VODATEL

Stock Code: 8033

PERSISTENCE & TENACITY

2020 ANNUAL REPORT

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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

Directors

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

Non-executive Director
Ho Wai Chung Stephen

Independent Non-executive Directors
Fung Kee Yue Roger
Wong Tsu An Patrick
Wong Kwok Kuen

Authorised Representatives of the Company

Monica Maria Nunes
Foo Chun Ngai Redford

Company Secretary

Foo Chun Ngai Redford, ACG (CS, CGP) ACS (CS, CGP), ACMA, CGMA, FCCA, FCPA

Compliance Officer

Monica Maria Nunes

Audit Committee

Fung Kee Yue Roger
Ho Wai Chung Stephen
Wong Tsu An Patrick
Wong Kwok Kuen

Auditor

PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor
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Hong Kong

Registered Office

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Bankers

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

Share Registrars

Codan Services Limited
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2 Church Street
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Bermuda

Tricor Abacus Limited
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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 telecommunication, 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,

It is imperative that the COVID-19 pandemic has made history. 2020 was certainly a year where the historic norms had been shaken in its entirety and a year of huge challenges to both individuals and companies across the globe. While we saw some industries taking off and others suffering badly, I'm pleased to report to you that Vodatel has delivered a year of profitability. It is not surprising that such turbulent times adversely affected our business as evidenced by the Group securing HK$408,000,000 new contracts in 2020 as compared to over HK$570,000,000 in 2019 and also our revenue for the Year declining by almost 23% to HK$408,669,000. Despite so, as we continue to focus on what we do best and what differentiates Vodatel from our peers, we are able to report profit before income tax of HK$4,808,000 for the Year.

Being mindful that we have to stay vigilant about the aftermath of the COVID-19 pandemic and carefully considering the current and future cash flows, risks and potential variabilities of our business, the Board proposes a final dividend of HK$0.01 per Share. 2020 will become the seventh consecutive year where we declared a dividend payout.

Reflections of 2020

The COVID-19 pandemic certainly has its works on the key markets that the Group operates, though the upshots have been mixed.

In Macao, with the timely introduction of different decisive measures by the Government of Macao, in particular in relation to entry requirements, the tourist-centric city had not experienced any local outbreak. However, such entry restrictions, together with the temporary suspension of the individual visitor scheme and group tour schemes in Mainland China, materially affected the gaming industry and the business impact to Vodatel was immediate. The gaming sector and the public sector are two major business contributors at Vodatel. Although the Government of Macao considerably accelerated its public spending and we benefitted from such policy response, the impact of the gaming sector could not be equalised as for the past five years, business from the gaming sector attributed an average of 45% of total contracts received in Macao.

The heavy reliance on the gaming sector has not been left unattended. Transformation at Vodatel is unending as in areas where we lack performance, we restructure to "turn around the table"; in areas where we see risks, we find ways to alleviate them; and in areas where we make good achievements, we reconfigure to do better. Some compelling examples are the strategic moves in 2016 to refocus our business in Mainland China to data networks infrastructure and in 2017 to add in SD-WAN infrastructure to both Hong Kong and Mainland China and adjust the business model to work in collaboration with local and regional telecommunications and Internet service providers.

The COVID-19 pandemic hurts Vodatel in the gaming sector a bit too much but as Mainland China bounces to a strong recovery and the crisis sparking a wave of innovation and tremendous growth in digitalisation, we saw our business in data networks and SD-WAN infrastructure growing over 80% on a year-on-year basis. We managed to recover some grounds, however, total contracts secured in 2020 of HK$408,000,000 still fell short of approximately 28% as compared to 2019.

Looking into 2021

The full implications of COVID-19 pandemic and its hangovers have yet to be seen. The business environment will remain uncertain and fragile and the outlook for 2021 is difficult to forecast. As we move into 2021, we will continue to focus on operating in the right way and on what we do best. As always, we will never underestimate the complexity of any challenge and will be looking critically at our internal operations to strive for higher efficiency. We will continue to highlight gaps within the business for opportunities that will prime our next stage of growth. Vodatel needs to be different. We need to discover what can further differentiate us from our peers so as to accelerate the "Vodatel" and "Mega Datatech" brandings to be appreciated for their support and services.

And we will never lose sight of the big picture too. While we have reconfigured ourselves to meet the challenges, the COVID-19 crisis has also created opportunities for our competitors to learn and emerge from this experience. We will not undermine our competitors, as many of them not only can absorb the shocks of the pandemic but can turn them into their competitive advantages.

The People Staying behind Vodatel

People have always been the core at Vodatel. In the midst of the pandemic, we emphasised on protecting the health, safety and well-being of the team and I want to express my greatest appreciation for their cooperation. I also want to thank them for their work ethics and unwavering dedications to complete every task which have been challenged by social distancing, absence of face-to-face meetings and disruptions to freights and supply chain due to lockdowns. Of course, all these would not be possible without the expert leadership, judgement, quick and commendable decisions made by the executive team, who had taken a salary cut for some months when the operating environment was extremely uncertain.

However, in times of dynamic and unexpected changes to the business landscape, more than ever, we have to look forward rather than just grinding through the present. Difficult decisions have to be made and we have to arrange few team members to retire or depart, one of them of which had been with Vodatel for 20 years. I am also in particular saddened of the departure of a core team member on his accord due to health issues and that he could not win his battle.

Finally, I want to welcome Mr Ho Wai Chung Stephen as a non-executive Director. Stephen brings in a wealth of information and communications technologies experience. He is another addition to the Board that will make Vodatel stronger.

Chairman's Statement

Our Appreciation

2020 is an unusual year, yet it also marked the 20th anniversary of the listing of Vodatel. On behalf of the Board, I would like to, once again, extend my appreciation to our customers, vendors, business partners and, bankers for backing us, and to our Members, thank you for investing in Vodatel.

José Manuel dos Santos
Chairman
Macao, 19th March 2021

VODATEL – AT A GLANCE!

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

REVIEW OF BUSINESS ACTIVITIES

Business in Macao

During the Year, due to the COVID-19 pandemic, total contracts secured by VHL and MDL were approximately HK$260,000,000, representing approximately 40% decline as compared to 2019 where over HK$430,000,000 worth of contracts were secured. While business generated from the Government of Macao grew, such growth could not countervail the decline experienced across other sectors, such as public utilities, education, health and in particular, gaming.

In Macao, with different entry restrictions imposed by the Government of Macao to control local COVID-19 outbreak, the Group witnessed pandemic-induced changes to the investment behaviour of different gaming operators, many of which had capital expenditures confined only to mandated programmes, such as to meet gaming regulations as introduced by the Gaming Inspection and Coordination Bureau. Coupled with the absence of any major surveillance or data networks infrastructure project similar to the one that VHL secured in 2019 for a new integrated resort that is expected to open in 2021, VHL saw a 70% drop in business generated from the gaming sector in the Year, with less than HK$70,000,000 worth of contracts received.

Contrary to VHL where its core focus is the gaming sector, the key focus of MDL is the Government of Macao, therefore, as the Government of Macao accelerates its public spending to stimulate the domestic economy, MDL is strategically positioned to capitalise on these opportunities. During the Year, VHL and MDL in combination secured almost HK$150,000,000 worth of contracts from the Government of Macao, representing approximately a 20% year-on-year increase, with contracts received covering areas of networks infrastructure, surveillance, TETRA radio, servers and storage, firewall, software development and maintenance services. Public Security Police Force Bureau, Transport Bureau, Judiciary Bureau, Municipal Affairs Bureau, Public Administration and Civil Service Bureau, to name a few, remain some of the key Government departments supported by VHL and MDL. Worth noting is that among the works secured by MDL was a contract over HK$40,000,000 to design, supply and install a General Hospital Nurse Call System for a new local health service complex that is currently under construction. With the public sector being the centre stage for projects in the Year and likely in 2021, more resources will be directed to support MDL, not only to battle against increasing competition, including players that traditionally compete in the gaming sector who now also compete in the public sector, but also to reemerge MDL as a company, similar to VHL, that can also deliver compelling projects at scale.

Business in Hong Kong and Mainland China

In Hong Kong, under the shadow of both the pandemic and political turbulences and mobile operators not among the core customers of the Group, business in the area of data networks infrastructure remained weak since 2019. Therefore, business focus has been geared towards forming stronger partnerships with different local and regional telecommunications service providers to promote SD-WAN infrastructure, a key business driver of the Group since 2018. As a result, total contracts signed by the Hong Kong team for the Year remained at similar level as 2019 at approximately HK$57,000,000. While total contracts for data networks infrastructure dropped by almost 48%, total contracts secured for SD-WAN infrastructure registered a 94% year-on-year growth, resulting in a major shift in products composition (data networks infrastructure and SD-WAN infrastructure) from around 65%/35% in 2019 to 35%/65% in the Year. Among the SD-WAN infrastructure projects secured included a contract valued over HK$20,000,000 for a Hong Kong-listed major jewellery retail chain with multiple outlets in Hong Kong, Mainland China and Macao.

Since the strategic decision in 2016 to move into data networks infrastructure and subsequently to add in SD-WAN infrastructure in 2017, business generated by the Mainland China team grew more than ten-fold. Business in Mainland China in 2019 was adversely affected by the tensions between Mainland China and USA and in the Year, the COVID-19 pandemic hampered business activities for more than two months post-Chinese New Year. However, with key policy responses introduced by the Central Government as the pandemic subsided, Mainland China showed a remarkable recovery. Coupled with the pandemic sparking redoubling in digital transformation and companies chasing for more cost effective solutions, total contracts secured during the Year reached almost HK$75,000,000, representing a 28% year-on-year growth as compared to 2019. Strong business growth experienced across both data networks and SD-WAN infrastructure. Growth of data networks infrastructure was ascribed primarily to contracts received from a leading provider of Internet value-added services as it resumed its global expansion to lay footprints across countries in Asia Pacific, Eastern and Western Europe and Latin America. Growth of SD-WAN infrastructure was attributed to working in close collaboration with different local and regional telecommunications and Internet service providers, with key projects secured including a contract valued over HK$5,500,000 for an insurance conglomerate with over 18,000 employees and a contract valued over HK$3,500,000 for a local home appliance chain store with over 700 outlets.

Business focus of TSTSH and TSTJX remains on the promotion of the self-developed "Tidestone"-branded network management system, with key functionalities including real-time network discovery and performance management, fault and alert management and environmental management. While there were signs of business improvements during the last quarter of 2019, such momentum was disrupted by the COVID-19 pandemic. Signs of post-pandemic recovery only observed during the third quarter of the Year. Despite efforts to recoup lost time, TSTSH and TSTJX only managed to sign approximately HK$16,000,000 worth of contracts during the Year, representing a slight drop of approximately 7% as compared to 2019. Projects owners for the upgrade and expansion of "Tidestone"-branded network management system included telecommunications service providers in the provinces of Jiangxi, Hebei, Hubei and Jiangsu and the municipalities of Chongqing and Shanghai.

Other Investment Holdings – TTSA

Affected by the COVID-19 pandemic, per the unaudited financial statements of TTSA, revenue dropped further from HK$197,970,000 in 2019 to HK$177,115,000 for the Year. EBITDA dropped from HK$80,852,000 in 2019 to HK$60,582,000 in the Year and with lower amortisation and depreciation booked for the Year, net loss narrowed to HK$25,200,000 for the Year as compared to HK$47,548,000 for the preceding 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.

The Group will continue to keep close watch over TTSA, in particular for updates regarding any possible disposal of the shareholding of TTSA held by Oi S.A. – In Judicial Reorganisation, a company incorporated in Brazil with limited liability and whose shares are listed on the New York Stock Exchange in USA and B3 S.A. – Brasil, Bolsa, Balcão in Brazil. In addition, with sustained dismay regarding the operating performance of TTSA, the Group will evaluate and consider other strategic options to adopt over its equity share in TTSA.

Management Discussion and Analysis

REVIEW OF OPERATING RESULTS

Turnover and Profitability

The strong order book carried forward from 2019 into the Year and business growth generated from the Government of Macao, data networks infrastructure in Mainland China and SD-WAN infrastructure in Hong Kong and Mainland China partly smoothed out the negative impact of the COVID-19 pandemic experienced by the Group in other sectors, in particular the gaming sector. Revenue for the Year was HK$408,669,000 as compared to HK$531,286,000 for 2019, representing a decrease of 23.08%. Attributable to undertaking the service component, which carried higher margin, of the major surveillance project for a gaming operator at its new integrated resort on Cotai that the Group secured in 2019 and mobilising resources between entities to eschew the engagement of subcontractors, gross profit margin of the Group improved from 22.60% in 2019 to 27.17% in the Year. With higher gross profit margin, despite a drop in revenue of 23.08%, gross profit only dropped by a mere 7.51% from HK$120,071,000 in 2019 to HK$111,053,000 in the Year. Management will remain watchful of the project margins which may be driven down by companies hungry for works, in particular in the absence of ample works in the gaming sector.

Among the costs included in selling and marketing costs are freight costs. As part of the data networks infrastructure contracts secured from a leading provider of Internet value-added services as it resumed its global expansion, thus resulting in higher freight costs incurred, total selling and marketing costs registered a slight increase from HK$17,001,000 in 2019 to HK$17,284,000 in the Year.

Among the costs included in administrative expenses are staff costs, which remain the biggest cost element of the Group. Due to effecting an average base salary increase of 3% in January in the Year (pre-pandemic) to keep up with general market practice and to retain talents, expenses from the issue of Options and payments made under employment separations, staff costs for the Year increased slightly to HK$82,223,000. In addition, in the absence of a loss allowance of approximately HK$16,000,000 against a receivable that management has yet to reach an agreement with a project owner, which is one of the leading gaming operators in Macao, administrative expenses decreased from HK$114,135,000 in 2019 to HK$94,180,000 in the Year. Negotiation with this gaming operator on the recovery of the receivable is still in progress.

Despite the COVID-19 pandemic induced unprecedented challenges to the Group, with adverse impact not evenly observed across operating entities in Macao, Hong Kong and Mainland China, the Group was able to maintain operating profitability with profit before income tax of HK$4,808,000 for the Year.

Capital Structure and Financial Resources

With works to supply and install surveillance system, together with the underlying data networks infrastructure, for a gaming operator at its new integrated resort on Cotai near completion, key balance sheet figures – inventory, contract assets, trade receivable and trade payable – retreated to their norms. Level of inventory fell from HK$31,846,000 as at 31st December 2019 to HK$19,808,000 as at 31st December 2020, whereas contract assets and trade receivable also dropped to HK$33,924,000 and HK$108,574,000 respectively as at 31st December 2020. Trade payable also registered a corresponding decline from HK$101,616,000 as at 31st December 2019 to HK$61,553,000 as at 31st December 2020.

The Group continues to exercise capital discipline and maintains a solid balance sheet with no gearing (save for and except normal trade and other accounts payable). Equity base was HK$196,115,000 as at 31st December 2020, of which cash and cash equivalents and yield-enhanced financial instruments stood at a healthy level of HK$120,440,000. As at 31st December 2020, financial assets at FVOCI of HK$43,620,000 comprised primarily of investments in yield-enhanced financial instruments. Among the bond holdings were HK$6,940,000 from The Bank of East Asia, Limited (a company incorporated in Hong Kong with limited liability and whose shares are listed on the Main Board), HK$4,128,000 from CMB Wing Lung Bank Limited (a company incorporated in Hong Kong with limited liability) and HK$3,518,000 from a subsidiary of China Fortune Land Development Co., Ltd. (a company incorporated in PRC with limited liability and whose shares are listed on Shanghai Stock Exchange).

Financial prudence practised over the years, including controlling credit terms to customers, closely monitoring recoverability of receivables and negotiating extended payment terms from vendors, has allowed management to protect the business of the Group. Management believes that the current liquidity position and capital structure will suffice unexpected headwinds, in particular those brought by the aftermath of the COVID-19 pandemic, while providing flexibility to pursue and support new business opportunities.

EMPLOYEES’ INFORMATION

As at 31st December 2020, the Group had 205 employees, of which 68, 18 and 119 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 Directors and employees of the Group were granted Options. Details of the Scheme are set out under the section “Options” in the report of the Directors.

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

CAPITAL COMMITMENTS AND SIGNIFICANT INVESTMENTS

As at 31st December 2020, the Group had significant investments of which the details are set out in Notes 17 and 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 2020, the Group did not have any charges on the assets of the Group.

DETAILS OF MATERIAL ACQUISITIONS AND DISPOSALS

During the Year, 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 costs in HK$, MOP, US$ and RMB. The Group incurred net foreign exchange losses of HK$383,000 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 73, 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 Correios e Telecomunicações, the telecommunications authority of the Government of Macao, prior to the founding of Zetronic Communications (Macau) Limited, and subsequently the Group. He is the sole director of ERL and OHHL which are Substantial Shareholders.

KUAN Kin Man, aged 55, was first appointed as an executive Director on 14th December 1999. He joined the Group in 1992. He is the managing director and Group general manager, overseeing all the key operating entities across Macao, Hong Kong and Mainland China. He began his career as an engineer and has over thirty years of experience in management and telecommunications industry. He is currently the Vice President of the Computer Chambers of Macau and the Vice President of the Smart City Alliance Association of Macau.

Monica Maria NUNES, aged 52, 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.

NON-EXECUTIVE DIRECTOR

HO Wai Chung Stephen, aged 62, was first appointed as a non-executive Director on 9th April 2020. He has been a practitioner and senior executive of the information and communications technologies industry for thirty-eight years. He is the founder and CEO of n-hop technologies Limited, a technology start-up. He is currently a director of ASTRI, a director of Hong Kong Internet Registration Corporation Limited, a member of the board of governors of PTC of USA and the honorary chairman of CAHK. He is also a committee member of the IT management committee and the chairman of the IT management club of HKMA, a member of the advisory board of the Department of Electronic and Computer Engineering of The Hong Kong University of Science and Technology, PRC and a member of the Asia Advisory Group of McGill University of Montreal, Canada. He holds a degree of Bachelor of Engineering – Honours Electrical from McGill University.

INDEPENDENT NON-EXECUTIVE DIRECTORS

FUNG Kee Yue Roger, aged 68, 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 47, 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 in 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 YPO 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 a member of Hong Kong – Europe Business Council. He is a Trustee of the Harrow Development Trust of the Harrow School in UK. He has also been admitted to the Freedom of the City of London.

WONG Kwok Kuen, aged 65, was first appointed as an independent non-executive Director on 12th March 2020. He 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 51, is the technical support manager of the Group, mainly responsible for overseeing the projects of the Group in Mainland China and overseas. 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 51, 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. He also oversees the software research and development team of MDL.

FOO Chun Ngai Redford, aged 47, 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 58, 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.

LIANG Ka Man Gary, aged 55, is the sales director of the Group in Hong Kong where he heads the sales team. 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.

SENIOR MANAGEMENT (By alphabetical order) (Continued)

LOI Man Keong, aged 50, is the sales manager of MDL, overseeing all the marketing activities at 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.

MOK Chi Va, aged 55, 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, Commonwealth of 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 51, is the assistant technical director of the Group and leads the network team in Macao. He graduated from UM, PRC with a Bachelor of Science degree in 1994. He has been with the Group since 1995.

WANG Qing, aged 50, is the regional business manager of the Group in Mainland China. 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 56, is the senior regional business director of the Group and oversees the marketing team 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 57, is currently the CEO of TSTSH in charge of overall operations, overseeing the sales and marketing, technical development and management of TSTSH. With a doctoral degree from the University of Waterloo, Canada, he has previously worked for international software development corporations, where he has accumulated over fifteen years of product development experience, in particular, development of network management systems for telecommunications service providers. He has established good connections with different telecommunications service providers in PRC.

1 Corporate governance practices

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

1. not all Directors participated in continuous professional development;

2. a non-executive Director and an independent non-executive Director did not attend the AGM held in the Year; and

3. the management do not provide all Directors with monthly updates.

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	They 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.

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
Non-executive Director:	Ho Wai Chung Stephen (appointed on 9th April 2020)
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)

Six meetings were held during the Year.

3 Board (Continued)

The attendance record of each Director was as follows:

	Board	AGM
José Manuel dos Santos	4/6	Present
Kuan Kin Man	6/6	Present
Monica Maria Nunes	6/6	Present
Ho Wai Chung Stephen	4/4	Absent
Fung Kee Yue Roger	6/6	Present
Wong Tsu An Patrick	6/6	Absent
Wong Kwok Kuen	6/6	Present
Tou Kam Fai	0/1	n/a

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, Fung Kee Yue Roger, Wong Tsu An Patrick and Tou Kam Fai did not comply with Code A.6.5.

Kuan Kin Man complied with Code A.6.5 by attending a seminar organised by a supplier.

Monica Maria Nunes complied with Code A.6.5 by attending seminars organised by HKICS, a supplier, banks and accounting firms.

Ho Wai Chung Stephen complied with Code A.6.5 by attending seminars organised by ASTR1, CAHK, HKMA and PTC.

Wong Kwok Kuen complied with Code A.6.5 by attending seminars organised by CGI, HKICS, a law firm 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.

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 Kwok Kuen was appointed for a two-year term expiring on 11th March 2022. Wong Tsu An Patrick was reappointed for a two-year term expiring on 3rd June 2022. Fung Kee Yue Roger was reappointed for a two-year term expiring on 29th September 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)
Ho Wai Chung Stephen	(non-executive Director) (appointed on 9th April 2020)
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)

Two meetings were held during the Year.

The attendance record of each Director was as follows:

José Manuel dos Santos	2/2
Ho Wai Chung Stephen	0/0
Fung Kee Yue Roger	2/2
Wong Tsu An Patrick	2/2
Tou Kam Fai	0/1
Wong Kwok Kuen	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 2019 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)
Ho Wai Chung Stephen	(non-executive Director) (appointed on 9th April 2020)
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)

Two meetings were held during the Year.

The attendance record of each Director was as follows:

José Manuel dos Santos	2/2
Ho Wai Chung Stephen	0/0
Fung Kee Yue Roger	2/2
Wong Tsu An Patrick	2/2
Tou Kam Fai	0/1
Wong Kwok Kuen	1/1

During the Year, the Nomination Committee nominated Wong Kwok Kuen as independent non-executive Director and Ho Wai Chung Stephen as non-executive Director, and recommended Monica Maria Nunes and Wong Tsu An Patrick to be reappointed in the AGM.

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

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

8 Auditor's remuneration

Remuneration of audit was HK$1,412,000 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)
Ho Wai Chung Stephen	(non-executive Director) (appointed on 9th April 2020)
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:

Ho Wai Chung Stephen	3/3
Fung Kee Yue Roger	4/4
Wong Tsu An Patrick	4/4
Tou Kam Fai	0/1
Wong Kwok Kuen	4/4

During the Year, the Audit Committee reviewed the financial reports for the year ended 31st December 2019, for the six months ended 30th June 2020 and for the periods ended 31st March 2020 and 30th September 2020. The Audit Committee also reviewed and discussed the report of the Auditor to the Audit Committee for the year ended 31st December 2019 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.

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, a preliminary study was performed by an independent consulting firm during the Year 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

Macao, 19th March 2021

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 assets. 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.

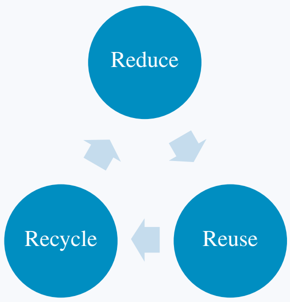
As we continue our ESG journey, we remain as staunch believers in the environment in which we work and live, and are resolute in our mission to integrate ESG elements in our operations, business strategies and management in order to foster sustainable, long-term growth for the business, our stakeholders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

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 subcontractors, 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.

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 taking the highest standards to be applied across all entities, 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, meal allowance 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

√ **Implementation of guidelines on contingency planning on fire, injury, electric shocks/burns, lift entrapment and bogus/fraudulent/threat calls.**

√ **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.

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.

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 2020, we made payment of MOP30,000 to The Macau Association for the Mentally Handicapped to purchase packs of "Fortune Rice" as a means to support job opportunities for the mentally-challenged who are engaged by the association to do the rice packing. To share these packs of "Fortune Rice" with the less fortunate, other than those being reserved for distribution to the employees of the Group in Macao and Hong Kong, the balance distributed to different elderly homes in Macao and Hong Kong. During the Year, a Director joined the "Future Stars Mentoring Programme", organised by the Commission of Poverty under the Government of Hong Kong. The programme is to provide one-on-one mentoring, with the aim to assist and promote upward mobility of children and youth. During this seven-month programme, the Director provides advice and guidance to her matched youth, and share and exchange views with them on life planning, schooling and career choices and overcoming obstacles. 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.**

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

Principal activities and geographical analysis of operations

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

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

Business review

The business review is set out on pages 7 to 12 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 48.

The Directors recommend the payment of a final dividend of HK$0.01 per Share, totalling HK$6,144,000 (2019: HK$0.01 per Share, totalling HK$6,144,000).

Donations

Charitable donations made by the Group during the Year amounted to HK$29,000 (2019: HK$62,000).

Distributable reserves

Distributable reserves of the Company as at 31st December 2020, calculated under CA 1981 (as amended), amounted to HK$177,647,000 (2019: HK$177,729,000).

Options granted to Directors and selected employees

Details of the Options granted in the Year is set out in Note 25 to the financial statements and "Options" section contained in this Report of the Directors. For the Options granted during the Year, no Shares were issued during the Year.

Five-year financial summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 120 of the annual report.

Purchase, sale or redemption of securities

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

Options

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.

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

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 quotation 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.

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 2020 was 61,443,500, representing 10% of the issued share capital of the Company as at 31st December 2020.

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.

As at the Latest Practicable Date, Options to subscribe for a total of 19,570,000 Shares were still outstanding under the Scheme which represented approximately 3.19% of the issued Shares.

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

Options (Continued)

Details of the Shares outstanding on which Options were granted as at 31st December 2020 under the Scheme are as follows:

	Held as at 1st January 2020	Number of Options granted during the Year *(Note)*	Lapsed during the Year	Held as at 31st December 2020	Exercise price HK$	Grant date	Exercisable from	Exercisable until
Directors								
Kuan Kin Man	–	840,000	–	840,000	0.12	9th April 2020	10th April 2020	9th April 2023
Monica Maria Nunes	–	840,000	–	840,000	0.12	9th April 2020	10th April 2020	9th April 2023
Ho Wai Chung Stephen	–	350,000	–	350,000	0.12	9th April 2020	10th April 2020	9th April 2023
Fung Kee Yue Roger	–	350,000	–	350,000	0.12	9th April 2020	10th April 2020	9th April 2023
Wong Tsu An Patrick	–	350,000	–	350,000	0.12	9th April 2020	10th April 2020	9th April 2023
Wong Kwok Kuen	–	350,000	–	350,000	0.12	9th April 2020	10th April 2020	9th April 2023
Director's daughter								
Sonia Andreia dos Santos	–	144,000	–	144,000	0.12	9th April 2020	10th April 2020	9th April 2023
Continuous contract employees	–	16,660,000	(170,000)	16,490,000	0.12	9th April 2020	10th April 2020	9th April 2023
	–	19,884,000	(170,000)	19,714,000				

Note:

As at 8th April 2020, the date before the Options were granted, the market value per Share was HK$0.12. The value of the Options granted to the respective parties is as follows:

	HK$'000
Directors:	
Kuan Kin Man	26
Monica Maria Nunes	26
Ho Wai Chung Stephen	11
Fung Kee Yue Roger	11
Wong Tsu An Patrick	11
Wong Kwok Kuen	11
Director's daughter:	
Sonia Andreia dos Santos	4
Continuous contract employees	517
	617

Options (Continued)

Note: (Continued)

The value of the Options granted during the Year was HK$617,000, based on the polynomial valuation model. The significant inputs into the model were spot price of HK$0.12 at the Date of Grant, Subscription Price of HK$0.12 per Option, volatility of 46.48%, dividend yield of 3.2%, an expected Option life of three years, and an annual risk-free interest rate of 0.64%. The volatility was determined by using the volatility of the stock return of the Company as at valuation date. During the Year, an amount of share-based payment expenses of HK$617,000 was recognised in the income statement for the Options granted to Directors and employees. The measurement date of the value of the Options was the Date of Grant. The fair values calculated are inherently subjective and uncertain due to the assumptions made and the limitations of the model used. The value of an Option varies with different variables of certain subjective assumptions. Any change in variables so adopted may materially affect the estimation of the fair value of an Option.

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	
Non-executive Director	
Ho Wai Chung Stephen	(appointed on 9th April 2020)
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 87 of the Bye-laws, Fung Kee Yue Roger 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. Fung Kee Yue Roger has been an independent non-executive Director for more than sixteen years at the forthcoming AGM. The Board believes that, despite his length of service, he remains independent as he has not held any executive or management positions in the Group throughout his appointment. He has also demonstrated his ability to provide an independent view to the matters of the Company. Notwithstanding his years of service as an independent non-executive Director, the Board is of the view that he is able to continue to fulfill his role as required and thus recommends him for re-election at the AGM. In this regard, a separate resolution will be put forward at the AGM to re-elect Fung Kee Yue Roger as an independent non-executive Director.

Directors (Continued)

To comply with the Code, José Manuel dos Santos and Kuan Kin Man retire by rotation at the forthcoming AGM and, being eligible, offer themselves for re-election.

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

Directors' service contracts

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

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

Details of José Manuel dos Santos's interests in contracts of significance in relation to the business of the Group are set out in Note 30 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 or its parent companies 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 2020 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 13 to 16.

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

As at 31st December 2020, 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:

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

Aggregate long positions in the Shares

Name of Director	Nature of interest	Number of Shares held	Number of underlying Shares (in respect of Options held)	Approximate % of the issued share capital of the Company
José Manuel dos Santos	Corporate (Note 1)	357,945,500	–	58.26
Kuan Kin Man	Personal (Note 2)	22,112,500	840,000	3.74
Monica Maria Nunes	Personal (Note 3)	2,452,500	840,000	0.54
Ho Wai Chung Stephen	Personal (Note 4)	–	350,000	0.06
Fung Kee Yue Roger	Personal (Note 5)	210,000	350,000	0.09
Wong Tsu An Patrick	Personal (Note 6)	–	350,000	0.06
Wong Kwok Kuen	Personal (Note 7)	–	350,000	0.06

Notes:

1 As at 31st December 2020, 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 and 840,000 underlying Shares in respect of Options granted to him by the Company. The aforesaid interest was held by Kuan Kin Man as beneficial owner.

3 The personal interest of Monica Maria Nunes comprised 2,452,500 Shares and 840,000 underlying Shares in respect of Options granted to her by the Company. The aforesaid interest was held by Monica Maria Nunes as beneficial owner.

4 The personal interest of Ho Wai Chung Stephen comprised 350,000 underlying Shares in respect of Options granted to him by the Company. The aforesaid interest was held by Ho Wai Chung Stephen as beneficial owner.

5 The personal interest of Fung Kee Yue Roger comprised 210,000 Shares and 350,000 underlying Shares in respect of Options granted to him by the Company. The aforesaid interest was held by Fung Kee Yue Roger as beneficial owner.

6 The personal interest of Wong Tsu An Patrick comprised 350,000 underlying Shares in respect of Options granted to him by the Company. The aforesaid interest was held by Wong Tsu An Patrick as beneficial owner.

7 The personal interest of Wong Kwok Kuen comprised 350,000 underlying Shares in respect of Options granted to him by the Company. The aforesaid interest was held by Wong Kwok Kuen as beneficial owner.

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

The register of Substantial Shareholders required to be kept under Section 336 of Part XV of SFO showed that as at 31st December 2020, 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 2020, 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 are as follows:

Purchases	
– the largest supplier	15.59%
– five largest suppliers in aggregate	52.53%
Sales	
– the largest customer	24.17%
– five largest customers in aggregate	51.06%

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 30 (c) to (e) 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. Save for the aforesaid transactions, the other related party transactions shown in Note 30 to the consolidated financial statements did not constitute connected transactions under the GEM Listing Rules.

Sufficiency of public float

Based on the information that was publicly available to the Company and within the knowledge of the Directors, it 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 17 to 24.

Permitted indemnity provisions

During the Year and as at 19th March 2021, a permitted indemnity provision is in force for the benefit of all the Directors.

Auditor

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

On behalf of the Board

José Manuel dos Santos
Chairman

Macao, 19th March 2021

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 48 to 119, which comprise:

- the consolidated balance sheet as at 31 December 2020;
- 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 2020, 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.

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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 Matters

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

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

- Loss allowance for trade receivables, contract assets and other receivables
- Provision for obsolete inventories

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 judgements) and Note 16 and 19 to the consolidated financial statements. As at 31 December 2020, the Group had gross trade receivables, contract assets and other receivables amounting to HK$124.0 million (2019: HK$138.3 million), HK$36.0 million (2019: HK$59.6 million) and HK$24.3 million (2019: HK$22.1 million) respectively, and loss allowance amounting to HK$31.7 million (2019: HK$29.7 million). The total amount of net trade receivables, contract assets and other receivables represented approximately 44% (2019: 49%) of the total assets.	Our audit procedures relating to management's assessment of the loss allowance for trade receivables, contract assets and other receivables included: We understood, evaluated and validated the internal control over the Group's process in estimating the expected credit loss to determine the loss allowance for trade receivables, contract assets and other receivables and evaluated the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors. We checked, on a sample basis, the accuracy of aging profile of the trade receivables and contract assets balances.

Key Audit Matter (Continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
The Group provides loss allowance for trade receivables and contract assets based on the expected credit loss during lifetime. Trade receivables and contract assets are grouped in accordance with credit risk characteristics to determine 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 applies 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 the audit given the inherent uncertainties in this area and the significance of the related balances.	We evaluated the outcome of prior year assessment of the loss allowance, by reviewing receivable settlement records, to assess the effectiveness of management's estimation process. 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. 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.

Key Audit Matter (Continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Provision for obsolete inventories Refer to Note 2(k) (Summary of significant accounting policies), Note 4(a)(i) (Critical accounting estimates) and Note 20 to the consolidated financial statements. As at 31 December 2020, the Group had net inventories of approximately HK$19.8 million (2019: HK$31.8 million) and the provision for obsolete inventories was approximately HK$11.2 million (2019: HK$9.9 million). Management assesses the provision for obsolete inventories based on consideration of obsolescence and the net realisable value of finished goods. The identification of inventory obsolescence and determination of net realisable value require the use of significant judgement and estimates, based on the historical sales pattern, inventory aging profile, estimation of selling price as well as expectation of future sales orders. The estimates are also subject to uncertainty of market trends and customer demands. We focused on auditing the provision for obsolete inventories because the estimation of net realisable value of inventories was subject to high degree of estimation uncertainty. The inherent risk in relation to the provision for obsolete inventories was considered significant due to the susceptibility of the judgement and estimates used by management to the change in the market conditions.	Our audit procedures relating to management's assessment of the provision for obsolete inventories included: We understood, evaluated and validated the internal control over the Group's process in identifying obsolescence and determining the net realisable value inventories based on prevailing market conditions and evaluated the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors. We evaluated the outcome of prior year assessment of the provision for obsolete inventories, by reviewing actual utilisation rate of inventories, to assess the effectiveness of management's estimation process. We tested, on a sample basis, the estimated selling price by comparing it with post year-end sales data of the selected items and tested the inventory aging profile by comparing the procurement records with the underlying documents. We further corroborated management's explanation on the expectation of future sales orders with historical sales records as well as post year-end sales orders. Based on the procedures performed, we considered the key judgement and estimates as adopted by management in assessing the provision for obsolete inventories were supported 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.

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, actions taken to eliminate threats or safeguards applied.

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, 19th March 2021

Consolidated Statement of Profit or Loss

	Notes	Year ended 31st December 2020 HK$'000	2019 HK$'000
Revenue from contracts with customers	5(e)	**408,669**	531,286
Costs of sales of goods	7	**(217,106)**	(344,526)
Costs of providing services	7	**(80,510)**	(66,689)
Gross profit		**111,053**	120,071
Selling and marketing costs	7	**(17,284)**	(17,001)
Administrative expenses	7	**(94,180)**	(114,135)
Other gains, net	6	**1,884**	1,202
Operating profit/(loss)		**1,473**	(9,863)
Finance income		**3,473**	4,129
Finance costs		**(138)**	(245)
Finance income – net	9	**3,335**	3,884
Share of net profit of an associate accounted for using the equity method		**–**	3
Profit/(loss) before income tax		**4,808**	(5,976)
Income tax expense	11	**(1,080)**	(1,389)
Profit/(loss) for the Year		**3,728**	(7,365)
Profit/(loss) is attributable to:			
Owners of the Company		**3,826**	(5,256)
NCI		**(98)**	(2,109)
		3,728	(7,365)
		HK cent	HK cent
Earnings/(loss) per Share for profit/(loss) attributable to the ordinary equity holders of the Company:			
Basic and diluted earnings/(loss) per Share	12	**0.62**	(0.86)

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

Consolidated Statement of Comprehensive Income

	Note	Year ended 31st December 2020 HK$'000	2019 HK$'000
Profit/(loss) for the Year		**3,728**	(7,365)
(Other comprehensive loss)/OCI			
Items that may be reclassified to profit or loss			
Changes in the fair value of debt instruments at FVOCI	23	**(1,128)**	3,732
Transfer to profit or loss by disposal of debt instruments at FVOCI	23	**188**	(142)
Exchange differences on translation of foreign operations		**(306)**	(107)
Item that will not be reclassified to profit or loss			
Changes in the fair value of equity investments at FVOCI		**–**	483
(Other comprehensive loss)/ OCI for the Year, net of tax		**(1,246)**	3,966
Total comprehensive income/(loss) for the Year		**2,482**	(3,399)
Total comprehensive income/(loss) for the Year is attributable to:			
Owners of the Company		**2,597**	(1,290)
NCI		**(115)**	(2,109)
		2,482	(3,399)

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

Consolidated Balance Sheet

	Notes	As at 31st December 2020 HK$'000	2019 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	13	**2,944**	3,788
Right-of-use assets – buildings	14	**3,070**	2,602
Financial assets at FVOCI	17	**36,075**	43,174
Total non-current assets		**42,089**	49,564
Current assets			
Inventory – systems equipment	20	**19,808**	31,846
Prepayment		**46,576**	46,600
Contract assets	5(f)	**33,924**	57,453
Trade receivable	19	**108,574**	124,812
Other receivables and deposits	16	**10,287**	7,990
Financial assets at FVOCI	17	**7,545**	–
Financial assets at FVPL	18	**5,929**	–
Cash and cash equivalents	21	**70,891**	64,263
Total current assets		**303,534**	332,964
Total assets		**345,623**	382,528
LIABILITIES			
Non-current liabilities			
Lease liabilities	14	**1,511**	1,033
Current liabilities			
Trade payable and bills payable	26	**61,553**	101,616
Other accounts payable and accruals	26	**22,546**	22,187
Contract liabilities		**50,815**	46,551
Current tax liabilities		**11,457**	10,364
Lease liabilities	14	**1,626**	1,617
Total current liabilities		**147,997**	182,335
Total liabilities		**149,508**	183,368
Net current assets		**155,537**	150,629
Net assets		**196,115**	199,160

		As at 31st December	
	Notes	**2020** **HK$'000**	2019 HK$'000
EQUITY			
Share capital	22	**61,570**	61,570
Other reserves	23	**144,866**	145,478
Accumulated losses	24	**(6,288)**	(3,970)
Capital and reserves attributable to owners of the Company		**200,148**	203,078
NCI		**(4,033)**	(3,918)
Total equity		**196,115**	199,160

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

The financial statements on pages 48 to 119 were approved by the Board on 19th March 2021 and were signed on its behalf

José Manuel dos Santos

Monica Maria Nunes

Consolidated Statement of Changes in Equity

	Notes	Share capital HK$'000	Other reserves HK$'000	Retained earnings / (accumulated losses) HK$'000	Total HK$'000	NCI HK$'000	Total equity HK$'000
		Attributable to owners of the Company					
Balance as at 1st January 2019		61,570	142,341	3,529	207,440	(1,838)	205,602
Loss for the year ended 31st December 2019		–	–	(5,256)	(5,256)	(2,109)	(7,365)
OCI	23	–	3,966	–	3,966	–	3,966
Total comprehensive income/(loss) for the year ended 31st December 2019		**–**	**3,966**	**(5,256)**	**(1,290)**	**(2,109)**	**(3,399)**
Transfer of gain on disposal of equity investments at FVOCI to retained earnings		–	(829)	829	–	–	–
Transactions with owners in their capacity as owners:							
NCI on acquisition of a subsidiary		–	–	–	–	29	29
Dividend paid	27(a)	–	–	(3,072)	(3,072)	–	(3,072)
Balance as at 31st December 2019		**61,570**	**145,478**	**(3,970)**	**203,078**	**(3,918)**	**199,160**
Profit for the Year		–	–	3,826	3,826	(98)	3,728
Other comprehensive loss	23	–	(1,229)	–	(1,229)	(17)	(1,246)
Total comprehensive (loss)/income for the Year		**–**	**(1,229)**	**3,826**	**2,597**	**(115)**	**2,482**
Transactions with owners in their capacity as owners:							
Dividend paid	27(a)	–	–	(6,144)	(6,144)	–	(6,144)
Share-based payment expenses	23	–	617	–	617	–	617
Balance as at 31st December 2020		**61,570**	**144,866**	**(6,288)**	**200,148**	**(4,033)**	**196,115**

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

Consolidated Statement of Cash Flows

	Notes	Year ended 31st December 2020 HK$'000	2019 HK$'000
Cash flows from operating activities			
Cash generated from/(used in) operations	28	**19,312**	(28,431)
Interest paid		**(138)**	(245)
Income taxes paid		**(367)**	(729)
Net cash inflow/(outflow) from operating activities		**18,807**	(29,405)
Cash flows from investing activities			
Payment for acquisition of a subsidiary, net of cash acquired	29(b)	**–**	86
Payments for property, plant and equipment	13	**(790)**	(2,733)
Payments for corporate bonds carried at FVOCI		**(57,207)**	(59,873)
Payments for financial assets at FVPL		**(5,612)**	–
Proceeds from sale of property, plant and equipment		**–**	4
Proceeds from sale of corporate bonds carried at FVOCI		**55,522**	66,701
Proceeds from sale of equity securities		**–**	1,939
Proceeds from sale of financial assets at amortised cost		**–**	7,400
Dividend from an associate		**–**	756
Interest received on financial assets at FVOCI		**3,473**	4,106
Net cash (outflow)/inflow from investing activities		**(4,614)**	18,386
Cash flows from financing activities			
Principal elements of lease payments		**(1,759)**	(1,597)
Dividend paid to Members	27(a)	**(6,144)**	(3,072)
Net cash outflow from financing activities		**(7,903)**	(4,669)
Net increase/(decrease) in cash and cash equivalents		**6,290**	(15,688)
Cash and cash equivalents at the beginning of the financial year		**64,263**	79,888
Effects of exchange rate changes on cash and cash equivalents		**338**	63
Cash and cash equivalents at end of Year		**70,891**	64,263

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

1 General information

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 telecommunication, 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.

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

The Company has its listing on GEM.

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

2 Summary of significant accounting policies

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 and CO

The consolidated financial statements of the Company were prepared in accordance with HKFRS and disclosure requirements of CO.

(ii) Historical cost convention

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

2 Summary of significant accounting policies (Continued)

(a) Basis of preparation (Continued)

(iii) Amended standards adopted by the Group

The Group applied the following amendments for the first time for their annual reporting period commencing 1st January 2020:

- *Definition of Material – amendments to* HKAS 1 (Revised) *Presentation of Financial Statements* and HKAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*
- *Definition of a Business – amendments to* HKFRS 3 (Revised) *Business Combinations*
- *Interest Rate Benchmark Reform – amendments to* HKAS 39 *Financial Instruments: Recognition and Measurement,* HKFRS 7 *Financial Instruments: Disclosures and* HKFRS 9 (2014) *Financial Instruments*
- *Revised Conceptual Framework for Financial Reporting*

The Group also elected to adopt the following amendments early.

- *Annual Improvements to HKFRS 2018-2020 Cycle*

The amendments listed above did not have any impact on the amounts recognised in prior periods and were not expected to significantly affect the current or future periods.

(iv) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations were published that were not mandatory for 31st December 2020 reporting periods and were not early adopted by the Group. These standards were not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

(b) 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.

2 Summary of significant accounting policies (Continued)

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

(i) Subsidiaries (Continued)

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

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, statement of comprehensive income, statement of changes in equity and 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.

(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.

2 Summary of significant accounting policies (Continued)

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

(iii) Equity method (Continued)

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 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.

(c) Business combinations

The acquisition method of accounting was used to account for all business combinations. 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.

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.

2 Summary of significant accounting policies (Continued)

(c) Business combinations (Continued)

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 was achieved in stages, the acquisition date carrying value of the previously held equity interest of the acquirer in the acquiree was remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement were recognised in profit or loss.

(d) 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.

(e) Segment reporting

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

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.

2 Summary of significant accounting policies (Continued)

(f) 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 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.

(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 dates of the transactions); and

- all resulting exchange differences were recognised in OCI.

On consolidation, exchange differences arising from the translation of any net investment in non-Hong Kong entities were recognised in OCI.

2 Summary of significant accounting policies (Continued)

(g) 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 as follows:

– Vehicles	Five years
– Furniture, fixtures and office equipment	Two to five years
– Demonstration equipment	Three years

Leasehold improvements were depreciated over the shorter of five years or the lease term.

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

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

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

(h) 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.

2 Summary of significant accounting policies (Continued)

(i) Investments and other financial assets

(i) Classification

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

- those to be measured subsequently at fair value (either through OCI or through profit or loss), 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 or profit or loss. 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.

(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, in the case of a financial asset not at FVPL, transaction costs that were directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

2 Summary of significant accounting policies (Continued)

(i) Investments and other financial assets (Continued)

(iii) Measurement (Continued)

(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:

- 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 amount 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.

- FVPL: Assets that did not meet the criteria for amortised cost or FVOCI were measured at FVPL. A gain or loss on a financial asset that was subsequently measured at FVPL was recognised in profit or loss and presented net within other gains, net in the period in which it arose.

(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 was 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.

2 Summary of significant accounting policies (Continued)

(i) Investments and other financial assets (Continued)

(iv) Impairment

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

For trade receivable 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 receivable, see Note 19 for further details.

(j) Offsetting financial instruments

Financial assets and liabilities were offset and the net amount was reported in the 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.

(k) Inventory

Inventory was 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.

(l) Trade receivable

Trade receivable was any amount due from customers for goods sold or services performed in the ordinary course of business. It was generally due for settlement within thirty to forty-five days and therefore all classified as current.

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

2 Summary of significant accounting policies (Continued)

(m) Cash and cash equivalents

For the purpose of presentation in the 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.

(n) Share capital

Shares were classified as equity (Note 22).

(o) Trade payable and other accounts payable

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 payable and other accounts payable 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.

(p) Borrowing costs

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

(q) 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 Group 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 and considered whether it was probable that a tax authority would accept an uncertain tax treatment. The Group measured its tax balances either based on the most likely amount or the expected value, depending on which method provided a better prediction of the resolution of the uncertainty.

2 Summary of significant accounting policies (Continued)

(q) Current and deferred income tax (Continued)

(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.

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 taxes were recognised in profit or loss, except to the extent that they related to items recognised in OCI or directly in equity. In this case, the taxes were also recognised in OCI or directly in equity, respectively.

(r) 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 accounts payable and accruals in the balance sheet.

2 Summary of significant accounting policies (Continued)

(r) Employee benefits (Continued)

(ii) Pension obligations

For 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.

(iii) Profit-sharing and bonus plans

The Group recognised a liability and an expense for bonuses and profit-sharing 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.

(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.

(s) 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.

<u>Options</u>

The fair value of Options granted under the Scheme was recognised as an employee benefit 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.

The total expense was recognised over the vesting period, which was the period over with all of the specified vesting conditions were to be satisfied.

2 Summary of significant accounting policies (Continued)

(t) 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.

(u) 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 the hardware was recognised at a point in time when the hardware was delivered, the legal title passed and the customer accepted the hardware. Revenue for service was recognised based on the actual service provided to the end of the reporting period.

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

2 Summary of significant accounting policies (Continued)

(u) Revenue recognition (Continued)

(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.

(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.

(v) Earnings/(loss) per Share

(i) Basic earnings/(loss) per Share

Basic earnings/(loss) per Share was calculated by dividing:

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

(ii) Diluted earnings/(loss) per Share

Diluted earnings/(loss) per Share adjusted the figures used in the determination of basic earnings/(loss) per Share to take into 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.

2 Summary of significant accounting policies (Continued)

(w) Leases

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.

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 other than the security interests in the leased assets that were held by the lessor. Leased assets might not be used as security for borrowing purposes.

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 assets 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 costs. The finance costs were 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.

2 Summary of significant accounting policies (Continued)

(w) Leases (Continued)

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.

(x) Dividend 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.

(y) Government grants

Grants from the Government were recognised at their fair value where there was a reasonable assurance that the grant would be received and the Group would comply with all attached conditions.

Government grants relating to costs were deferred and recognised in the profit or loss over the period necessary to match them with the costs that they were intended to compensate.

Note 6 provides further information on how the Group accounted for Government grants.

(z) 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 HK$	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	Debt investments	Sensitivity analysis	Portfolio diversification
Credit risk	Cash and cash equivalents, trade receivable, other 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

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.

3 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(i) Market risk (Continued)

(I) Foreign exchange risk (Continued)

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:

	2020 **HK$'000**	2019 HK$'000
Cash and cash equivalents (RMB against HK$)	**334**	148

The aggregate net foreign exchange losses recognised in profit or loss of HK$383,000 (2019: HK$363,000) 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 2020, 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$17,000 (2019: post-tax loss and total comprehensive loss of HK$7,000 lower/higher) higher/lower.

(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.

3 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(i) Market risk (Continued)

(III) Price risk

Exposure

The exposure of the Group to debt investments price risk arose from investments held by the Group and classified as FVOCI (Note 17) in the balance sheet as at 31st December 2020.

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

All of the debt investments of the Group were publicly traded.

Sensitivity

With all other variables held constant, if the market price of financial assets at FVOCI had been 10% higher/lower than the actual closing price as at 31st December 2020, other components of equity would increase/decrease by approximately HK$4,362,000 (2019: HK$4,317,000).

(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.

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 and bank, taking into account their financial positions, 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.

3 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(ii) Credit risk (Continued)

(II) Security

For some trade receivable 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 four types of financial assets that were subject to the expected credit loss model:

– trade receivable for sales of inventory and from the provision of services;

– contract assets;

– other receivables and deposits; and

– debt investments carried at FVOCI.

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

<u>Trade receivable and contract assets</u>

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

To measure the expected credit losses, trade receivable 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 receivable for the same types of contracts. The Group therefore concluded that the expected credit loss rates for trade receivable were a reasonable approximation of the loss rates for the contract assets.

3 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(ii) Credit risk (Continued)

(III) Impairment of financial assets (Continued)

Trade receivable and contract assets (Continued)

The expected credit loss rates were based on the historical payment profiles of sales and the corresponding historical credit losses experienced. 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 2020 and 31st December 2019 was determined as follows for both trade receivable and contract assets:

	Within six months	>Six months but <twelve months	Over twelve months	Total
31st December 2020				
Expected loss rate	0.08%	4.64%	92.17%	
Gross carrying amount – trade receivable and contract assets	136,348	5,025	18,676	160,049
Loss allowance	**105**	**233**	**17,213**	**17,551**
31st December 2019				
Expected loss rate	0.08%	1.67%	96.26%	
Gross carrying amount – trade receivable and contract assets	180,322	1,435	16,152	197,909
Loss allowance	72	24	15,548	15,644

3 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(ii) Credit risk (Continued)

(III) Impairment of financial assets (Continued)

Trade receivable and contract assets (Continued)

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

	2020 HK$'000	2019 HK$'000
Opening loss allowance as at 1st January	**15,644**	14,270
Increase in loss allowance recognised in profit or loss during the Year	**1,252**	2,078
Receivables written off during the Year as uncollectible	**–**	(502)
Currency translation difference	**655**	(202)
Closing loss allowance as at 31st December	**17,551**	15,644

Trade receivable 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 receivable 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 were assessed with reference to historical information about the counterparties default rates and financial positions of the counterparties. The Directors were 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, except for the receivable due from a project owner. Due to uncertainty over the timing of its recoverability from the project owner, an expected credit loss rate of 100% was employed. The expected credit loss rate of the remaining other receivables and deposits was assessed to be close to zero.

3 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(ii) Credit risk (Continued)

(III) Impairment of financial assets (Continued)

Debt investments at FVOCI

All of the debt investments of the entity at 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.

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 loss otherwise recognised in OCI.

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

	2020 and 2019 HK$'000
Loss allowance as at 1st January 2019	**265**
Decrease in loan loss allowance recognised in profit or loss during the year ended 31st December 2019	**(159)**
Loss allowance as at 31st December 2019	**106**
Increase in loan loss allowance recognised in profit or loss during the Year	**111**
Loss allowance as at 31st December 2020	**217**

3 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(ii) Credit risk (Continued)

(III) Impairment of financial assets (Continued)

Net impairment losses on financial and contract assets recognised in profit or loss

During the Year, the following losses were recognised in profit or loss in relation to impaired financial assets:

	2020 HK$'000	2019 HK$'000
Provision of loss allowance for trade receivable and contract assets	**1,252**	2,078
Provision of loss allowance for other receivables and deposits	**–**	14,100
Provision of loss allowance for financial assets at amortised cost	**1,252**	16,178
Provision/(reversal) of loss allowance for financial assets at FVOCI	**111**	(159)
Net impairment losses on financial and contract assets	**1,363**	16,019

(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 2020, the Group held cash and cash equivalents of HK$70,891,000 (2019: HK$64,263,000) 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.

3 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(iii) Liquidity risk (Continued)

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.

(I) Financing arrangements

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

	2020 **HK$'000**	2019 HK$'000
Fixed rate		
– Expiring within one year (bank overdraft)	**408,553**	389,029

The bank facilities might be drawn at any time and might be terminated by the bank without notice.

(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 equalled their carrying balances as the impact of discounting was not significant.

3 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(iii) Liquidity risk (Continued)

(II) Maturities of financial liabilities (Continued)

Contractual maturities of financial liabilities	**Less than one year HK$'000**
As at 31st December 2020	
Trade payable	**61,553**
Other accounts payable and accruals	**22,546**
Total	**84,099**
As at 31st December 2019	
Trade payable and bills payable	101,616
Other accounts payable and accruals	22,187
Total	123,803

(b) Capital management – risk management

The objectives of the Group when managing capital were to

- safeguard its ability 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.

3 Financial risk management (Continued)

(c) Fair value estimation – 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 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 following levels prescribed under the accounting standards. An explanation of each level follows underneath the table.

Recurring fair value measurements	**Level one HK$'000**	**Level two HK$'000**	**Level three HK$'000**	**Total HK$'000**
As at 31st December 2020				
Financial assets at FVOCI				
– debt investments	**43,620**	**–**	**–**	**43,620**
– equity investments	**–**	**–**	**–**	**–**
Financial assets at FVPL				
– bank wealth management products	**–**	**5,929**	**–**	**5,929**
	43,620	**5,929**	**–**	**49,549**
As at 31st December 2019				
Financial assets at FVOCI				
– debt investments	43,174	–	–	43,174
– equity investments	–	–	–	–
	43,174	–	–	43,174

3 Financial risk management (Continued)

(c) Fair value estimation – 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 two: The fair value of financial instruments that were not traded in an active market was determined using valuation techniques which maximised the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument were observable, the instrument was included in level two.

Level three: 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 bank wealth management products which were measured at FVPL and unlisted equity securities.

The resulting fair value estimate of bank wealth management products was included in level two, where the fair value was determined, based on a discount cash flow model, by using PRC Loan Prime Rate.

The resulting fair value estimate of unlisted equity securities 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.

3 Financial risk management (Continued)

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

(iii) Valuation inputs and relationships to fair value

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

	2020	2019
Fair value as at 31st December	–	–
Unobservable inputs		
Weighted average cost of capital	20.10%	20.10%
Long-term revenue growth rate	2.10%	2.10%
Discount for lack of marketability	10.90%	10.90%
Discount for lack of control	22.00%	22.00%

(iv) Valuation processes

The main level three inputs used by the Group are 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.

- 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 estimates and judgement

The preparation of 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.

4 Critical estimates and judgement (Continued)

(a) Critical accounting estimates

(i) Provision for impairment of inventory

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

(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.

(iii) Estimation of the fair value of certain financial assets

The fair value of financial instruments that were not traded in an active market was determined using valuation techniques. The Group used its judgement to select a variety of methods and made assumptions that were mainly based on market conditions existing at the end of each reporting period. For details of the key assumptions used and the impact of changes to these assumptions see Note 3(c).

(b) Critical accounting judgement – 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)(III).

5 Segment information

(a) Description of segments and principal 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 sale of network and systems infrastructure and provision of technical support services.

(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, gaming and hotel operators in Macao, and various telecommunication 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.

5 Segment information (Continued)

(b) Adjusted EBITDA

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

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

	2020 HK$'000	2019 HK$'000
Design, sale and implementation of network and systems infrastructure; customer data automation, customisation and integration; and provision of technical support services:		
Mainland China	**50**	(1,299)
Hong Kong and Macao	**3,495**	(1,838)
CNMS	**1,825**	(3,322)
Total adjusted EBITDA	**5,370**	(6,459)

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

	2020 HK$'000	2019 HK$'000
Total adjusted EBITDA	**5,370**	(6,459)
Dividend income	**–**	215
Depreciation – property, plant and equipment	**(1,685)**	(2,272)
Depreciation – right-of-use assets	**(1,913)**	(1,645)
Finance income – net	**3,335**	3,884
(Loss)/gain on disposal of financial assets at FVOCI	**(188)**	142
(Provision)/reversal of loss allowance for financial assets at FVOCI	**(111)**	159
Profit/(loss) before income tax	**4,808**	(5,976)

5 Segment information (Continued)

(c) Other profit and loss disclosures

	2020			2019			
	Reversal/ (provision) of impairment losses on financial assets at amortised cost HK$'000	Depreciation HK$'000	Income tax expense HK$'000	Impairment losses on financial assets at amortised cost HK$'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	352	(1,067)	2	–	(321)	(40)	–
Hong Kong and Macao	383	(1,379)	(1,082)	(16,178)	(2,030)	(1,349)	3
CNMS	(1,987)	(1,152)	–	–	(1,566)	–	–
Total	(1,252)	(3,598)	(1,080)	(16,178)	(3,917)	(1,389)	3

(d) Segment assets

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

	2020		2019	
	Segment assets HK$'000	Additions to property, plant and equipment HK$'000	Segment assets 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	18,514	5	19,466	65
Hong Kong and Macao	264,751	645	307,313	2,202
CNMS	18,738	140	12,575	466
Total segment assets	302,003	790	339,354	2,733
Unallocated:				
Financial assets at FVOCI	43,620		43,174	
Total assets as per the balance sheet	345,623		382,528	

Investments in financial assets at FVOCI were not considered to be segment assets.

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	
	2020	2019
	HK$'000	HK$'000
Design, sale and implementation of network and systems infrastructure; customer data automation, customisation and integration; and provision of technical support services:		
Mainland China	**89,630**	43,478
Hong Kong and Macao	**307,897**	478,142
CNMS	**11,142**	9,666
	408,669	531,286

Revenues of approximately HK$98,795,000 (2019: HK$127,150,000) 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:

	2020	2019
	HK$'000	HK$'000
Current contract assets	**36,025**	59,570
Loss allowance	**(2,101)**	(2,117)
Total contract assets	**33,924**	57,453

5 Segment information (Continued)

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

(i) 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:

	2020 **HK$'000**	2019 HK$'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	**32,963**	27,988
CNMS	**4,194**	3,840

(ii) Unsatisfied long-term maintenance contracts

The following table shows unsatisfied performance obligations resulting from fixed-price long-term maintenance contracts:

	2020 **HK$'000**	2019 HK$'000
Aggregate amount of the transaction price allocated to long-term maintenance contracts that were partially or fully unsatisfied as at 31st December	**18,623**	19,693

5 Segment information (Continued)

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

(ii) Unsatisfied long-term maintenance contracts (Continued)

Management expects that the transaction price allocated to unsatisfied performance obligations of HK$11,729,000 (2019: HK$11,194,000) as at 31st December 2020 will be recognised as revenue during the next reporting period. The remaining HK$6,894,000 (2019: HK$8,499,000) will be recognised in the financial years beyond. The amount disclosed above did not include variable consideration which was constrained.

All other maintenance contracts were for periods of one year or less. As permitted under HKFRS 15 *Revenue from Contracts with Customers*, the transaction price allocated to these unsatisfied contracts was not disclosed.

6 Other gains, net

	2020 **HK$'000**	2019 HK$'000
(Loss)/gain on disposal of financial assets at FVOCI	**(188)**	142
Dividend	**–**	215
Other items	**2,072**	845
	1,884	1,202

Grants to support local employment received from the Governments of Hong Kong and Macao amounted to HK$1,325,000 (2019: Nil) are included in the "other items" line. There were no unfulfilled conditions or other contingencies attaching to these grants. The Group did not benefit directly from any other forms of Government assistance.

7 Expenses by nature

	2020 HK$'000	2019 HK$'000
Auditor's remuneration – audit services	**1,412**	1,487
Changes in inventory	**215,773**	344,231
Depreciation – property, plant and equipment (Note 13)	**1,685**	2,272
Depreciation – right-of-use assets (Note 14)	**1,913**	1,645
Employee benefit expense and Directors' emoluments (Note 8)	**82,223**	80,835
Provision on inventory (Note 20)	**1,333**	295
Net impairment losses on financial and contract assets (Note 3(a)(ii)(III))	**1,363**	16,019
Write-off of trade receivable	**–**	1,114
Loss on disposal of property, plant and equipment	**–**	39
Short-term lease (Note 14(b))	**815**	1,480
Transportation expenses	**5,829**	3,740
Other expenses	**96,734**	89,194
Total costs of sales, costs of providing services, selling and marketing costs and administrative expenses	**409,080**	542,351

8 Employee benefit expense and Directors' emoluments

	2020 HK$'000	2019 HK$'000
Wages and salaries	**79,672**	78,472
Options granted to Directors and employees	**617**	–
Directors' fees	**838**	750
Social security costs	**841**	1,389
Pension costs – defined contribution plans	**255**	224
Total employee benefit expense and Directors' emoluments	**82,223**	80,835

(a) Pensions – defined contribution plans

There were no forfeited contributions.

Contributions totalling HK$255,000 (2019: HK$224,000) were paid to the fund during the Year.

8 Employee benefit expense 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 (2019: three) Directors whose emoluments are reflected in the analysis shown in Note 32. The emoluments payable to the remaining two (2019: two) individuals during the Year are as follows:

	2020 HK$'000	2019 HK$'000
Basic salaries and allowances	**1,995**	1,864
Contribution to pension scheme	**21**	39
Bonuses	**57**	270

The emoluments fell within the following band:

	Number of individuals	
	2020	2019
Emolument bands		
HK$500,001 – HK$1,000,000	**1**	–
HK$1,000,001 – HK$1,500,000	**1**	2

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

	Number of individuals	
	2020	2019
Emolument bands		
<HK$500,000	**–**	2
HK$500,001 – HK$1,000,000	**8**	7
>HK$1,000,000	**3**	4

9 Finance income – net

	2020 HK$'000	2019 HK$'000
Finance income		
Interest income	**3,473**	4,129
Finance costs expensed		
Bank borrowing interest expense	**(1)**	(112)
Interest and finance charges paid/payable for lease liabilities	**(137)**	(133)
Finance income – net	**3,335**	3,884

10 Subsidiaries

The principal subsidiaries of the Company as at 31st December 2020 are set out below. They were held indirectly by the Company and the proportion of ownership interests held equalled 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	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	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	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	–

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$7,628,000 (2019: HK$9,716,000).

(b) NCI

The total NCI as at 31st December 2020 was a deficit of HK$4,033,000 (2019: HK$3,918,000). NCI in respect of each individual subsidiary was not material.

11 Income tax expense

This note provides an analysis of the income tax expense of the Group, and 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

	2020 HK$'000	2019 HK$'000
Current tax		
Current tax on profits for the Year		
– Macao complementary profits tax	**1,082**	1,352
– Mainland China corporate income tax	**–**	40
Adjustments for current tax of prior periods	**(2)**	(3)
Income tax expense	**1,080**	1,389

11 Income tax expense (Continued)

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

	2020 HK$'000	2019 HK$'000
Profit/(loss) before income tax expense	**4,808**	(5,976)
Tax calculated at domestic tax rates in the respective regions	**42**	(2,719)
Tax effects of amounts which were not deductible (taxable) in calculating taxable income:		
– Income not subject to tax	**(141)**	(571)
– Expenses not deductible for tax purposes	**452**	1,954
Adjustments for current tax of prior periods	**(2)**	(3)
Previously unrecognised tax losses now recouped to reduce current tax expense	**(444)**	(44)
Tax losses for which no deferred income tax asset was recognised	**1,173**	2,772
Income tax expense	**1,080**	1,389

(c) Tax losses

The Group did not recognise deferred income tax assets of HK$15,822,000 (2019: HK$15,732,000) in respect of tax losses amounting to HK$85,537,000 (2019: HK$79,572,000) that could be carried forward against future taxable income. Cumulative tax losses amounting to HK$65,440,000 (2019: HK$59,379,000) could be carried forward indefinitely; cumulative tax losses of HK$20,097,000 (2019: HK$20,193,000) would expire (if not utilised) within the next five years.

12 Earnings/(loss) per Share

(a) Basic earnings/(loss) per Share

Basic earnings/(loss) per Share was calculated by dividing:

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

12 Earnings/(loss) per Share (Continued)

(b) Diluted earnings/(loss) per share

Diluted earnings/(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 2019, the computation of diluted earnings/(loss) per Share did not assume the exercise of the outstanding Options since their exercise would increase earnings per Share or reduce loss per Share.

(c) Profit/(loss) used in calculating earnings/(loss) per Share

	2020 **HK$'000**	2019 HK$'000
Profit/(loss) attributable to the ordinary equity holders of the Company used in calculating basic and diluted earnings/(loss) per Share	**3,826**	(5,256)

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

	2020 **Number**	2019 Number
Weighted average number of Shares used as the denominator in calculating basic and diluted earnings/(loss) per Share (thousands)	**614,435**	614,435

13 Property, plant and equipment

Non-current	Leasehold improvements HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Demonstration equipment HK$'000	Total HK$'000
As at 1st January 2019					
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 ended 31st December 2019					
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
Year					
Opening net book amount	1,602	1,973	110	103	3,788
Exchange differences	–	49	2	–	51
Additions	428	270	45	47	790
Depreciation charge (Note 7)	(440)	(1,096)	(47)	(102)	(1,685)
Closing net book amount	1,590	1,196	110	48	2,944
As at 31st December 2020					
Cost	4,375	12,609	1,876	2,221	21,081
Accumulated depreciation	(2,785)	(11,413)	(1,766)	(2,173)	(18,137)
Net book amount	1,590	1,196	110	48	2,944

14 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 amount relating to leases:

	2020 HK$'000	2019 HK$'000
Right-of-use assets		
Buildings	**3,070**	2,602
Lease liabilities		
Current	**1,626**	1,617
Non-current	**1,511**	1,033
	3,137	2,650

Additions to the right-of-use assets during the Year were HK$2,339,000 (2019: 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:

	2020 HK$'000	2019 HK$'000
Depreciation charge of right-of-use assets – buildings	**1,913**	1,645
Interest expense (included in finance costs)	**137**	133
Expense relating to short-term leases (included in administrative expenses)	**815**	1,480

The total cash outflow for leases in the Year was HK$2,711,000 (2019: HK$3,210,000).

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

The Group leased various offices and a warehouse. Rental contracts were typically made for fixed periods of six months 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.

15 Financial instruments by category

The Group held the following financial instruments:

	2020 HK$'000	2019 HK$'000
Financial assets		
Financial assets at amortised cost		
Contract assets, trade receivable, other receivables and deposits	**152,785**	190,255
Cash and cash equivalents	**70,891**	64,263
Financial assets at FVOCI	**43,620**	43,174
Financial assets at FVPL	**5,929**	–
	273,225	297,692
Financial liabilities		
Liabilities at amortised cost		
Trade payable, bills payable and other accounts payable	**70,140**	116,046
Lease liabilities	**3,137**	2,650
	73,277	118,696

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.

16 Other financial assets at amortised cost

Financial assets at amortised cost included the following:

Current	2020 HK$'000	2019 HK$'000
Other receivables and deposits (Note (a))	**24,387**	22,090
Less: provision for other receivables from a project owner	**(14,100)**	(14,100)
	10,287	7,990

(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) Impairment and risk exposure

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

17 Financial assets at FVOCI

(a) Classification of financial assets at FVOCI

Financial assets at FVOCI included the following:

	2020 HK$'000	2019 HK$'000
Equity instruments	**–**	–
Debt instruments	**43,620**	43,174
	43,620	43,174

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

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

17 Financial assets at FVOCI (Continued)

(b) Equity investments at FVOCI

Equity investments at FVOCI comprised the following investment:

Non-current assets	**2020 HK$'000**	2019 HK$'000
Unlisted securities – TTSA	**–**	–

On disposal of this equity investment, any related balance within FVOCI reserve would be reclassified to retained earnings.

(c) Disposal of equity investments

During the year ended 31st December 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 had already been 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.

(e) Amounts recognised in profit or loss and OCI

During the Year, the following (losses)/gains were recognised in OCI:

	2020 HK$'000	2019 HK$'000
Related to equity investments	**–**	483
Related to debt investments	**(940)**	3,590
(Losses)/gains recognised in OCI (see Note 23)	**(940)**	4,073

17 Financial assets at FVOCI (Continued)

(f) Fair value, impairment and risk exposure

Information about the methods and assumptions used in determining fair value is provided in Note 3(c)(i).

All of the financial assets at FVOCI were denominated in US$. For an analysis of the sensitivity of the assets to price risk refer to Note 3(a)(i)(III).

18 Financial assets at FVPL

(a) Classification of financial assets at FVPL

The Group classified bank wealth management products that did not qualify for measurement at either amortised cost or FVOCI (Note 17) at FVPL.

Financial assets mandatorily measured at FVPL included the following:

Current assets	**2020** **HK$'000**	2019 HK$'000
Bank wealth management products	**5,929**	–

(b) Risk exposure and fair value measurements

For information about the methods and assumptions used in determining fair value refer to Note 3(c)(ii).

19 Trade receivable

Current assets	2020 HK$'000	2019 HK$'000
Trade receivable from contracts with customers	**124,024**	138,339
Loss allowance	**(15,450)**	(13,527)
	108,574	124,812

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 receivable based on invoice date was as follows:

	2020 HK$'000	2019 HK$'000
Within three months	**89,649**	93,826
> Three months but ≤ six months	**12,752**	29,003
> Six months but ≤ twelve months	**5,025**	1,435
Over twelve months	**16,598**	14,075
	124,024	138,339

(a) Fair values of trade receivable

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 receivable and contract assets

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

The loss allowance increased from HK$13,527,000 to HK$15,450,000 for trade receivable and decreased from HK$2,117,000 to HK$2,101,000 for contract assets during the current reporting period.

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

19 Trade receivable (Continued)

(c) Past due but not impaired

As at 31st December 2020, trade receivable of HK$108,574,000 (2019: HK$124,812,000) was past due but not impaired. This related to a number of independent customers for whom there was no recent history of default. The ageing analysis of this trade receivable is as follows:

	2020 HK$'000	2019 HK$'000
Within three months	**89,594**	93,865
> Three months but ≤ six months	**12,725**	29,003
> Six months but ≤ twelve months	**4,792**	1,435
Over twelve months	**1,463**	509
	108,574	124,812

20 Inventory – systems equipment

(a) Assigning costs to inventory

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

(b) Amounts recognised in profit or loss

Inventory recognised as an expense during the Year amounted to HK$215,773,000 (2019: HK$344,231,000). This was included in costs of sales.

Write-downs of inventory to net realisable value amounted to HK$1,333,000 (2019: HK$295,000). These were recognised as an expense during the Year and included in costs of sales in the statement of profit or loss.

21 Cash and cash equivalents

Current assets	2020 HK$'000	2019 HK$'000
Cash at bank and in hand	**70,554**	59,890
Deposits at call	**337**	2,138
Debenture assets – original maturity within three months	**–**	2,235
	70,891	64,263

22 Share capital

	2020 Shares (thousands)	2019 Shares (thousands)	**2020 HK$'000**	2019 HK$'000
Shares, fully paid	**614,435**	614,435	**61,570**	61,570

(a) Movement in Shares

Details	**Number of Shares (thousands)**	**Total HK$'000**
Balance as at 1st January 2019, 31st December 2019 and 2020	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 holder of Shares 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 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 2019	**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 instrument	–	–	–	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**
Revaluation – loss for debt instruments	–	–	–	(1,128)	–	–	–	(1,128)
Reclassification to profit or loss – gross	–	–	–	188	–	–	–	188
Currency translation differences	–	–	–	–	–	–	(289)	(289)
Other comprehensive loss	–	–	–	(940)	–	–	(289)	(1,229)
Transactions with owners in their capacity as owners								
Share-based payment expenses	–	617	–	–	–	–	–	617
As at 31st December 2020	**97,676**	**8,059**	**702**	**338**	**35,549**	**49**	**2,493**	**144,866**

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 equity securities in OCI, as explained in Note 2(i). 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 17. 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(f) 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

Movements in accumulated losses were as follows:

	2020 HK$'000	2019 HK$'000
Balance 1st January	**(3,970)**	3,529
Net profit/(loss) for the Year	**3,826**	(5,256)
Reclassification of gain on disposal of equity instruments at FVOCI, net of tax	**–**	829
Dividend	**(6,144)**	(3,072)
Balance 31st December	**(6,288)**	(3,970)

25 Share-based payments – Scheme

The Scheme was adopted for a period of ten years commencing from 22nd June 2012. The Directors may, at their discretion, invite Participants to take up Options at the Subscription Price. Pursuant to the Scheme, the Grantee shall pay HK$1 to the Company as consideration for the grant of Options.

On 9th April 2020, Options were granted to certain Directors and selected employees. The Subscription Price of the granted Options equalled the market price of the Shares at the Date of Grant. The Options were immediately vested at the Date of Grant and were exercisable for a period of three years starting 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:

	2020		2019	
	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
Granted during the Year	**HK$0.12**	**19,884**	–	–
Lapsed during the Year	**HK$0.12**	**(170)**	HK$0.305	(27,448)
As at 31st December	**HK$0.12**	**19,714**	–	–

25 Share-based payments – Scheme (Continued)

(a) Fair value of Options granted

The assessed fair value at the Date of Grant of Options granted during the Year was HK$0.03 per Option. The fair value at the Date of Grant was independently determined using the polynomial valuation model. The significant inputs into the model were spot price of HK$0.12 at the Date of Grant, Subscription Price of HK$0.12 per Option, volatility of 46.48%, dividend yield of 3.2%, an expected Option life of three years, and an annual risk-free interest rate of 0.64%.

(b) Expenses arising from Options issued under the Scheme

Total expenses arising from Options issued under the Scheme recognised during the Year as part of employee benefit expense were HK$617,000 (2019: Nil).

26 Trade payable, bills payable and other accounts payable

Current liabilities	**2020** **HK$'000**	2019 HK$'000
Trade payable and bills payable	**61,553**	101,616
Other accounts payable and accruals	**22,546**	22,187
	84,099	123,803

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

26 Trade payable, bills payable and other accounts payable (Continued)

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

	2020 **HK$'000**	2019 HK$'000
Within three months	**56,656**	91,276
> Three months but ≤ six months	**2,432**	1,542
> Six months but ≤ twelve months	**1,347**	6,919
Over twelve months	**1,118**	1,879
	61,553	101,616

27 Dividends

(a) Shares

	2020 **HK$'000**	2019 HK$'000
Final dividend for the year ended 31st December 2019 of HK$0.01(2018: HK$0.005) per Share	**6,144**	3,072

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

	2020 **HK$'000**	2019 HK$'000
In addition to the above dividend, since year end the Directors have recommended the payment of a final dividend of HK$0.01 per fully paid Share for the Year (2019: HK$0.01). The aggregate amount of the proposed dividend expected to be paid out of retained earnings as at 31st December 2020, but not recognised as a liability at year end, is	**6,144**	6,144

28 Cash flow information – cash generated from operations

	2020 HK$'000	2019 HK$'000
Profit/(loss) before income tax	**4,808**	(5,976)
Adjustments for		
Depreciation – property, plant and equipment (Note 13)	**1,685**	2,272
Depreciation – right-of-use assets (Note 7)	**1,913**	1,645
Write-off of trade receivable	**–**	1,114
Non-cash employee benefits expense – share-based payments (Note 23)	**617**	–
Net loss/(gain) on sale of financial assets at FVOCI	**188**	(142)
Net loss on disposal of property, plant and equipment (Note 7)	**–**	39
Share of profit of an associate	**–**	(3)
Finance income – net (Note 9)	**(3,335)**	(3,884)
Provision for inventory (Note 7)	**1,333**	295
Provision of loss allowance (Note 7)	**1,363**	16,019
Changes in operating assets and liabilities, net of effects from purchase of controlled entity:		
Decrease/(increase) in trade receivable	**14,243**	(16,960)
Decrease/(increase) in contract assets	**23,505**	(37,882)
Decrease/(increase) in inventory	**10,705**	(14,021)
Increase in other receivables, deposits and prepayment	**(2,273)**	(15,748)
(Decrease)/increase in trade payable and bills payable	**(40,063)**	42,008
Increase in contract liabilities	**4,264**	3,529
Increase/(decrease) in other accounts payable and accruals	**359**	(736)
Cash generated from/(used in) operations	**19,312**	(28,431)

29 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 accounts payable	(1,691)
Net identifiable assets acquired	145
Less: fair value of interest in an associate	(65)
Less: NCI	(29)
Purchase consideration	51

(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(c) 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 ended 31st December 2019 would have been HK$531,286,000 and HK$7,357,000 respectively. These amounts were calculated using the results of the subsidiary.

29 Business combination (Continued)

(b) Purchase consideration – cash inflow

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

30 Related party transactions

(a) Parent entities

The Group was controlled by the following entities:

Name	Type	Place of incorporation	Ownership interest (%) 2020	2019
Eve Resources Limited ("ERL")	Immediate parent entity	BVI	**58.26**	58.26
Ocean Hope Holdings Limited ("OHHL")	Ultimate parent entity and controlling party	BVI	**58.26***	58.26*

* 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 32 to the consolidated financial statements.

30 Related party transactions (Continued)

(d) Transactions with other related parties

The following transactions occurred with related parties:

	2020 HK$'000	2019 HK$'000
Sale and purchases of goods and services		
Sale of goods to an entity controlled by key management personnel	**659**	885
Sale of goods to a restaurant owned by a child of key management personnel	**–**	3
Purchases of goods from an entity controlled by key management personnel	**280**	748
Other transactions		
Dividend paid to ERL	**3,579**	1,790
Dividend paid to Directors	**248**	124

During the Year, an executive Director was entitled to receive HK$1,405,000 (2019: HK$1,412,000) from the Group for leasing certain offices to the Group.

(e) Current accounts payable to related parties

	2020 HK$'000	2019 HK$'000
Bonus to executive Directors	**2,100**	1,500
Lease liabilities to an executive Director	**2,632**	1,942

(f) Terms and conditions

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

Goods were sold during the Year 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.

31 Balance sheet and reserve movement of the Company

Balance sheet of the Company

		As at 31st December	
		2020	2019
		HK$'000	HK$'000
Assets			
Non-current assets			
Investments in subsidiaries		**6,664**	6,091
Current assets			
Amounts due from subsidiaries		**295,861**	293,132
Prepayment		**197**	318
Cash and cash equivalents		**401**	641
		296,459	294,091
Liabilities			
Current liabilities			
Amounts due to subsidiaries		**54,031**	51,523
Other accounts payable and accruals		**1,114**	1,216
		55,145	52,739
Net current assets		**241,314**	241,352
Total assets less current liabilities		**247,978**	247,443
Equity			
Equity attributable to owners of the Company			
Share capital		**61,570**	61,570
Other reserves	(Note (b))	**180,155**	179,538
Retained earnings	(Note (a))	**6,253**	6,335
Total equity		**247,978**	247,443

The balance sheet of the Company was approved by the Board on 19th March 2021 and was signed on its behalf:

José Manuel dos Santos **Monica Maria Nunes**

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

Notes:

(a) Retained earnings movement of the Company

	HK$'000
As at 1st January 2019	3,257
Profit for the year ended 31st December 2019	6,150
Dividend paid	(3,072)
As at 31st December 2019	6,335
Profit for the Year	6,062
Dividend paid	(6,144)
As at 31st December 2020	6,253

(b) Other reserves

	Contributed surplus (Note (c)) HK$'000	**Share-based payments** HK$'000	**Capital redemption reserve** HK$'000	**Total** HK$'000
Balance as at 1st January 2019 and 31st December 2019	171,394	7,442	702	179,538
Share-based payment expenses	–	617	–	617
Balance as at 31st December 2020	**171,394**	**8,059**	**702**	**180,155**

(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.

32 Benefits and interests of Directors (disclosures required by Section 383 of CO, C(DIBD)R 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	Discretionary bonuses HK$'000	Employer's contribution to a retirement benefit scheme HK$'000	Share-based payment expenses HK$'000	Total HK$'000
Chairman						
José Manuel dos Santos	130	5,181	700	–	–	6,011
Executive Directors						
Kuan Kin Man (Note (a))	130	1,314	700	–	26	2,170
Monica Maria Nunes (Note (a))	130	1,607	700	23	26	2,486
Non-executive Director						
Ho Wai Chung Stephen (Note (b))	87	–	–	–	11	98
Independent non-executive Directors						
Fung Kee Yue Roger	120	–	–	–	11	131
Wong Tsu An Patrick	120	–	–	–	11	131
Tou Kam Fai (Note (c))	25	–	–	–	–	25
Wong Kwok Kuen (Note (d))	96	–	–	–	11	107
Total	838	8,102	2,100	23	96	11,159

32 Benefits and interests of Directors (disclosures required by Section 383 of CO, C(DIBD)R and the GEM Listing Rules) – Directors' and Chief Executives' emoluments (Continued)

For the year ended 31st December 2019:

Name	Fees HK$'000	Salary HK$'000	Discretionary bonuses HK$'000	Employer's contribution to a retirement benefit scheme HK$'000	Total HK$'000
Chairman					
José Manuel dos Santos	130	5,069	500	–	5,699
Executive Directors					
Kuan Kin Man (Note (a))	130	1,299	500	–	1,929
Monica Maria Nunes (Note (a))	130	1,594	500	23	2,247
Independent non-executive Directors					
Fung Kee Yue Roger	120	–	–	–	120
Wong Tsu An Patrick	120	–	–	–	120
Tou Kam Fai	120	–	–	–	120
Total	750	7,962	1,500	23	10,235

Note:

(a) Also managing directors. They collectively take up the functions of Chief Executives.

(b) Appointed on 9th April 2020.

(c) Resigned on 12th March 2020.

(d) Appointed on 12th March 2020.

During the Year, José Manuel dos Santos waived emoluments of HK$251,000 (2019: Nil), Kuan Kin Man waived emoluments of HK$63,000 (2019: Nil) and Monica Maria Nunes waived emoluments of HK$78,000 (2019: Nil).

Five-year Financial Summary

Results	Year ended 31st December **2020** **HK$'000**	 2019 HK$'000	 2018 HK$'000	 2017 HK$'000	 2016 HK$'000
Profit/(loss) attributable to:					
– Owners of the Company	**3,826**	(5,256)	(171)	(4,827)	8,989
– NCI	**(98)**	(2,109)	241	(936)	(2,683)
Assets and liabilities					
Total assets	**345,623**	382,528	340,859	371,160	422,126
Total liabilities	**(149,508)**	(183,368)	(135,257)	(156,777)	(184,345)
Total equity	**196,115**	199,160	205,602	214,383	237,781

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
"ASTRI"	Hong Kong Applied Science and Technology Research Institute Company Limited, a company incorporated in Hong Kong with limited liability
"Audit Committee"	the audit committee of the Company
"Auditor"	the auditor of the Company
"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
"CAHK"	Communications Association of Hong Kong Limited, a company incorporated in Hong Kong with limited liability by guarantee
"C(DIBD)R"	Companies (Disclosure of Information about Benefits of Directors) Regulation (Chapter 622G of the Laws of Hong Kong) as amended from time to time

Definitions

"CGI"	Chartered Governance Institute
"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 provision of the Corporate Governance Code set out in Appendix 15 of the GEM Listing Rules
"Company"	Vodatel Networks Holdings Limited
"Company Secretary"	the company secretary of the Company
"Compliance Officer"	the compliance officer of the Company
"CUM"	City University of Macau
"Date of Grant"	in respect of an Option and unless otherwise specified in the letter of grant, the Business Day on which the Board resolves to make an Offer to a Participant, whether or not the Offer is subject to Members' approval on the terms of the Scheme
"Director"	the director of the Company
"EBITDA"	earnings before interest, tax, depreciation and amortisation
"ERL"	Eve Resources Limited, details of which can be referred to in Note 30(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

"Functional Currency"	the currency of the primary economic environment in which an entity operates
"FVOCI"	fair value through OCI
"FVPL"	fair value through profit or loss
"GEM"	GEM operated by the Exchange
"GEM Listing Rules"	the Rules Governing the Listing of Securities on GEM made by the Exchange from time to time
"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
"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
"HKMA"	The Hong Kong Management Association, a company incorporated in Hong Kong with limited liability by guarantee
"HKU"	The University of Hong Kong, established under the University of Hong Kong Ordinance (Chapter 1053 of the Laws of Hong Kong)

Definitions

"Hong Kong"	the Hong Kong Special Administrative Region of PRC (not applicable to Communications Association of Hong Kong Limited, Hong Kong Accounting Standard, Hong Kong Applied Science and Technology Research Institute Company Limited, Hong Kong-Europe Business Council, 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 Internet Registration Corporation Limited, The Hong Kong Management Association, Hong Kong Standards on Auditing, The Hong Kong University of Science and Technology, 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"	18th March 2021, 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 consolidated 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 30(a) to the consolidated financial statements
"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
"PTC"	Pacific Telecommunications Council
"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, incorporated in Macao with limited liability and an indirect subsidiary of the Company
"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

Definitions

“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 2020