– five largest suppliers in aggregate	73.32%
Sales	
– the largest customer	23.93%
– five largest customers in aggregate	56.75%

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

Connected transactions

The related party transactions as disclosed under Note 31 (b) to (d) in the consolidated financial statements constituted connected transactions under the GEM Listing Rules. However, they were exempt from Members' approval and disclosure and other requirements under Chapter 20 of the GEM Listing Rules because they were below the de minimis threshold under Rule 20.74.

Sufficiency of public float

Based on the information that was publicly available to the Company and within the knowledge of the Directors, it is 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 15 to 22.

Permitted indemnity provisions

During the Year and as at the Latest Practicable Date, a permitted indemnity provision is in force for the benefit of all the Directors.

Auditor

The consolidated financial statements were audited by PricewaterhouseCoopers who retires and, being eligible, offers itself for reappointment.

On behalf of the Board

José Manuel dos Santos
Chairman

Hong Kong, 20th March 2020

Independent Auditor's Report

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 43 to 112, which comprise:

- the consolidated balance sheet as at 31 December 2019;
- the consolidated statement of profit or loss 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 2019, 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.

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 Matter

Key audit matter is the matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. This matter was 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 this matter.

Key audit matter identified in our audit is loss allowance for trade receivables, contract assets and other receivables.

Key Audit Matter	How our audit addressed the Key Audit Matter
Loss allowance for trade receivables, contract assets and other receivables Refer to Note 4(b) (critical accounting estimates and judgements), Note 17 and Note 19. As at 31 December 2019, the Group had gross trade receivables, contract assets and other receivables amounting to HK$138.3 million (2018: HK$121.4 million), HK$59.6 million (2018: HK$21.9 million) and HK$22.1 million (2018: HK$21.9 million) respectively, and loss allowance amounting to HK$29.7 million (2018: HK$14.3 million). The total amount of net trade receivables, contract assets and other receivables represented approximately 49% (2018: 48%) of the total assets.	We checked, on a sample basis, the accuracy of aging profile of the trade receivables and contract assets balances. We performed analytics on aging profile of trade receivables and contract assets, and by making reference to settlement received for trade receivables and other receivables, subsequent billing of contract assets, to identify aged debts in respect of which there has been little or no subsequent settlement. We challenged management as to the recoverability of trade receivables which were past due but not impaired, and aged contract assets and other receivables, corroborating explanations through examining underlying relevant supporting documents such as post year end settlements, historical payment record, financial information of the customers, and debtors and other corresponding documents.

Independent Auditor's Report

Key Audit Matter (Continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
The Group provided loss allowance of trade receivables and contract asset based on the expected credit loss during lifetime. The Group grouped trade receivables and contract assets in accordance with credit risk characteristics and calculated the expected credit loss. In relation to other receivables, the Group assesses whether the expected credit risk of other receivables has increased significantly since their initial recognition, and apply a three-stage impairment model to calculate their loss allowance. Management needs to exercise significant judgement in making assumptions about risk of default and expected loss rates. In making such judgement, management needs to select the inputs to the impairment calculations, based on the past collection history of the Group, existing market conditions as well as forward-looking estimates at the end of each reporting period, in developing its expectation of the ultimate realisation of the trade receivables, contract assets and other 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 assessed the appropriateness of the management's identification of significant increase in credit risk for the other receivables, in consideration of the financial information of the debtors, relevant external evidence and other factors. Based on the procedures performed, we found the assumptions and judgement made by management in respect of the loss allowance of trade receivables, contract assets and other 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.

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 judgment and maintain professional skepticism 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.

Independent Auditor's Report

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

- 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.

We communicate with 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 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 Audit Committee, we determine the matter that was of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matter. We describe the matter 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 Cheng Lap Yam.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 20 March 2020

Consolidated Statement of Profit or Loss

	Notes	Year ended 31st December 2019 HK$'000	2018 HK$'000
Revenue from contracts with customers	5(e)	**531,286**	416,848
Cost of sales of goods	7	**(344,526)**	(249,367)
Cost of providing services	7	**(66,689)**	(60,398)
Gross profit		**120,071**	107,083
Selling and marketing costs	7	**(17,001)**	(12,897)
Administrative expenses	7	**(114,135)**	(96,788)
Other gains, net	6	**1,202**	822
Operating loss		**(9,863)**	(1,780)
Finance income		**4,129**	2,618
Finance costs		**(245)**	(75)
Finance income – net	9	**3,884**	2,543
Share of net profit of an associate accounted for using the equity method	11	**3**	10
(Loss)/profit before income tax		**(5,976)**	773
Income tax expense	12	**(1,389)**	(703)
(Loss)/profit for the Year		**(7,365)**	70
(Loss)/profit is attributable to:			
Owners of the Company		**(5,256)**	(171)
NCI		**(2,109)**	241
		(7,365)	70
		HK Cent	HK Cent
Loss per Share for loss attributable to the ordinary equity holders of the Company:			
Basic and diluted loss per Share	13	**(0.86)**	(0.03)

The above consolidated statement of profit or loss should be read in conjunction with the accompanying notes.

Consolidated Statement of Comprehensive Income

	Notes	Year ended 31st December 2019 HK$'000	2018 HK$'000
(Loss)/profit for the Year		**(7,365)**	70
OCI/(other comprehensive loss)			
Items that may be reclassified to profit or loss			
Changes in the fair value of debt instruments at FVOCI	23	**3,732**	(2,943)
Transfer to profit or loss by disposal of debt instruments at FVOCI	18(d)	**(142)**	261
Exchange differences on translation of foreign operations		**(107)**	(25)
Items that will not be reclassified to profit or loss			
Changes in the fair value of equity investments at FVOCI		**483**	–
OCI/(other comprehensive loss) for the Year, net of tax		**3,966**	(2,707)
Total comprehensive loss for the Year		**(3,399)**	(2,637)
Total comprehensive loss for the Year is attributable to:			
Owners of the Company		**(1,290)**	(2,878)
NCI		**(2,109)**	241
		(3,399)	(2,637)

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Consolidated Balance Sheet

	Notes	As at 31st December 2019 HK$'000	2018 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	14	**3,788**	3,369
Right-of-use assets – buildings	15	**2,602**	–
Interest in an associate	11	**–**	818
Financial asset at FVOCI	18	**43,174**	43,813
Total non-current assets		**49,564**	48,000
Current assets			
Inventories	20	**31,846**	18,120
Contract assets	19	**57,453**	21,897
Trade receivables	19	**124,812**	107,120
Other receivables, deposits and prepayments	17	**54,590**	54,517
Financial assets at amortised cost	17	**–**	7,400
Financial assets at FVOCI	18	**–**	3,917
Cash and cash equivalents	21	**64,263**	79,888
Total current assets		**332,964**	292,859
Total assets		**382,528**	340,859
LIABILITIES			
Non-current liabilities			
Lease liabilities	15	**1,033**	–
Current liabilities			
Trade and bills payables	26	**101,616**	59,608
Other payables and accruals	26	**22,187**	22,923
Contract liabilities	26	**46,551**	43,022
Current tax liabilities		**10,364**	9,704
Lease liabilities	15	**1,617**	–
Total current liabilities		**182,335**	135,257
Total liabilities		**183,368**	135,257
Net current assets		**150,629**	157,602
Net assets		**199,160**	205,602

Consolidated Balance Sheet (Continued)

	Notes	As at 31st December 2019 HK$'000	As at 31st December 2018 HK$'000
EQUITY			
Share capital	22	**61,570**	61,570
Other reserves	23	**145,478**	142,341
(Accumulated losses)/retained earnings	24	**(3,970)**	3,529
Capital and reserves attributable to owners of the Company		**203,078**	207,440
NCI		**(3,918)**	(1,838)
Total equity		**199,160**	205,602

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

The consolidated financial statements on pages 43 to 112 have been approved by the Board on 20th March 2020 and signed on its behalf.

José Manuel dos Santos **Monica Maria Nunes**

Consolidated Statement of Changes in Equity

	Notes	Attributable to owners of the Company					
		Share capital HK$'000	Other reserves HK$'000	Retained earnings/ (accumulated losses) HK$'000	Total HK$'000	NCI HK$'000	Total equity HK$'000
Balance as at 1st January 2018		61,570	145,048	9,844	216,462	(2,079)	214,383
Profit for the year ended 31st December 2018		–	–	(171)	(171)	241	70
Other comprehensive loss	23	–	(2,707)	–	(2,707)	–	(2,707)
Total comprehensive loss for the year ended 31st December 2018		**–**	**(2,707)**	**(171)**	**(2,878)**	**241**	**(2,637)**
Transactions with owners in their capacity as owners:							
Dividend paid		–	–	(6,144)	(6,144)	–	(6,144)
Balance as at 31st December 2018		**61,570**	**142,341**	**3,529**	**207,440**	**(1,838)**	**205,602**
Loss for the Year		–	–	(5,256)	(5,256)	(2,109)	(7,365)
OCI	23	–	3,966	–	3,966	–	3,966
Total comprehensive income/(loss) for the Year		**–**	**3,966**	**(5,256)**	**(1,290)**	**(2,109)**	**(3,399)**
Transfer of gain on disposal of equity instrument at FVOCI to retained earnings		–	(829)	829	–	–	–
Transactions with owners in their capacity as owners:							
NCI on acquisition of a subsidiary	30(a)	–	–	–	–	29	29
Dividend paid		–	–	(3,072)	(3,072)	–	(3,072)
Balance as at 31st December 2019		**61,570**	**145,478**	**(3,970)**	**203,078**	**(3,918)**	**199,160**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

		Year ended 31st December	
		2019	2018
	Notes	**HK$'000**	HK$'000
Cash flows from operating activities			
Cash (used in)/generated from operations	28	**(28,431)**	22,146
Interest paid		**(245)**	(75)
Income taxes paid		**(729)**	(1,368)
Net cash (outflow)/inflow from operating activities		**(29,405)**	20,703
Cash flows from investing activities			
Acquisition of a subsidiary, net of cash acquired	30(b)	**86**	–
Payments for property, plant and equipment	14	**(2,733)**	(1,270)
Payments for debt instrument at FVOCI		**(59,873)**	(26,003)
Payments for financial assets at amortised cost		**–**	(7,400)
Proceeds from sale of property, plant and equipment		**4**	907
Proceeds from sale of debt investments at FVOCI		**66,701**	16,662
Proceeds from sale of equity instrument at FVOCI		**1,939**	–
Proceeds from sale of financial assets at amortised cost		**7,400**	4,802
Dividend from an associate	11(b)	**756**	–
Interest received on financial assets at FVOCI		**4,106**	2,618
Net cash inflow/(outflow) from investing activities		**18,386**	(9,684)
Cash flows from financing activities			
Repayment of lease liabilities		**(1,597)**	–
Dividend paid to Members		**(3,072)**	(6,144)
Net cash outflow from financing activities		**(4,669)**	(6,144)
Net (decrease)/increase in cash and cash equivalents		**(15,688)**	4,875
Cash and cash equivalents at the beginning of the financial year		**79,888**	75,342
Effects of exchange rate changes on cash and cash equivalents		**63**	(329)
Cash and cash equivalents at end of Year		**64,263**	79,888

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

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

2 Summary of significant accounting policies

This note provides a list of significant accounting policies adopted in the preparation of these consolidated financial statements. These policies were consistently applied to all the years presented, unless otherwise stated. The financial statements were for the Group.

(a) Basis of preparation

(i) Compliance with HKFRS

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

(ii) Historical cost convention

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

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies (Continued)

(a) Basis of preparation (Continued)

(iii) New and amended standards adopted by the Group

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

- HKFRS 16 *Leases*
- *Prepayment Features with Negative Compensation – Amendments to* HKFRS 9 *Financial Instruments*
- *Long-term Interests in Associates and Joint Ventures – Amendments to* HKAS 28 *Investments in Associates and Joint Ventures*
- *Annual Improvements to HKFRS 2015 – 2017 Cycle*
- *Plan Amendment, Curtailment or Settlement – Amendments to* HKAS 19 *Employee Benefits*
- HK(IFRIC)-Int 23 *Uncertainty over Income Tax Treatments*

The Group had to change its accounting policies as a result of adopting HKFRS 16. The Group elected to adopt the new rules retrospectively but recognised the cumulative effect of initially applying the new standard on 1st January 2019. This is disclosed in Note 2(b). Most of the other amendments listed above did not have any impact on the amounts recognised in prior periods and were not expected to significantly affect the current and future periods.

(iv) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations were published that were not mandatory for 31st December 2019 reporting periods and were not early adopted by the Group. These standards were not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

(b) Changes in accounting policies

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

As indicated in Note 2(a) above, the Group adopted HKFRS 16 retrospectively from 1st January 2019, but did not restate comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules were therefore recognised in the opening consolidated balance sheet as at 1st January 2019. The new accounting policies are disclosed in Note 2(z).

2 Summary of significant accounting policies (Continued)

(b) Changes in accounting policies (Continued)

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

(i) Practical expedients applied

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

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

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

(ii) Measurement of lease liabilities

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

(iii) Measurement of right-of-use assets

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

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies (Continued)

(c) Adjustments recognised in the consolidated balance sheet on 1st January 2019

The change in accounting policy affected the following items in the consolidated balance sheet as at 1st January 2019:

- right-of-use assets – increase by HK$2,556,000
- lease liabilities – increase by HK$2,556,000.

(d) Principles of consolidation and equity accounting

(i) Subsidiaries

Subsidiaries were all entities (including structured entities) over which the Company directly or indirectly had control. The Company directly or indirectly controlled an entity where 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 to direct the activities of the entity. Subsidiaries were fully consolidated from the date on which control was transferred to the Company directly or indirectly. They were deconsolidated from the date that control ceased.

The acquisition method of accounting was used to account for business combinations by the Group (refer to Note 2(e)).

Inter-company 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. Accounting policies of the subsidiaries were changed where necessary to ensure consistency with the policies adopted by the Group.

NCI in the results and equity of subsidiaries were shown separately in the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated balance sheet respectively.

(ii) Associate

Associate was the entity over which the Group had significant influence but not control or joint control. This was generally the case where the Group held between 20% and 50% of the voting rights. Investment in an associate was accounted for using the equity method of accounting (see (iii) below), after initially being recognised at cost.

2 Summary of significant accounting policies (Continued)

(d) Principles of consolidation and equity accounting (Continued)

(iii) Equity method

Under the equity method of accounting, the investments were initially recognised at cost and adjusted thereafter to recognise the share of the post-acquisition profits or losses of the investee of the Group in profit or loss, and the share of movements in OCI of the investee of the Group in OCI. Dividends received or receivable from associates were recognised as a reduction in the carrying amount of the investment.

When the share of losses of the Group in an equity-accounted investment equalled or exceeded its interest in the entity, the Group did not recognise further losses, unless it had incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associate were eliminated to the extent of the interest of the Group in these entities. Unrealised losses were also eliminated unless the transaction provided evidence of an impairment of the asset transferred. Accounting policies of equity-accounted investees were changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments was tested for impairment in accordance with the policy described in Note 2(j).

(e) Business combinations

The acquisition method of accounting was used to account for all business combinations, regardless of whether equity instruments or other assets were acquired. The consideration transferred for the acquisition of a subsidiary comprised the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies (Continued)

(e) Business combinations (Continued)

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination were, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognised any NCI in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the proportionate share of NCI of the net identifiable assets of the acquired entity.

Acquisition-related costs were expensed as incurred.

The excess of the:

- consideration transferred,
- amount of any NCI in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired was recorded as goodwill. If those amounts were less than the fair value of the net identifiable assets of the business acquired, the difference was recognised directly in profit or loss as a bargain purchase.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

(f) 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.

(g) Segment reporting

Operating segments were reported in a manner consistent with the internal reporting provided to the chief operating decision makers.

2 Summary of significant accounting policies (Continued)

(g) Segment reporting (Continued)

The chief operating decision makers, who assessed the financial performance and position of the Group and made strategic decisions, were identified as the executive Directors.

(h) 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 and presentation currency of the Company.

(ii) Transactions and balances

Foreign currency transactions were translated into the Functional Currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates were generally recognised in profit or loss.

All foreign exchange gains and losses were presented in the consolidated statement of profit or loss on a net basis within administrative expenses.

Non-monetary items that were measured at fair value in a foreign currency were translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value were reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets such as equities classified as FVOCI were recognised in OCI.

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies (Continued)

(h) Foreign currency translation (Continued)

(iii) Group companies

The results and financial position of non-Hong Kong operations (none of which had the currency of a hyperinflationary economy) that had a Functional Currency different from the presentation currency were translated into the presentation currency as follows:

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

- income and expenses for each statement of profit or loss and statement of comprehensive income were translated at average exchange rates (unless this 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

- all resulting exchange differences were recognised in OCI.

(i) Property, plant and equipment

All property, plant and equipment 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 any component accounted for as a separate asset was derecognised when replaced. All other repairs and maintenance were charged to profit or loss during the reporting period in which they were incurred.

Depreciation was calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements, the shorter lease term as follows:

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

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

2 Summary of significant accounting policies (Continued)

(i) Property, plant and equipment (Continued)

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(j)).

Gains and losses on disposals were determined by comparing proceeds with carrying amount. These were included in profit or loss.

(j) Impairment of non-financial assets

Assets were tested 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 of disposal and value in use. For the purposes of assessing impairment, assets were grouped at the lowest levels for which there were separately identifiable cash inflows which were largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment were reviewed for possible reversal of the impairment at the end of each reporting period.

(k) Investments and other financial assets

(i) Classification

The Group classified its financial assets in the following measurement categories:

- those to be measured subsequently at FVOCI, and
- those to be measured at amortised cost.

The classification depended on the business model of the entity for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses would be recorded in OCI. For investments in equity instruments that were not held for trading, the Group made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

The Group reclassified debt investments when and only when its business model for managing those assets changed.

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies (Continued)

(k) Investments and other financial assets (Continued)

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets were recognised on trade-date, the date on which the Group committed to purchase or sell the asset. Financial assets were derecognised when the rights to receive cash flows from the financial assets expired or were transferred and the Group transferred substantially all the risks and rewards of ownership.

(iii) Measurement

At initial recognition, the Group measured a financial asset at its fair value plus transaction costs that were directly attributable to the acquisition of the financial asset.

(I) Debt instruments

Subsequent measurement of debt instruments depended on the business model of the Group for managing the asset and the cash flow characteristics of the asset. There were two measurement categories into which the Group classified its debt instruments:

- Amortised cost: Assets that were held for collection of contractual cash flows where those cash flows represented solely payments of principal and interest were measured at amortised cost. Interest income from these financial assets was included in finance income using the effective interest rate method. Any gain or loss arising on derecognition was recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses.

- FVOCI: Assets that were held for collection of contractual cash flows and for selling the financial assets, where the cash flows of the assets represented solely payments of principal and interest, were measured at FVOCI. Movements in the carrying amounts were taken through OCI, except for the recognition of impairment gains and losses. When the financial asset was derecognised, the cumulative gain and loss previously recognised in OCI was reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets was included in finance income using the effective interest rate method. Foreign exchange gains and losses were presented in administrative expenses.

2 Summary of significant accounting policies (Continued)

(k) Investments and other financial assets (Continued)

(iii) Measurement (Continued)

(II) Equity instruments

The Group subsequently measured all equity investments at fair value. Where the management of the Group elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continued to be recognised in profit or loss as other income when the right of the Group to receive payments was established.

Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI were not reported separately from other changes in fair value.

(iv) Impairment

The Group assessed on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depended on whether there was a significant increase in credit risk.

For trade receivables and contract assets, the Group applied the simplified approach permitted by HKFRS 9, which required expected lifetime losses to be recognised from initial recognition of the receivables, see Note 19 for further details.

(l) Offsetting financial instruments

Financial assets and liabilities were offset and the net amount reported in the consolidated balance sheet where the Group currently had 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.

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies (Continued)

(m) Inventories

Inventories were stated at the lower of cost and net realisable value. Costs were assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory were determined after deducting rebates and discounts. Net realisable value was the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(n) Trade and other receivables

Trade receivables were amounts due from customers for goods sold or services performed in the ordinary course of business. They were generally due for settlement within thirty to forty-five days and therefore were all classified as current.

Trade and other receivables were recognised initially at the amount of consideration that was unconditional. The Group held the trade receivables with the objective of collecting the contractual cash flows and therefore measured them subsequently at amortised cost using the effective interest method. See Note 19 for further information about the accounting of the Group for trade receivables and Note 3(a)(ii)(III) for a description of the impairment policies of the Group.

(o) Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents included cash on hand, deposits held at call with financial institutions and other short-term, highly liquid investments with original maturities of three months or less that were readily convertible to known amounts of cash and which were subject to an insignificant risk of changes in value.

(p) Share capital

Shares were classified as equity (Note 22).

(q) Trade and other payables

These amounts represented liabilities for goods and services provided to the Group prior to the end of financial year which were unpaid. The amounts were unsecured and were usually paid within thirty to sixty days of recognition. Trade and other payables were presented as current liabilities unless payment was not due within twelve months after the reporting period. They were recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

2 Summary of significant accounting policies (Continued)

(r) Borrowing costs

Borrowing costs were expensed in the period in which they were incurred.

(s) Current and deferred income tax

The income tax expense or credit for the period was the tax payable on the taxable income of the current period based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

(i) Current income tax

The current income tax charge was calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period 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.

(ii) Deferred income tax

Deferred income tax was provided in full, 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, deferred tax liabilities were not recognised if they arose from the 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 substantially enacted by the end of the reporting period and were expected to apply when the related deferred income tax asset was realised or the deferred income tax liability was settled.

Deferred tax assets were recognised only if it was probable that future taxable amounts would be available to utilise those temporary differences and losses.

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies (Continued)

(s) Current and deferred income tax (Continued)

(ii) Deferred income tax (Continued)

Deferred tax liabilities and assets were not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company was able to control the timing of the reversal of the temporary differences and it was probable that the differences would not reverse in the foreseeable future.

Deferred tax assets and liabilities were offset when there was a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances related to the same taxation authority. Current tax assets and tax liabilities were offset where the entity had a legally enforceable right to offset and intended either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax was recognised in profit or loss, 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.

(t) Employee benefits

(i) Short-term obligations

Liabilities for wages and salaries that were expected to be settled wholly within twelve months after the end of the period in which the employees rendered the related service were recognised in respect of employees' services up to the end of the reporting period and were measured at the amounts expected to be paid when the liabilities were settled. The liabilities were included in other payables and accruals in the consolidated balance sheet.

(ii) Pension obligations

For the defined contribution plan, the Group paid contributions to a privately administered pension insurance plan 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.

(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) Employee benefits (Continued)

(iv) Termination benefits

Termination benefits were payable when employment was terminated by the Group before the normal retirement date, or when 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.

(u) Share-based payments

Share-based compensation benefits were provided to employees via the Scheme. Information relating to the Scheme is set out in Note 25.

Options

The fair value of Options granted under the Scheme was recognised as an expense with a corresponding increase in equity. 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.

(v) Provisions

Provisions for legal claims, service warranties and make good obligations 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 could be 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 management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value was a pre-tax rate that reflected current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time was recognised as interest expense.

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies (Continued)

(w) Revenue recognition

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

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

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

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

(ii) Sales of services

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

(iii) Sales of software

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

2 Summary of significant accounting policies (Continued)

(w) Revenue recognition (Continued)

(iv) Financing components

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

(x) Loss per Share

(i) Basic loss per Share

Basic loss per Share was calculated by dividing:

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

(ii) Diluted loss per Share

Diluted loss per Share adjusted the figures used in the determination of basic loss per Share to take in account:

- the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary Shares, and
- the weighted average number of additional ordinary Shares that would have been outstanding assuming the conversion of all dilutive potential ordinary Shares.

(y) Dividend income

Dividends were received from financial assets measured at FVOCI. Dividends were recognised as other income in profit or loss when the right to receive payment was established.

(z) Leases

As explained in Note 2(b) above, the Group changed its accounting policy for leases where the Group was the lessee. The new policy is described below and the impact of the change in Note 2(b).

Until 31st December 2018, leases in which a significant portion of the risks and rewards of ownership were not transferred to the Group as lessee were classified as operating leases (Note 29). Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies (Continued)

(z) Leases (Continued)

From 1st January 2019, leases were recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset was available for use by the Group.

Contracts might contain both lease and non-lease components. The Group allocated the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group was a lessee, it elected not to separate lease and non-lease components and instead accounted for these as a single lease component.

Assets and liabilities arising from a lease were initially measured on a present value basis. Lease liabilities included the net present value of the fixed payments (including in-substance fixed payments), less any lease incentives receivable.

Lease payments to be made under reasonably certain extension options were also included in the measurement of the liability.

The lease payments were discounted using the interest rate implicit in the lease. If that rate could not be readily determined, which was generally the case for leases in the Group, the incremental borrowing rate of the lessee was used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group used recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third-party financing was received.

Lease payments were allocated between principal and finance cost. The finance cost was charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets were measured at cost comprising the amount of the initial measurement of lease liability.

Right-of-use assets were generally depreciated over the shorter of the useful life of the asset and the lease term on a straight-line basis.

Payments associated with short-term leases were recognised on a straight-line basis as an expense in profit or loss. Short-term leases were leases with a lease term of twelve months or less.

2 Summary of significant accounting policies (Continued)

(aa) Dividends distribution

Provision was made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

(ab) Interest income

Interest income on financial assets at amortised cost and financial assets at FVOCI calculated using the effective interest method was recognised in profit or loss as finance income.

Interest income was presented as finance income where it was earned from financial assets that were held for cash management purposes, see Note 9 below.

Interest income was calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently became credit-impaired. For credit-impaired financial assets the effective interest rate was applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

3 Financial risk management

This note explains the exposure of the Group to financial risks and how these risks could affect the future financial performance of the Group. Current year profit and loss information was included where relevant to add further context.

Risk	Exposure arising from	Measurement	Management
Market risk – foreign exchange	Future commercial transactions Recognised financial assets and liabilities not denominated in Functional Currency	Cash flow forecasting Sensitivity analysis	Minimal risk
Market risk – interest rate	Long-term borrowings at variable rates	Sensitivity analysis	Risk not significant
Market risk – security prices	Investments in debt securities	Sensitivity analysis	Portfolio diversification
Credit risk	Cash and cash equivalents, trade receivables, debt investments and contract assets	Aging analysis Credit ratings	Diversification of bank deposits, credit limits and letters of credit
Liquidity risk	Borrowings and other liabilities	Rolling cash flow forecasts	Availability of committed credit lines and borrowing facilities

Notes to the Consolidated Financial Statements

3 Financial risk management (Continued)

The risk management of the Group was controlled by the Directors. They identified and evaluated financial risks in close co-operation with the operating units of the Group.

(a) Financial risk factors

(i) Market risk

(I) Foreign exchange risk

The Group operated internationally and was exposed to foreign exchange risk, primarily RMB. Foreign exchange risk arose from future commercial transactions and recognised assets and liabilities denominated in a currency that was not the Functional Currency of the relevant Group entity.

Exposure

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. The exposure of the Group to foreign currency risk at the end of the reporting period, expressed in HK$, was as follows:

	2019	2018
	RMB	RMB
	HK$'000	HK$'000
Cash and cash equivalents	**148**	63
Debt investments	**–**	3,481

The aggregate net foreign exchange losses recognised in profit or loss of HK$363,000 (2018: gain of HK$19,000) were included in administrative expenses.

Sensitivity

As shown in the table above, the Group was exposed to changes in RMB/HK$ exchange rates. The sensitivity of profit or loss to changes in the exchange rates arose mainly from RMB denominated financial assets. As at 31st December 2019, if HK$ had weakened/strengthened by 5% against RMB with all other variables held constant, post tax profit and total comprehensive income for the Year would have been HK$7,000 (2018: post tax profit and comprehensive loss HK$177,000 higher/lower) higher/lower.

3 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(i) Market risk (Continued)

(II) 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.

(III) Price risk

<u>Exposure</u>

The exposure of the Group to debt securities price risk arose from investments held by the Group and classified in the consolidated balance sheet as at FVOCI (Note 18).

To manage its price risk arising from investments in debt securities, the Group diversified its portfolio. Diversification of the portfolio was done in accordance with the limits set by the Group.

The majority of the debt investments of the Group were publicly traded.

<u>Sensitivity</u>

With all other variables held constant, if the market price of financial assets at FVOCI measured at fair value had been 10% higher/lower than the actual closing price as at 31st December 2019, other components of equity would increase/decrease by approximately HK$4,317,000 (2018: HK$4,627,000).

(ii) Credit risk

Credit risk arose from cash and cash equivalents, contractual cash flows of debt instruments carried at amortised cost and at FVOCI and deposits with banks, as well as credit exposures to customers, including outstanding receivables.

(I) Risk management

Credit risk was managed on a Group basis, except for credit risk relating to trade receivable balances.

Notes to the Consolidated Financial Statements

3 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(ii) Credit risk (Continued)

(I) Risk management (Continued)

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. 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 compliance with credit limits by customers was regularly monitored by line management.

The investment of the Group in debt instruments were considered to be low risk investments. The credit ratings of the investments were monitored for credit deterioration.

(II) Security

For some trade receivables the Group might obtain security in the form of guarantees, deeds of undertaking or letters of credit which could be called upon if the counterparty was in default under the terms of the agreement.

(III) Impairment of financial assets

The Group had five types of financial assets that were subject to the expected credit loss model:

- trade receivables for sales of inventory and from the provision of services;
- contract assets;
- debt investments carried at amortised cost;
- debt investments carried at FVOCI; and
- other receivables and deposits.

While cash and cash equivalents were also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

Trade receivables and contract assets

The Group applied the HKFRS 9 simplified approach to measure expected credit losses which used a lifetime expected loss allowance for all trade receivables and contract assets.

3 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(ii) Credit risk (Continued)

(III) Impairment of financial assets (Continued)

Trade receivables and contract assets (Continued)

To measure the expected credit losses, trade receivables and contract assets were grouped based on shared credit risk characteristics and the days past due. The contract assets related to unbilled work in progress and had substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group therefore concluded that the expected credit loss rates for trade receivables were a reasonable approximation of the loss rates for the contract assets.

The expected credit loss rates were based on the payment profiles of sales over a period of twenty-four months on or before 31st December 2019 or 31st December 2018 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates were adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

On that basis, the loss allowance as at 31st December 2019 and 31st December 2018 was determined as follows for both trade receivables and contract assets:

	Within six months	>Six months but <twelve months	Over twelve months	Total
31st December 2019				
Expected loss rate	0.08%	1.67%	96.26%	
Gross carrying amount – trade receivables and contract assets	180,322	1,435	16,152	197,909
Loss allowance	**72**	**24**	**15,548**	**15,644**
31st December 2018				
Expected loss rate	0.04%	1.00%	83.46%	
Gross carrying amount – trade receivables and contract assets	125,877	383	17,027	143,287
Loss allowance	55	4	14,211	14,270

Notes to the Consolidated Financial Statements

3 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(ii) Credit risk (Continued)

(III) Impairment of financial assets (Continued)

Trade receivables and contract assets (Continued)

The loss allowances for trade receivables and contract assets as at 31st December reconciles to the opening loss allowances as follows:

	2019 HK$'000	2018 HK$'000
Opening loss allowance as at 1st January	**14,270**	15,112
Receivables written off during the Year as uncollectible	**(502)**	–
Currency translation difference	**(202)**	(692)
Provision/(reversal) for loss allowance	**2,078**	(150)
Closing loss allowance as at 31st December	**15,644**	14,270

Trade receivables and contract assets were written off where there was no reasonable expectation of recovery. Indicators that there was no reasonable expectation of recovery included the failure of a debtor to engage in a repayment plan with the Group.

Impairment losses on trade receivables and contract assets were presented as net impairment losses within administrative expenses. Subsequent recoveries of amounts previously written off were credited against the same line item.

Other receivables and deposits

The credit quality of other receivables and deposits excluding prepayments were assessed with reference to historical information about the counterparties default rates and financial position of the counterparties. The Directors are of the opinion that the credit risk of other receivables and deposits was low due to the sound collection history of the receivables due from them. Therefore, expected credit loss rate of the other receivables and deposits excluding prepayments was assessed to be close to zero. For the receivable from a project owner, an expected credit loss rate of 100% was employed.

3 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(ii) Credit risk (Continued)

(III) Impairment of financial assets (Continued)

Debt investments

All of the debt investments of the entity at amortised cost and FVOCI were considered to have low credit risk, and the loss allowance recognised during the period was therefore limited to expected losses of twelve months. Management considered "low credit risk" for listed bonds to be an investment grade credit rating with at least one major rating agency. Other instruments were considered to be low credit risk when they had a low risk of default and the issuer had a strong capacity to meet its contractual cash flow obligations in the near term.

Financial assets at amortised cost

The Group entered into a wealth management product with a bank during the year ended 31st December 2018. The management considered that the counterparty was a bank with high credit rating and, therefore, the default risk is remote.

Debt investments at FVOCI

Debt investments at FVOCI included listed debt securities. The loss allowance for debt investments at FVOCI was recognised in profit or loss and reduced the fair value otherwise recognised in OCI.

The loss allowance for debt investments at FVOCI as at 31st December reconciles to the opening loss allowance as follows:

	2019 and 2018 HK$'000
Loss allowance as at 1st January 2018	**227**
Increase in loan loss allowance recognised in profit or loss during the year ended 31st December 2018	**38**
Loss allowance as at 31st December 2018	**265**
Decrease in loan loss allowance recognised in profit or loss during the Year	**(159)**
Closing loss allowance as at 31st December 2019	**106**

Notes to the Consolidated Financial Statements

3 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(ii) Credit risk (Continued)

(III) Impairment of financial assets (Continued)

Net provision/(reversal) of loss allowance for financial and contract assets recognised in profit or loss

During the Year, the following provisions/(reversals) were recognised in profit or loss in relation to impaired assets:

	2019 **HK$'000**	2018 HK$'000
Impairment losses		
Provision/(reversal) on loss allowance for trade receivables and contract assets	**2,078**	(150)
Provision of loss allowance for other receivables	**14,100**	–
(Reversal)/provision of loss allowance for financial assets at FVOCI	**(159)**	38
Net provision/(reversal) of loss allowance	**16,019**	(112)

(iii) Liquidity risk

Prudent liquidity risk management implied maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due. As at 31st December 2019, the Group held cash and cash equivalents of HK$64,263,000 (2018: HK$79,888,000) that were expected to readily generate cash inflows for managing liquidity risk. Due to the dynamic nature of the underlying businesses, the Directors maintained flexibility in funding by maintaining availability under committed credit lines.

Management monitored rolling forecasts of the liquidity reserve (comprising the undrawn borrowing facilities below) and cash and cash equivalents (Note 21) of the Group on the basis of expected cash flows. This was generally carried out at local level in the operating companies of the Group, in accordance with practice and limits set by the Group. These limits varied by location to take into account the liquidity of the market in which the entity operated. In addition, the liquidity management policy of the Group involved projecting cash flows in major currencies and considering the level of liquid assets necessary to meet these monitoring balance sheet liquidity ratios against internal and external regulatory requirements and maintaining debt financing plans.

3 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(iii) Liquidity risk (Continued)

(I) Financing arrangements

The Group had access to the following undrawn borrowing facilities at the end of the reporting period:

	2019 HK$'000	2018 HK$'000
Fixed rate		
Expiring within one year (bank overdraft)	**389,029**	397,168

The bank facilities might be drawn at any time and might be terminated by the bank without notice. The unsecured bill acceptance facility might be drawn at any time and was subject to annual review.

(II) Maturities of financial liabilities

The table below analysed the financial liabilities of the Group into relevant maturity groupings based on their contractual maturities for all non-derivative financial liabilities.

The amounts disclosed in the table were the contractual undiscounted cash flows. Balances due within twelve months equaled their carrying balances as the impact of discounting was not significant.

Contractual maturities of financial liabilities	**Less than one year HK$'000**
As at 31st December 2019	
Trade and bills payables	**101,616**
Other payables and accruals	**22,187**
Total	**123,803**
As at 31st December 2018	
Trade and bills payables	59,608
Other payables and accruals	22,923
Total	82,531

Notes to the Consolidated Financial Statements

3 Financial risk management (Continued)

(b) Capital management – risk management

The objectives of the Group when managing capital were to

- safeguard the ability of the Group to continue as a going concern, so that it could continue to provide returns for Members and benefits for other stakeholders, and
- 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.

(c) Fair value estimation for financial assets and liabilities

(i) Fair value hierarchy

This section explains the judgements and estimates made in determining the fair values of the financial instruments that were recognised and measured at fair value in the consolidated financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group classified its financial instruments into the two levels prescribed under the accounting standards. An explanation of each level follows underneath the table.

Recurring fair value measurements	**31st December 2019 Level one HK$'000**	31st December 2018 Level one HK$'000
Financial assets		
Financial assets at FVOCI		
Debt investments	**43,174**	46,274

3 Financial risk management (Continued)

(c) Fair value estimation for financial assets and liabilities (Continued)

(i) Fair value hierarchy (Continued)

The policy of the Group was to recognise transfers into and out of fair value hierarchy levels as at the end of the reporting period.

Level one: The fair value of financial instruments traded in active markets (such as publicly traded derivatives and equity securities) was based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group was the current bid price. These instruments were included in level one.

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

(ii) Valuation techniques used to determine fair values

Discounted cash flow analysis was used to value unlisted equity securities.

The resulting fair value estimate was included in level three, where the fair value was determined based on present values and the discount rates used were adjusted for counterparty or own credit risk.

(iii) Valuation inputs and relationships to fair value

The following table summarises the quantitative information about the significant unobservable inputs used in level three unlisted equity securities fair value measurements (see (ii) above for the valuation technique adopted):

Fair value as at	Unobservable inputs	2018
31st December 2018	Weighted average cost of capital	20.10%
	Long-term revenue growth rate	2.10%
	Discount for lack of marketability	10.90%
	Discount for lack of control	22.00%

Notes to the Consolidated Financial Statements

3 Financial risk management (Continued)

(c) Fair value estimation for financial assets and liabilities (Continued)

(iv) Valuation processes

The main level three inputs used by the Group were derived and evaluated as follows:

- Discount rates for financial assets were determined using a capital asset pricing model to calculate a pre-tax rate that reflected current market assessments of the time value of money and the risk specific to the asset.
- Risk adjustments specific to the counterparties were derived from credit risk gradings determined by the independent qualified valuer.
- Earnings growth factors for unlisted equity securities were estimated based on market information for similar types of companies.

Changes in level three fair values were analysed at the end of each reporting period.

4 Critical accounting estimates and judgements

The preparation of consolidated financial statements required the use of accounting estimates which, by definition, would seldom equal the actual results. Management also needed to exercise judgement in applying the accounting policies of the Group.

Estimates and judgements were continually evaluated. They were based on historical experience and other factors, including expectations of future events that might have a financial impact on the entity and that were believed to be reasonable under the circumstances.

(a) Critical accounting estimates

(i) 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 and judgements (Continued)

(a) Critical accounting estimates (Continued)

(ii) Estimation of current tax payable and current tax expense

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.

(b) Critical accounting judgements

(i) Consolidation decision – consolidation of an entity with less than 50% ownership

The Directors concluded that the Company indirectly controlled GZIC, even though it held less than half of the voting rights of this subsidiary. This was because GVDL held 81.82% interest directly in GZIC and was able to control GZIC. For details of GVDL and GZIC see Note 10.

(ii) Impairment of financial assets

The loss allowances for financial assets were based on assumptions about risk of default and expected loss rates. The Group used judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the past history of the Group, existing market conditions as well as forward-looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in the table in Note 3(a)(ii).

5 Segment information

(a) Description of segments and principle activities

The executive Directors examined the performance of the Group both from a product and geographic perspective and identified three reportable segments of its business:

(i) Design, sale and implementation of network and systems infrastructure; customer data automation, customisation and integration; and provision of technical support services – Mainland China

The founding business of the Group mainly comprised of provision of technical support services.

Notes to the Consolidated Financial Statements

5 Segment information (Continued)

(a) Description of segments and principle activities (Continued)

(ii) Design, sale and implementation of network and systems infrastructure; customer data automation, customisation and integration; and provision of technical support services – Hong Kong and Macao

This segment was mainly for the Government of Macao and gaming and hotel operators in Macao, and various telecommunications solutions providers located in Hong Kong with branches across the world. It began to grow since 2003 and specialised in the IT and surveillance systems in casinos. It also included the provision of computer software, hardware and system integration, network management services and customised software in Macao, carried under MDL.

(iii) CNMS

It engaged in software consultancy services in PRC.

The executive Directors primarily used a measure of adjusted EBITDA (see below) to assess the performance of the operating segments. However, they also received information about the revenue and assets of the segments on a monthly basis.

(b) Adjusted EBITDA

Adjusted EBITDA excluded the effects of gains or losses on financial instruments.

Interest income and finance cost were not allocated to segments, as this type of activity was driven by the executive Directors, who managed the cash position of the Group.

	2019 **HK$'000**	2018 HK$'000
Design, sale and implementation of network and systems infrastructure; customer data automation, customisation and integration; and provision of technical support services:		
– Mainland China	**(1,299)**	1,155
– Hong Kong and Macao	**(1,838)**	1,028
CNMS	**(3,322)**	(1,397)
Total adjusted EBITDA	**(6,459)**	786

5 Segment information (Continued)

(b) Adjusted EBITDA (Continued)

Adjusted EBITDA reconciled to (loss)/profit before income tax as follows:

	2019 HK$'000	2018 HK$'000
Total adjusted EBITDA	**(6,459)**	786
Dividend income	**215**	123
Depreciation – property, plant and equipment	**(2,272)**	(2,304)
Depreciation – right-of-use assets	**(1,645)**	–
Finance income – net	**3,884**	2,543
Gain/(loss) on disposal of financial assets at FVOCI	**142**	(337)
Reversal/(provision) of impairment loss for financial assets at FVOCI	**159**	(38)
(Loss)/profit before income tax	**(5,976)**	773

(c) Other profit and loss disclosures

	2019				2018			
	Provision of loss allowance HK$'000	Depreciation HK$'000	Income tax expense HK$'000	Share of profit of an associate HK$'000	Reversal of loss allowance HK$'000	Depreciation HK$'000	Income tax expense HK$'000	Share of profit of an associate HK$'000
Design, sale and implementation of network and systems infrastructure; customer data automation, customisation and integration; and provision of technical support services:								
– Mainland China	–	(321)	(40)	–	–	(139)	–	–
– Hong Kong and Macao	(16,178)	(2,030)	(1,349)	3	150	(1,228)	(703)	10
CNMS	–	(1,566)	–	–	–	(937)	–	–
Total	(16,178)	(3,917)	(1,389)	3	150	(2,304)	(703)	10

Notes to the Consolidated Financial Statements

5 Segment information (Continued)

(d) Segment assets

Segment assets were measured in the same way as in the consolidated financial statements. These assets were allocated based on the operations of the segment and the physical location of the asset.

	2019		2018		
	Segment assets HK$'000	Additions to property, plant and equipment HK$'000	Segment assets HK$'000	Investment in an associate HK$'000	Additions to property, plant and equipment 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	**19,466**	**65**	22,815	–	13
– Hong Kong and Macao	**307,313**	**2,202**	247,881	818	793
CNMS	**12,575**	**466**	15,033	–	464
Total segment assets	**339,354**	**2,733**	285,729	818	1,270
Unallocated:					
Financial assets at FVOCI	**43,174**		47,730		
Financial assets at amortised cost	**–**		7,400		
Total assets as per the consolidated balance sheet	**382,528**		340,859		

Investments in financial assets were not considered to be segment assets. These were investments in debt and equity instruments that were classified as FVOCI and at amortised cost.

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

5 Segment information (Continued)

(e) Disaggregation of revenue from contracts with customers

	Revenue from external customers	
	2019 **HK$'000**	2018 HK$'000
Design, sale and implementation of network and systems infrastructure; customer data automation, customisation and integration; and provision of technical support services:		
– Mainland China	**43,478**	30,135
– Hong Kong and Macao	**478,142**	369,136
CNMS	**9,666**	17,577
	531,286	416,848

Revenues of approximately HK$127,150,000 (2018: HK$90,390,000) 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.

The Company was domiciled in Bermuda. All revenues were derived outside Bermuda.

(f) Assets and liabilities related to contracts with customers

The Group recognised the following assets related to contracts with customers:

	2019 **HK$'000**	2018 HK$'000
Current contract assets	**59,570**	21,908
Loss allowance for contract assets	**(2,117)**	(11)
Total contract assets	**57,453**	21,897

Notes to the Consolidated Financial Statements

5 Segment information (Continued)

(f) Assets and liabilities related to contracts with customers (Continued)

Revenue recognised in relation to contract liabilities

The following table shows how much of the revenue recognised in the current reporting period relates to carried-forward contract liabilities and how much relates to performance obligations that were satisfied in a prior year.

	2019 HK$'000	2018 HK$'000
Revenue recognised that was included in the contract liability balance at the beginning of the period		
Design, sale and implementation of network and systems infrastructure; customer data automation, customisation and integration; and provision of technical support services		
– Hong Kong and Macao	**27,988**	29,019
CNMS	**3,840**	9,261

6 Other gains, net

	2019 HK$'000	2018 HK$'000
Gain/(loss) on disposal of financial assets at FVOCI	**142**	(337)
Dividend	**215**	123
Other items	**845**	1,036
	1,202	822

7 Expenses by nature

	2019 HK$'000	2018 HK$'000
Auditor's remuneration – audit services	**1,487**	1,658
Cost of inventories sold	**344,231**	248,060
Depreciation – property, plant and equipment (Note 14)	**2,272**	2,304
Depreciation – right-of-use asset	**1,645**	–
Employee benefit expenses and Directors' emoluments (Note 8)	**73,083**	70,834
Provision on inventories	**295**	1,307
Provision/(reversal) of loss allowance (Note 3(a)(ii)(III))	**16,019**	(112)
Write-off of trade receivables	**1,114**	–
Loss/(gain) on disposal of property, plant and equipment	**39**	(657)
Short-term lease/operating lease payments	**1,480**	3,955
Transportation expenses	**3,740**	3,080
Other expenses	**96,946**	89,021
Total cost of sales, cost of providing services, selling and marketing costs and administrative expenses	**542,351**	419,450

8 Employee benefit expenses and Directors' emoluments

	2019 HK$'000	2018 HK$'000
Wages and salaries	**70,720**	68,420
Directors' fees	**750**	750
Social security costs	**1,389**	1,257
Pension costs – defined contribution plans	**224**	407
Total employee benefit expenses and Director's emoluments	**73,083**	70,834

(a) Pensions – defined contribution plans

There were no forfeited contributions.

Contributions totalling HK$224,000 (2018: HK$407,000) were paid to the fund during the Year.

Notes to the Consolidated Financial Statements

8 Employee benefit expenses and Directors' emoluments (Continued)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the Year included three (2018: three) Directors whose emoluments are reflected in the analysis shown in Note 34. The emoluments payable to the remaining two (2018: two) individuals during the Year are as follows:

	2019 **HK$'000**	2018 HK$'000
Basic salaries and allowances	**1,864**	1,815
Contributions to pension scheme	**39**	39
Bonuses	**270**	415

The emoluments fell within the following bands:

	Number of individuals	
	2019	2018
Emolument bands (in HK$)		
HK$1,000,001 – HK$1,500,000	**2**	2

(c) Remuneration payable to members of senior management (other than Directors) by band

	Number of individuals	
	2019	2018
Emolument bands (in HK$)		
<HK$500,000	**2**	2
HK$500,001 – HK$1,000,000	**7**	8
>HK$1,000,000	**4**	4

9 Finance income – net

	2019 **HK$'000**	2018 HK$'000
Finance income		
Interest income	**4,129**	2,618
Finance costs expensed		
Bank borrowing interest expense	**(112)**	(75)
Interest and finance charges paid/payable for lease liabilities	**(133)**	–
Finance income – net	**3,884**	2,543

10 Subsidiaries

The principal subsidiaries of the Company as at 31st December 2019 are set out below. They were held indirectly by the Company and the proportion of ownership interests held equaled the voting rights held by the Company.

Name of entity	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of registered capital	Effective ownership interest held by the Company (%)	Ownership interest held by NCI (%)
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	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	–

Notes to the Consolidated Financial Statements

10 Subsidiaries (Continued)

Name of entity	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital/ registered capital	Effective ownership interest held by the Company (%)	Ownership interest held by NCI (%)
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
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	–
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.	PRC, limited liability company	Research and development of software and related software consultancy services in Mainland China	HK$3,200,000	100	–

10 Subsidiaries (Continued)

(a) Significant restrictions

Cash and short-term deposits held in Mainland China were subject to local exchange control regulations. These regulations provided for restrictions on exporting capital from Mainland China, other than through normal intra-group sale and purchase and dividends.

The carrying amount of the assets included within the consolidated financial statements to which these restrictions applied was HK$9,716,000 (2018: HK$5,883,000).

(b) NCI

The total NCI as at 31st December 2019 was a deficit of HK$3,918,000 (2018: HK$1,838,000). NCI in respect of each individual subsidiary was not material.

11 Interest in an associate

Set out below was the associate of the Group as at 31st December 2018. The entity listed below had share capital held directly by the Group. The place of incorporation was also its principal place of business, and the proportion of ownership interest was the same as the proportion of voting rights held.

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 on 30th December 2015.

Summarised financial information for STL

The tables below provide summarised financial information for STL. The information disclosed reflected the amounts presented in the financial statements of STL and not the share of those amounts of the Company.

Notes to the Consolidated Financial Statements

11 Interest in an associate (Continued)

Summarised financial information for STL (Continued)

(a) Summarised balance sheet

	2018 **HK$'000**
Total current assets	1,821
Total current liabilities	(1)
Net assets	1,820

(b) Reconciliation to carrying amount:

	2018 **HK$'000**
Opening net assets as at 1st January	1,798
Profit for the year ended 31st December	22
Closing net assets	1,820
Share of the Group in %	45%
Share of the Group in HK$'000 and carrying amount	818
Revenue	–
Profit for the year ended 31st December 2018 and total comprehensive income	22

Movement of interest in an associate during the Year is as follows:

	HK$'000
Opening interest in an associate as at 1st January	818
Share of net profit of an associate accounted for using the equity method	3
Dividend received	(756)
Interest in an associate as at acquisition date (Note)	65

Note:

On 5th August 2019, the Group acquired an additional 35% of the share capital of STL. Note 30 provides details about the business combination.

12 Income tax expense

This note provides an analysis of the income tax expense of the Group, shows how the tax expense is affected by non-assessable and non-deductible items. It also explains significant estimates made in relation to the tax position of the Group.

(a) Income tax expense

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

Macao complementary profits tax was calculated at the rate of 12% on the estimated assessable profit for the Year and the year ended 31st December 2018.

No Hong Kong profits tax was provided for the Year and the year ended 31st December 2018 as there was no assessable profit for these years.

(b) Numerical reconciliation of income tax expense to prima facie tax payable

	2019 HK$'000	2018 HK$'000
(Loss)/profit before income tax expense	**(5,976)**	773
Tax calculated at domestic tax rates applicable to profits in the respective regions	**(2,719)**	(406)
Tax effects of amounts which were not deductible (taxable) in calculating taxable income:		
– Income not subject to tax	**(571)**	(314)
– Expenses not deductible for tax purposes	**1,954**	1,175
Previously unrecognised tax losses now recouped to reduce current tax expense	**(44)**	(1,208)
Tax losses for which no deferred income tax asset was recognised	**2,772**	1,651
Adjustments for current tax of prior periods	**(3)**	(195)
Income tax expense	**1,389**	703

Notes to the Consolidated Financial Statements

12 Income tax expense (Continued)

(c) Tax losses

The Group did not recognise deferred income tax assets of HK$15,732,000 (2018: HK$12,960,000) in respect of tax losses amounting to HK$79,572,000 (2018: HK$70,075,000) that could be carried forward against future taxable income. Cumulative tax losses amounting to HK$59,379,000 (2018: HK$52,866,000) could be carried forward indefinitely; cumulative tax losses of HK$20,193,000 (2018: HK$17,209,000) would expire (if not utilised) within the next five years.

13 Loss per Share

(a) Basic loss per Share

Basic loss per Share was calculated by dividing:

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

(b) Loss used in calculating loss per Share

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

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

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

(d) Diluted loss per Share

Diluted loss per Share was calculated by adjusting the weighted average number of Shares outstanding to assume conversion of all dilutive potential Shares. For the Year and the year ended 31st December 2018, the computation of diluted loss per Share did not assume that outstanding Options since their exercise would reduce loss per Share.

14 Property, plant and equipment

Non-current	Leasehold improvements HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Demon-stration equipment HK$'000	Total HK$'000
As at 1st January 2018					
Cost	2,181	11,258	1,821	2,085	17,345
Accumulated depreciation	(2,052)	(7,894)	(1,627)	(997)	(12,570)
Net book amount	129	3,364	194	1,088	4,775
Year ended 31st December 2018					
Opening net book amount	129	3,364	194	1,088	4,775
Exchange differences	(2)	(117)	(3)	–	(122)
Additions	174	736	22	338	1,270
Disposals	–	(87)	–	(163)	(250)
Depreciation charge (Note 7)	(165)	(1,337)	(60)	(742)	(2,304)
Closing net book amount	136	2,559	153	521	3,369
As at 31st December 2018					
Cost	2,235	11,278	1,825	2,159	17,497
Accumulated depreciation	(2,099)	(8,719)	(1,672)	(1,638)	(14,128)
Net book amount	136	2,559	153	521	3,369
Year					
Opening net book amount	136	2,559	153	521	3,369
Exchange differences	32	(35)	4	–	1
Additions	1,780	935	3	15	2,733
Disposals	(39)	(2)	(2)	–	(43)
Depreciation charge (Note 7)	(307)	(1,484)	(48)	(433)	(2,272)
Closing net book amount	1,602	1,973	110	103	3,788
As at 31st December 2019					
Cost	3,929	11,968	1,812	2,174	19,883
Accumulated depreciation	(2,327)	(9,995)	(1,702)	(2,071)	(16,095)
Net book amount	1,602	1,973	110	103	3,788

Notes to the Consolidated Financial Statements

15 Leases

This note provides information for leases where the Group was a lessee.

(a) Amounts recognised in the consolidated balance sheet

The consolidated balance sheet shows the following amounts relating to leases:

	2019 HK$'000	1st January 2019 HK$'000
Right-of-use assets		
Buildings	**2,602**	2,556
Lease liabilities		
Current	**1,617**	1,404
Non-current	**1,033**	1,152
	2,650	2,556

Additions to the right-of-use assets during the Year were HK$1,691,000.

(b) Amounts recognised in the consolidated statement of profit or loss

The consolidated statement of profit or loss shows the following amounts relating to leases:

	2019 HK$'000
Depreciation charge of right-of-use assets – buildings	**1,645**
Interest expense (included in finance cost)	**133**
Expense relating to short-term leases (included in administrative expenses)	**1,480**

The total cash outflow for lease in the Year was HK$3,210,000.

(c) The leasing activities of the Group and how they were accounted for

The Group leased various offices and a warehouse. Rental contracts were typically made for fixed periods of one to five years.

Lease terms were negotiated on an individual basis and contained a wide range of different terms and conditions. The lease agreements did not impose any covenants. Leased assets might not be used as security for borrowing purposes.

16 Financial instruments by category

The Group held the following financial instruments:

	2019 HK$'000	2018 HK$'000
Financial assets		
Financial assets at amortised cost		
– Trade and other receivables, contract assets and deposits excluding prepayments	**190,255**	175,245
– Cash and cash equivalents	**64,263**	79,888
– Debenture assets	**–**	7,400
Financial assets at FVOCI	**43,174**	47,730
	297,692	310,263
Financial liabilities		
Liabilities at amortised cost		
Trade, bills and other payables excluding non-financial liabilities	**116,046**	82,531
Lease liabilities	**2,650**	–
	118,696	82,531

The exposure of the Group to various risks associated with the financial instruments is discussed in Note 3. The maximum exposure to credit risk at the end of the reporting period was the carrying amount of each class of financial assets mentioned above.

17 Other financial assets at amortised cost

Financial assets at amortised cost included the following:

Current	2019 HK$'000	2018 HK$'000
Other receivables and deposits (Note (a))	**22,090**	21,852
Less: provision for other receivables from a project owner	**(14,100)**	–
	7,990	21,852
Debenture assets (Note (b))	**–**	7,400
Prepayment and advance to suppliers	**46,600**	32,665
	54,590	61,917

Notes to the Consolidated Financial Statements

17 Other financial assets at amortised cost (Continued)

(a) Other receivables and deposits

These amounts generally arose from transactions outside the usual operating activities of the Group. Collateral was not normally obtained. Loss allowance was made for other receivables from a project owner.

(b) Fair values of debenture assets

Due to the short-term nature of the debenture asset, its carrying amount was considered to be the same as its fair value.

(c) Impairment and risk exposure

Note 3(a)(ii)(III) sets out the information about the impairment of financial assets and the exposure of the Group to credit risk.

There was no exposure to price risk as the investments would be held to maturity.

18 Financial assets at FVOCI

	2019 HK$'000	2018 HK$'000
Non-current		
Listed securities – corporate bonds (Note (c))	**43,174**	42,357
Unlisted securities – equity securities (Note (b))	**–**	1,456
	43,174	43,813
Current		
Listed securities – corporate bonds (Note (c))	**–**	3,917
	–	3,917
	43,174	47,730

(a) Classification of financial assets at FVOCI

Financial assets at FVOCI comprised:

– Unlisted equity securities which were not held for trading, and which the Group had irrevocably elected at initial recognition to recognise in this category. These were strategic investments and the Group considered this classification to be more relevant.

– Listed debt securities where the contractual cash flows were solely principal and interest and the objective of the business model of the Group was achieved both by collecting contractual cash flows and selling financial assets.

18 Financial assets at FVOCI (Continued)

(b) Equity investments at FVOCI

Equity investments at FVOCI comprised unlisted securities. On disposal of these equity investments, any related balance within FVOCI reserve was reclassified to retained earnings.

(c) Disposal of equity investments

Since 1st January 2019, the Group sold its shares in an unlisted company as a result of a takeover offer for cash. The shares sold had a fair value of HK$1,939,000 and the Group realised a gain of HK$829,000, of which HK$346,000 was already included in OCI. The gain was transferred to retained earnings, net of tax, see Note 23.

(d) Debt investments at FVOCI

Debt investments at FVOCI comprised listed bonds.

On disposal of these debt investments, any related balance within FVOCI reserve was reclassified to other gains, net within profit or loss.

19 Trade receivables and contract assets

Current assets	**2019 HK$'000**	2018 HK$'000
Trade receivables from contracts with customers	**138,339**	121,379
Contract assets	**59,570**	21,908
Loss allowance for trade receivables and contract assets (see Note 3(a))	**(15,644)**	(14,270)
	182,265	129,017

Notes to the Consolidated Financial Statements

19 Trade receivables and contract assets (Continued)

Sales of the Group were on receipts in advance, letter of credit or 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, the ageing analysis of the trade receivables based on invoice date was as follows:

	2019 HK$'000	2018 HK$'000
Within three months	**93,826**	101,205
> Three months but ≤ six months	**29,003**	2,764
> Six months but ≤ twelve months	**1,435**	383
Over twelve months	**14,075**	17,027
	138,339	121,379

(a) Fair values of trade receivables

Due to the short-term nature of the current receivables, their carrying amount was considered to be the same as their fair value.

(b) Impairment and risk exposure – trade receivables and contract assets

The Group applied the HKFRS 9 simplified approach to measure expected credit losses which used a lifetime expected loss allowance for all trade receivables and contract assets. Note 3 provides for details about the calculation of the allowance.

The loss allowance decreased from HK$14,259,000 to HK$13,527,000 for trade receivables and increased from HK$11,000 to HK$2,117,000 for contract assets during the current reporting period.

Information about the impairment of trade receivables and the exposure of the Group to credit risk and foreign currency risk can be found in Note 3.

19 Trade receivables and contract assets (Continued)

(c) Past due but not impaired

As at 31st December 2019, trade receivables of HK$124,812,000 (2018: HK$107,120,000) 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:

	2019 HK$'000	2018 HK$'000
Within three months	**93,865**	101,147
> Three months but ≤ six months	**29,003**	2,764
> Six months but ≤ twelve months	**1,435**	383
Over twelve months	**509**	2,826
	124,812	107,120

20 Inventories

Current assets	**2019 HK$'000**	2018 HK$'000
Networking equipment	**31,846**	18,120

(a) Assigning costs to inventories

The costs of individual items of inventory were determined using weighted average costs. See Note 2(m) for the other accounting policies of the Group for inventories.

(b) Amounts recognised in profit or loss

Inventories recognised as an expense during the Year amounted to HK$344,231,000 (2018: HK$248,060,000). These were included in cost of sales.

Write-downs of inventories to net realisable value amounted to HK$295,000 (2018: HK$1,307,000). These were recognised as an expense during the Year and included in cost of sales in the consolidated statement of profit or loss.

Notes to the Consolidated Financial Statements

21 Cash and cash equivalents

Current assets	2019 HK$'000	2018 HK$'000
Cash at bank and in hand	**59,890**	79,551
Deposits at call	**2,138**	337
Debenture assets – original maturity within three months	**2,235**	–
	64,263	79,888

22 Share capital

	2019 Shares (thousands)	2018 Shares (thousands)	2019 HK$'000	2018 HK$'000
Shares, fully paid	**614,435**	614,435	**61,570**	61,570

(a) Movement in Shares

Details	Number of Shares (thousands)	Share capital HK$'000
Balance as at 1st January 2018, 31st December 2018 and 2019	614,435	61,570

(b) Shares

Shares had a par value of HK$0.10 each. They entitled the holder to participate in dividends, and to share in the proceeds of winding up the Company in proportion to the number of and amounts paid on the Shares held.

On a show of hands every Member present at a meeting in person or by proxy, was entitled to one vote, and upon a poll each Share was entitled to one vote.

The Company had authorised share capital of HK$200,000,000.

(c) Options

Information relating to the Scheme, including details of Options issued, exercised and lapsed during the Year and Options outstanding at the end of the reporting period, is set out in Note 25.

23 Other reserves

The following table shows a breakdown of the balance sheet line item "other reserves" and the movements in these reserves during the Year. A description of the nature and purpose of certain reserves is provided below the table.

	Contributed surplus HK$'000	Share-based payments HK$'000 (Note 25)	Capital redemption reserve HK$'000	Financial assets at FVOCI HK$'000	Merger reserve HK$'000	Statutory reserve HK$'000	Foreign currency translation HK$'000	Total other reserves HK$'000
As at 1st January 2018	**97,676**	**7,442**	**702**	**716**	**35,549**	**49**	**2,914**	**145,048**
Revaluation – loss	–	–	–	(2,943)	–	–	–	(2,943)
Reclassification to profit or loss – gross	–	–	–	261	–	–	–	261
Currency translation differences	–	–	–	–	–	–	(25)	(25)
Other comprehensive loss	**–**	**–**	**–**	**(2,682)**	**–**	**–**	**(25)**	**(2,707)**
As at 31st December 2018	**97,676**	**7,442**	**702**	**(1,966)**	**35,549**	**49**	**2,889**	**142,341**
Transfer to retained earnings by disposal of equity instrument at FVOCI	–	–	–	(829)	–	–	–	(829)
Net amount transferred	–	–	–	(829)	–	–	–	(829)
Revaluation – gain for debt instruments	–	–	–	3,732	–	–	–	3,732
Revaluation – gain for equity instruments	–	–	–	483	–	–	–	483
Reclassification to profit or loss – gross	–	–	–	(142)	–	–	–	(142)
Currency translation differences	–	–	–	–	–	–	(107)	(107)
OCI	–	–	–	4,073	–	–	(107)	3,966
As at 31st December 2019	**97,676**	**7,442**	**702**	**1,278**	**35,549**	**49**	**2,782**	**145,478**

Notes to the Consolidated Financial Statements

23 Other reserves (Continued)

Nature and purpose of other reserves

(a) Merger reserve

It 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) Statutory reserve

The Macao Decreto-Lei n°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.

(c) Financial assets at FVOCI

The Group elected to recognise changes in the fair value of certain investments in debt and equity securities in OCI, as explained in Note 18. These changes were accumulated within the FVOCI reserve within equity. The Group transferred amounts from this reserve to retained earnings when the relevant equity securities were derecognised.

The Group also had certain debt investments measured at FVOCI, as explained in Note 18. For these investments, changes in fair value were accumulated within the FVOCI reserve within equity. The accumulated changes in fair value were transferred to profit or loss when the investment was derecognised or impaired.

(d) Share-based payments

The share-based payments reserve was used to recognise the grant date fair value of Options issued but not exercised.

(e) Foreign currency translation

Exchange differences arising on translation of the non-Hong Kong controlled entities were recognised in OCI as described in Note 2(h) and accumulated in a separate reserve within equity. The cumulative amount was reclassified to profit or loss when the net investment was disposed of.

24 (Accumulated losses)/retained earnings

Movements in (accumulated losses)/retained earnings were as follows:

	2019 HK$'000	2018 HK$'000
Balance 1st January	3,529	10,071
Change in accounting policy	–	(227)
Net loss for the Year	(5,256)	(171)
Reclassification of gain on disposal of equity instruments at FVOCI, net of tax	829	–
Dividend	(3,072)	(6,144)
Balance 31st December	(3,970)	3,529

25 Share-based payments – Scheme

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 at 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.

Set out below are summaries of Options granted under the Scheme:

	2019		2018	
	Exercise price per Option	Number of Options (thousands)	Exercise price per Option	Number of Options (thousands)
As at 1st January	HK$0.305	27,448	HK$0.305	28,332
Lapsed during the Year	HK$0.305	(27,448)	HK$0.305	(884)
As at 31st December	–	–	HK$0.305	27,448

26 Trade, bills and other payables, accruals and contract liabilities

Current liabilities	2019 HK$'000	2018 HK$'000
Trade and bills payables	101,616	59,608
Other payables and accruals	22,187	22,923
Contract liabilities	46,551	43,022
	170,354	125,553

Notes to the Consolidated Financial Statements

26 Trade, bills and other payables, accruals and contract liabilities (Continued)

The carrying amounts of trade and other payables were considered to be the same as their fair values, due to their short-term nature.

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

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

27 Dividends

(a) Shares

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

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

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

28 Cash flow information – cash (used in)/generated from operations

	2019 **HK$'000**	2018 HK$'000
(Loss)/profit before income tax	**(5,976)**	773
Adjustments for		
Depreciation – property, plant and equipment (Note 14)	**2,272**	2,304
Depreciation – right-of-use assets (Note 7)	**1,645**	–
Net (gain)/loss on sale of financial assets at FVOCI	**(142)**	337
Net loss/(gain) on disposal of property, plant and equipment (Note 7)	**39**	(657)
Finance income – net (Note 9)	**(3,884)**	(2,543)
Share of profit of an associate	**(3)**	(10)
Provision for inventories (Note 7)	**295**	1,307
Provision/(reversal) of loss allowance (Note 7)	**16,019**	(112)
Write-off of trade receivables	**1,114**	–
Changes in operating assets and liabilities, net of effects from purchase of controlled entity:		
(Increase)/decrease in inventories	**(14,021)**	3,395
(Increase)/decrease in trade and other receivables, deposits, prepayments and contract assets	**(70,590)**	37,859
Increase/(decrease) in trade and bills payables and contract liabilities	**45,537**	(22,637)
(Decrease)/increase in other payables and accruals	**(736)**	2,130
Cash (used in)/generated from operations	**(28,431)**	22,146

29 Commitments – non-cancellable operating leases

The Group leased various offices and a warehouse under non-cancellable operating leases within one to five years. The leases had varying terms and renewal rights. On renewal, the terms of the leases were renegotiated.

From 1st January 2019, the Group recognised right-of-use assets for these leases, except for short-term leases, see Note 15 for further information.

Notes to the Consolidated Financial Statements

30 Business combination

(a) Summary of acquisition

On 5th August 2019, the Group acquired an additional 35% of the share capital of STL.

The purchase consideration was HK$51,000 in cash.

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	HK$'000
Cash and cash equivalents	1,836
Other payables	(1,691)
Net identifiable assets acquired	145
Less: fair value of interest in an associate (Note 11(b))	(65)
Less: NCI	(29)
Purchase consideration	51

There were no acquisitions in the year ended 31st December 2018.

(i) Accounting policy choice for NCI

The Group recognised NCI in an acquired entity either at fair value or at the proportionate share of NCI of the net identifiable assets of the acquired entity. The decision was made on an acquisition-by-acquisition basis. For NCI in STL, the Group elected to recognise NCI at its proportionate share of the acquired net identifiable assets. See Note 2(e) for the accounting policies of the Group for business combinations.

(ii) Revenue and profit contribution

The acquired business contributed no revenue and net profit of HK$1,000 to the Group for the period from 5th August 2019 to 31st December 2019.

If the acquisition had occurred on 1st January 2019, consolidated pro-forma revenue and loss for the Year would have been HK$531,286,000 and HK$7,357,000 respectively. These amounts were calculated using the results of the subsidiary.

30 Business combination (Continued)

(b) Purchase consideration – cash inflow

	2019 HK$'000
Cash consideration paid	(51)
Less: cash and cash equivalents acquired	137
Net inflow of cash – investing activities	86

31 Related party transactions

(a) Parent entities

The Group was controlled by the following entities:

Name	Type	Place of incorporation	Ownership interest (%) 2019	Ownership interest (%) 2018
Eve Resources Limited ("ERL")	Immediate parent entity	BVI	58.26	49.08
Ocean Hope Holdings Limited ("OHHL")	Ultimate parent entity and controlling party	BVI	58.26*	49.08*

* OHHL held 100% of the issued ordinary shares of ERL.

(b) Subsidiaries

Interests in subsidiaries are set out in Note 10.

(c) Key management compensation

Remuneration to all key management of the Group is disclosed in Notes 8 and 34 to the consolidated financial statements.

Notes to the Consolidated Financial Statements

31 Related party transactions (Continued)

(d) Transactions with other related parties

The following transactions occurred with related parties:

	2019 HK$'000	2018 HK$'000
Sale and purchases of goods and services		
Sale of goods to an entity controlled by key management personnel	**885**	51
Sale of goods to a restaurant owned by a child of key management personnel	**3**	1
Purchases of goods from an entity controlled by key management personnel	**748**	143
Entertainment expenses paid to a restaurant owned by a child of key management personnel	**–**	15
Other transaction		
Dividend paid to ERL	**1,790**	3,015
Operating lease payments to an executive Director	**–**	1,379

During the Year, an executive Director was entitled to receive HK$1,412,000 from the Group for leasing certain offices to the Group.

(e) Current payables to related parties

	2019 HK$'000	2018 HK$'000
Bonus to executive Directors	**2,404**	522
Lease liabilities to an executive Director	**1,942**	–

31 Related party transactions (Continued)

(f) Terms and conditions

Transactions relating to dividend were on the same terms and conditions that applied to other Members.

An executive Director, José Manuel dos Santos, received his rental income on normal commercial terms and conditions.

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. 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. Goods were bought from an entity controlled by key management personnel on normal commercial terms and conditions.

32 Events after the reporting period

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

Notes to the Consolidated Financial Statements

33 Balance sheet and reserve movement of the Company

Balance sheet of the Company

		As at 31st December	
		2019	2018
		HK$'000	HK$'000
Assets			
Non-current assets			
Investments in subsidiaries		**6,091**	6,091
Current assets			
Amounts due from subsidiaries		**293,132**	287,424
Prepayments		**318**	273
Cash and cash equivalents		**641**	478
		294,091	288,175
Liabilities			
Current liabilities			
Amounts due to subsidiaries		**51,523**	48,673
Other payables and accruals		**1,216**	1,228
		52,739	49,901
Net current assets		**241,352**	238,274
Total assets less current liabilities		**247,443**	244,365
Equity			
Equity attributable to owners of the Company			
Share capital		**61,570**	61,570
Other reserves	(Note (b))	**179,538**	179,538
Retained earnings	(Note (a))		
– Proposed final dividend		**6,144**	3,072
– Others		**191**	185
Total equity		**247,443**	244,365

The balance sheet of the Company has been approved by the Board on 20th March 2020 and signed on its behalf:

José Manuel dos Santos **Monica Maria Nunes**

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

Notes:

(a) Retained earnings movement of the Company

	HK$'000
As at 1st January 2018	**6,389**
Profit for the year ended 31st December 2018	**3,012**
Dividend paid	**(6,144)**
As at 31st December 2018	**3,257**
Profit for the Year	**6,150**
Dividend paid	**(3,072)**
As at 31st December 2019	**6,335**

(b) Other reserves

	Contributed surplus (Note (c)) HK$'000	Share-based payment HK$'000	Capital redemption reserve HK$'000	Total HK$'000
Balance as at 1st January 2018, 31st December 2018 and 2019	**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.

Notes to the Consolidated Financial Statements

34 Benefits and interests of Directors (disclosures required by Section 383 of CO, the Companies (Disclosure of Information about Benefits of Directors) Regulation (Chapter 622G of the Laws of Hong Kong) and the GEM Listing Rules) – 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	Employer's contribution to a retirement benefit scheme HK$'000	Bonus HK$'000	Total HK$'000
José Manuel dos Santos	**130**	**5,069**	**–**	**500**	**5,699**
Kuan Kin Man *(Note)*	**130**	**1,299**	**–**	**500**	**1,929**
Monica Maria Nunes *(Note)*	**130**	**1,594**	**23**	**500**	**2,247**
Fung Kee Yue Roger	**120**	**–**	**–**	**–**	**120**
Wong Tsu An Patrick	**120**	**–**	**–**	**–**	**120**
Tou Kam Fai	**120**	**–**	**–**	**–**	**120**

For the year ended 31st December 2018:

Name	Fees HK$'000	Salary HK$'000	Employer's contribution to a retirement benefit scheme HK$'000	Total HK$'000
José Manuel dos Santos	130	4,921	–	5,051
Kuan Kin Man *(Note)*	130	1,272	–	1,402
Monica Maria Nunes *(Note)*	130	1,566	23	1,719
Fung Kee Yue Roger	120	–	–	120
Wong Tsu An Patrick	120	–	–	120
Tou Kam Fai	120	–	–	120

Note:

Also managing directors. They collectively took up the functions of Chief Executives.

No Director waived or agreed to waive any of their emoluments in respect of the Year (2018: Nil).

Five-year Financial Summary

	Year ended 31st December				
Results	**2019** **HK$'000**	2018 HK$'000	2017 HK$'000	2016 HK$'000	2015 HK$'000
(Loss)/profit attributable to:					
– Owners of the Company	**(5,256)**	(171)	(4,827)	8,989	7,253
– NCI	**(2,109)**	241	(936)	(2,683)	(793)
Assets and liabilities					
Total assets	**382,528**	340,859	371,160	422,126	379,335
Total liabilities	**(183,368)**	(135,257)	(156,777)	(184,345)	(113,531)
Total equity	**199,160**	205,602	214,383	237,781	265,804

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:

"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
"CGI"	Chartered Governance Institute (formerly known as the Institute of Chartered Secretaries and Administrators)
"CGMA"	Chartered Global Management Accountant
"CGP"	Chartered Governance Professional
"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 provisions 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, details of which can be referred to in Note 31(a) to the consolidated financial statements
"ESG"	environmental, social and governance
"Exchange"	The Stock Exchange of Hong Kong Limited, a company incorporated in Hong Kong with limited liability
"France"	The French Republic
"Functional Currency"	the currency of the primary economic environment in which an entity operates
"FVOCI"	fair value through OCI
"GEM"	GEM operated by the Exchange

Definitions

"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
"Group" or "Vodatel" or "We"	the Company and its subsidiaries
"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 consolidated 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 consolidated 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
"HK(IFRIC)-Int"	HK(IFRIC) Interpretation
"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, the Hong Kong Institute of Certified Public Accountants, The Hong Kong Institute of Chartered Secretaries, Hong Kong Standards on Auditing, The Stock Exchange of Hong Kong Limited, Tidestone Science and Technology (Hong Kong) Company Limited and the University of Hong Kong)

"JU"	Jinan University
"KPI"	key performance indicator
"Latest Practicable Date"	20th March 2020, 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"	Pataca, the lawful currency of Macao
"NCI"	non-controlling interest
"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, details of which can be referred to in Note 31(a) to the consolidated financial statements
"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
"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

Definitions

"PRC"	The People's Republic of China
"Remuneration Committee"	the remuneration committee of the Company
"RMB"	Renminbi, the lawful currency of Mainland China
"Scheme"	the share option scheme approved by the Members at the AGM on 22nd June 2012
"SD-WAN"	software-defined networking in a wide area network
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended from time to time
"Share"	ordinary share of HK$0.10 each in the share capital of the Company
"STL"	Source Tech, Limited, details of which can be referred to in Note 11 to the consolidated financial statements
"Subscription Price"	the price per Share at which a Grantee may subscribe for Shares on the exercise of an Option under the Scheme
"Substantial Shareholder"	a person who is entitled to exercise, or control the exercise of, 10% or more of the voting power at any general meeting of the Company
"Timor-Leste"	The Democratic Republic of Timor-Leste
"TSTJX"	泰思通軟件(江西)有限公司, details of which can be referred to in Note 10 to the consolidated financial statements
"TSTSH"	泰思通軟件(上海)有限公司, details of which can be referred to in Note 10 to the consolidated financial statements
"TTSA"	Timor Telecom, S.A., a company incorporated in Timor-Leste with limited liability
"UK"	The United Kingdom of Great Britain and Northern Ireland
"UM"	University of Macau
"US$"	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 consolidated financial statements
"Year"	the year ended 31st December 2019
"Zetronic"	Zetronic Communications (Macau) Limited, a company incorporated in Macao with limited liability
"€"	euro, the lawful currency of the Eurozone
"£"	pound sterling, the lawful currency of UK