VODATEL
(Stock code: 8033)

TOGETHER WE
STAND AND THRIVE

2018
ANNUAL REPORT

Characteristics of GEM

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

Contents

Corporate Information

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

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

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

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

Compliance Officer
Monica Maria Nunes

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

Auditor
PricewaterhouseCoopers
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Bankers
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Banco Comercial de Macau, S.A.
The Hong Kong and Shanghai Banking Corporation Limited

Share Registrars
Codan Services Limited
Clarendon House
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Hamilton HM11
Bermuda

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

Company Profile

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

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

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

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

Chairman's Statement

Dear Members of Vodatel,

While I'm excited to share with you that despite headwinds against system integrators in Macao during 2018, we are still able to enjoy a year-on-year growth of our order book by 2.64% to over HK$450,000,000 worth of contracts secured. However, it is certainly a dismay that the growth of our business could not be fully reflected in our financial results for the Year as Vodatel remains reactive to the timing as to when contracts are entered into. With revenue booked during the Year at HK$416,848,000 only, which trailed behind HK$439,317,000 of 2017 by 5.11%, we managed to just achieve breakeven with our bottom-line.

Since our business has remained steady with a strong order book and with an improvement of our cashflow subsequent to some internal restructuring initiated during the Year, the Board proposes a final dividend of HK$0.005 per Share, which will be fifth consecutive year where we declared a dividend payout.

Reflections of 2018

Contracts from the Government of Macao and gaming operators continued to be main business drivers at Vodatel. Despite riding on our established market reputation that "Vodatel = reliability + quality services", we secured only HK$315,000,000 worth of contracts from the Government of Macao and different gaming operators during 2018 as compared to over HK$350,000,000 during 2017. Although this represented a drop of almost 12% on a year-on-year basis, this result did not come any easy as Macao experienced changing landscapes during the Year where 1. the Government of Macao geared their primary focus to the overall strategy on the development and transformation of Macao into a smart city, hence delayed the rolling out of new IT projects; and 2. there was an absence of ample mega integrated resorts under construction and global volatility, such as economic slowdown in Mainland China, tensions from the trade war between PRC and USA and stiffer competition from emerging new hot spots in Asia, lurked the capital expenditures appetites of different gaming operators. With fewer jobs in the market, we saw increasing price competition, especially among the more labour-intensive nature of works, where our competitors slashed prices as low as half of the average market norm in some projects -- a price range where Vodatel is not in the position to compete.

With Macao being a difficult market to be in during 2018, the main driver that allowed Vodatel to grow our order book emerged from the restructuring of the Mainland China team to undertake data networks infrastructure projects and to expand the customer base from local telecommunications service providers to regional/global telecommunications and Internet service providers and reputable Chinese enterprises in the sectors of insurance, securities and banking. Since the transformation made in 2017, the business of the Mainland China team grew more than ten-fold from barely over HK$6,000,000 worth of contracts signed in 2016 to over HK$82,000,000 worth of contracts in 2018. This encouraging result not only made up the shortfall of business contracts secured in Macao, it enabled Vodatel to enjoy an overall growth to our order book by 2.64% during the Year.

Looking into 2019

Vodatel has an excellent start for 2019. In January, we have been awarded a contract to build a surveillance system, together with the supporting networks infrastructure, at a new integrated resort that is currently under construction in Cotai. This award is in particular of importance to Vodatel as it not only provides works that will keep us busy during 2019, this gaming operator, where Vodatel has limited business dealings with in the past, will become another gaming operator where Vodatel plays the role as one of their core surveillance partners.

Despite a good start for 2019, Vodatel will not just stop here. We will continue to strengthen our portfolio with industry-leading products and services that will allow us to capture new higher-return opportunities in the markets that we currently operate. In addition, we will explore new opportunities in other Asian countries so as to position Vodatel to become a more regional player. While this strategic move is still in its infant stage and we know it will come with many challenges, we strongly believe Vodatel has all the ingredients to allow us to give a shot.

The People behind Vodatel

The heart at Vodatel has always been our people. As a company guided by strong business ethics and principles, we certainly have the right balance of skills, experience and backgrounds to not only support our business, but to challenge the management team with the strategies that we propose. We know we will not or we cannot win all projects that we bid, but we know that our people allows Vodatel to move into the future with optimism, confidence and purpose.

Our Appreciation

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

José Manuel dos Santos
Chairman

Macao, 20th March 2019

Management Discussion and Analysis

VODATEL — AT A GLANCE!

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

REVIEW OF BUSINESS ACTIVITIES

Business in Macao and Hong Kong

As a system integrator and service provider that already represented a list of international and renowned manufacturers, the Group is in continuous pursuit of identifying 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 remains a major player in Macao reputable to house an inventory of highly trained, skilled and experienced engineers, thus making MDL and VHL among the most sought companies to provide round-the-clock and reliable system maintenance and support services, in particular 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.

During the Year, in the absence of any major projects that involved installation and commissioning of surveillance system or data network infrastructure at new integrated resorts, contracts from different gaming operators that the Group secured, which valued over HK$100,000,000, related primarily to existing surveillance systems and data network infrastructure at gaming properties that needed revamp or retrofit due to new gaming regulations, customarily replacements of aging equipment in particular gaming cameras, and backend system as newer technology enabled gaming operators to improve customer services and provide more customised personal services to key clients. During the Year, the Group remains one of the core surveillance and data networks infrastructure partners for three gaming operators.

As a means to de-risk the reliance on the gaming sector, during 2017, the Group undertook strategic initiatives to seek vertical diversifications in product offerings. Subsequent to securing a project in 2017 that involved in the provision of innovative smart cameras and traffic management of intelligent transportation systems for the Transport Bureau, with the successful commissioning of the system during the Year, in December 2018, the Group was awarded Phase Two where smart cameras with full traffic analysis under any meteorological conditions will be deployed at more road junctions in Macao. Similar to Phase One, the contract value of Phase Two was approximately HK$42,000,000.

After experiencing strong growth to business generated from the Government of Macao for three consecutive years for products and services in the areas of servers, storage, security, surveillance and networking and in the provision of customised software solutions and on-going maintenance service support, and with VHL and MDL in aggregate hitting record high of securing over HK$250,000,000 worth of contracts in 2017, during the Year, VHL and MDL secured just approximately HK$200,000,000, or an approximate year-on-year drop of 20%, due to few IT tenders as the Government of Macao geared their focus towards the strategic development and transformation of Macao into a smart city that spanned across thirteen areas of development, including information infrastructures, application of big data, mobile city, security, environment, high-efficiency energy, development of urban infrastructure, tourism and leisure, open government, regional cooperation, technological innovation, healthy life and equal opportunity, the promotion of smart city education and training of talented human resources. Despite fewer contracts secured during the Year, the Group remains a core solutions partner to some of the key governmental departments, such as Municipal Affairs Bureau, Public Security Police Force, Identification Services Bureau, Marine and Water Bureau, Housing Bureau, Macao Customs Service, to name a few, and different educational institutions such as UM and Macau Polytechnic Institute.

Similar to 2017, business generated from the Hong Kong team for the provision of data networks infrastructure remains stable with approximately HK$46,000,000 worth of contracts secured during the Year, representing a year-on-year growth of around 6%. In terms of product diversification to DWDM infrastructure and SD-WAN infrastructure initiated during 2017, during the Year, the Group signed approximately HK$2,500,000 worth of contract from a regional telecommunications service provider in Mainland China to deploy DWDM infrastructure and secured multiple contracts, worth HK$6,000,000, from different leading providers of content delivery services in the Asia Pacific region to deploy SD-WAN infrastructure. In terms of client diversification, the Hong Kong team also commenced its reach to providers of cable television. Both product and client diversifications will continue in 2019.

Business in Mainland China

With the transformation made during 2017 to undertake data networks infrastructure projects and to expand the customer base from local telecommunications service providers to regional/global telecommunications and Internet service providers and reputable Chinese enterprises in the sectors of insurance, securities and banking, plus capitalising the aggressive road map of a leading provider of Internet value added services in Mainland China as it develops network infrastructure in countries to support the "One Belt and One Road Initiative", the Mainland China team tripled the contracts signed during the Year from 2017 to reach over HK$82,000,000, which, if compared to contracts entered into during 2016, total orders received during the Year represented more than a ten-fold growth. Customers with business emphasis in the provinces of Guangdong and Jiangxi and the municipality of Shanghai remain some of the core markets that the Group focused.

Operating performance of TSTSH and TSTJX continued to be less than impressive with only approximately HK$11,000,000 worth of contracts secured during the Year with key customers including telecommunications service providers from the provinces of Jiangxi, Jiangsu, Hebei and Hubei and the municipalities of Chongqing and Shanghai. TSTSH and TSTJX currently covered fewer markets than previous years subsequent to an internal restructuring to retreat from provinces/municipalities with lesser market potential, hence 10% of headcounts had been reduced during the Year. Further restructuring to streamline its operations is expected to continue during 2019.

Management Discussion and Analysis

Other Investment Holdings

TTSA With the market in Timor-Leste gradually maturing and remains highly competitive due to the presence of three operators providing telecommunications services in a country with just a population of 1,200,000, the operating performance of TTSA continued to be adversely affected. However, while revenue dropped by 8.28% from HK$228,239,000 in 2017 to HK$209,344,000 in the Year, net loss narrowed considerably by 57.77% from HK$98,879,000 in 2017 to HK$41,754,000 in the Year.

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

During the Year, there is no major update regarding the disposal of the shareholding of Oi S.A. — in judicial reorganisation, a company incorporated in Brazil with limited liability and whose shares are listed on the New York Stock Exchange in USA and BM&FBOVESPA in Brazil, in TTSA. The Group will continue to keep close watch of any latest developments.

REVIEW OF OPERATING RESULTS

Turnover and Profitability

Contrary to previous years where the Group ended a year with a strong fourth quarter, the Group started strong during the initial six months of the Year, attributable to contracts secured during 2017 yet equipment delivered and services performed during the Year. Although total contracts secured by the Group during the Year experienced a 2.64% growth as compared to 2017, as a handful of contracts signed during the Year not yet recognised as revenue in the same year, including Phase Two of the project that involved the provision of smart cameras and traffic management of intelligent transportation systems for the Transport Bureau (Phase One which was signed during 2017 was recognised as revenue in the same year), the Group reported revenue of HK$416,848,000 for the Year or a drop of 5.11% as compared to the corresponding year of HK$439,317,000. In addition, with tougher price competition and decline in the higher-margin service contracts (involving installation and system support services) from customers, especially from gaming operators as they rearranged their internal human resources to perform such services, the Group witnessed a slight drop in its gross profit margin from 26.00% in 2017 to 25.69% in the Year. With a decrease in both revenue and gross profit margin, the Group reported gross profit of HK$107,083,000 for the Year as compared to HK$114,239,000 for the preceding year.

Staff costs remain the biggest element of the Group. Despite effecting an average 4% salary increase to the staff during the Year to keep up with general market practice and to retain talents, with tighter cost control to non-staff expenses, administrative expenses increased a mere 1.67% from HK$95,195,000 in 2017 to HK$96,788,000 for the Year.

During the Year, the Group underwent an internal restructuring to the back office team which resulted in an improved workflow, in particular to the recovery of receivables. With more timely recovery of receivables, hence a healthier cash position, finance income generated from cash and financial assets increased from HK$2,254,000 in 2017 to HK$2,618,000 for the Year.

Adding in finance income and taking into consideration the provision of profit taxes against profit-making entities, the Group achieved breakeven with its operations for the Year as compared to a net loss of HK$5,763,000 for 2017, the net loss in 2017 of which was attributable to the full impairment of the investment cost of TTSA.

Capital Structure and Financial Resources

With the disposal of the non-core assets during the previous years and the full impairment of TTSA during 2017, the balance sheet of the Group has become more straight-forward.

During the Year, as part of the internal restructuring to the back office team to improve key areas, in particular recovery of receivables, the Group witnessed an improvement to its cash flow. Trade receivables and contract assets (reclassified from trade receivables under the new HKFRS 15 *Revenue from Contracts with Customers*) stood at HK$129,017,000 as at 31st December 2018 as compared to HK$184,112,000 as at 31st December 2017. Level of inventory and trade payables were at HK$18,120,000 and HK$59,608,000 as at 31st December 2018 as compared to HK$22,822,000 and HK$82,245,000 as at 31st December 2017 respectively.

The Group continued to exercise capital discipline and maintain a solid balance sheet with no gearing (save for and except normal trade and other payables). Equity base stood at HK$205,602,000 as at 31st December 2018, of which cash and cash equivalents and yield-enhanced financial instruments remained at a healthy level at HK$133,562,000. With improved cashflow, as at 31st December 2018, financial assets (non-current and current) of HK$53,674,000 comprised primarily of investments in yield-enhanced financial instruments. Among the bond holdings were HK$4,002,000 from Nippon Life Insurance Company (a mutual company in Japan), HK$3,917,000 from a subsidiary of Guangzhou R&F Properties Co., Ltd. (a company incorporated in PRC with limited liability and whose ordinary shares of RMB0.25 each are listed on the Main Board) and HK$3,660,000 from HSBC Holdings plc (a company incorporated in England, UK with limited liability and whose ordinary shares of HK$0.50 each are listed on the Main Board and the London Stock Exchange in UK). Current liquidity position and capital structure continue to weather the Group against unexpected headwinds while providing flexibility to the management to comfortably pursue new business opportunities.

Employees' Information

As at 31st December 2018, the Group had 221 employees, of which 87, 11 and 123 employees were based in Mainland China, Hong Kong and Macao respectively.

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

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

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

Capital Commitments and Significant Investments

As at 31st December 2018, the Group had significant investments of which the details are set out in Note 18 to the consolidated financial statements. Save as disclosed, the Group did not have any significant capital commitments and significant investments.

Management Discussion and Analysis

Charges on Group Assets

As at 31st December 2018, 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 cost in HK$, MOP, US$ and RMB. The Group incurred net foreign exchange gains of HK$19,000 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 71, was first appointed as an executive Director on 13th December 1999. He is the founder of the Group and Chairman of the Company. He has experience of over fifty years in the telecommunications industry in the Asia Pacific region. He served in a senior position at Direcção dos Serviços de Correcios e Telecomunicações, the telecommunications authority of the Government of Macao, prior to the founding of Zetronic and subsequently the Group. He is the sole director of ERL and OHHL which are Substantial Shareholders.

KUAN Kin Man, aged 53, was first appointed as an executive Director on 14th December 1999. He is the managing director and general manager of the Group in charge of sales and marketing. In 1985, he joined Zetronic as an engineer and was transferred into marketing later. He joined Vodatel Systems (the assets and liabilities of which were assigned to VHL on 1st July 1998) on 8th July 1992 to assume the role of sales manager and was promoted to general manager in 1994.

Monica Maria NUNES, aged 50, was first appointed as an executive Director on 13th December 1999. She is the managing director and finance director of the Company and the Compliance Officer. She graduated from the University of Calgary, Canada with a Bachelor of Commerce degree and from HKU, PRC with a Master of Social Sciences degree. She joined the Group in 1999 and has over twenty years of accounting and banking experience. She holds a Certified Management Accountant Designation of Certified Management Accountants of Alberta, Canada. She is a member of the Chartered Professional Accountants of Alberta, Canada and is entitled to use the designation Chartered Professional Accountant. She is an associate of CIMA and is entitled to use the description Chartered Management Accountant. She is also entitled to hold and use the designation of CGMA. She is an independent non-executive director of AHL.

Biographical Details of Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS

FUNG Kee Yue Roger, aged 66, 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 45, was first appointed as an independent non-executive Director on 4th June 2008. He is the founder and CEO of Tenacity International Limited, for which he is responsible for its overall strategic development, management, and operations. He is also director of Wing Tak Group and companies with a focus towards maritime services and private investments. Prior to founding Tenacity International Limited, he has over ten years of investment experience from USA and Asia, working as a portfolio manager for growth-orientated funds at Trust Company of the West in USA. He has been a member of the American Institute of Certified Public Accountants since 2010, a member of the Young Presidents' Organization since 2009, and a member of the Zhejiang Provincial Committee of the Chinese People's Political Consultative Conference since 2013. He has been the executive president of The Hong Kong Association of Zhejiang Entrepreneurs since 2017.

TOU Kam Fai, aged 61, was first appointed as an independent non-executive Director on 13th May 2009. He first started his own business in seafood processing and trading in 1992 and has since accumulated over fifteen years of experience in the industry with business dealings in the Asia Pacific region and North America. He also liaises business activities between the Bolivarian Republic of Venezuela and PRC and is an investor in both countries.

SENIOR MANAGEMENT (By alphabetical order)

CHAN Chi Pio, aged 49, is the technical support manager of the Group. He joined the Group in 1992 after having graduated from Huaqiao University, PRC with a Bachelor of Science degree in the same year.

CHEONG Kuan Pat, aged 54, is the general manager of MDL. He graduated from CUM, PRC with a Master of Business Administration degree. He is the Vice President of Computer Chamber of Macau since 2006. He has been working in the IT industry in Macao for over thirty years. He joined MDL in 1993 as the chief of product sales and marketing department.

CHUI Yiu Sui, aged 49, is the assistant general manager of MDL. He graduated from CUM, PRC with a degree of Bachelor of Arts. He joined MDL in 1993 as an assistant software manager and was gradually promoted to managerial positions.

SENIOR MANAGEMENT (By alphabetical order) (Continued)

FOO Chun Ngai Redford, aged 45, is the Company Secretary. He joined the Company in September 2003. He is responsible for company secretarial matters and overall financial and accounting management of the Group. He graduated from HKU, PRC with degrees of Bachelor of Business Administration in Accounting and Finance and Master of Arts. He is a fellow of the Association of Chartered Certified Accountants and HKICPA. He is also an associate of the Institute of Chartered Secretaries and Administrators and HKICS and was awarded the Chartered Governance Professional qualification. He is an associate of CIMA and is entitled to use the description Chartered Management Accountant. He is also entitled to hold and use the designation of CGMA. Before joining the Company, he worked for another company listed on GEM as the company secretary and qualified accountant and for an international renowned accounting firm.

HO Wai Sam, aged 56, is the director of technical services of the Group. He graduated from CUM, PRC with a Master of Business Administration degree. He had worked in Companhia de Telecomunicações de Macau S.A.R.L. for eighteen years and was head of transport networks covering the international and national engineering such as optical fibre, synchronous and plesiochronous digital hierarchy transmission, submarine cable, microwave and satellite earth station. He joined the Group in June 2000.

Gary Robert JOSLIN, aged 53, is a project manager with the Group. He has over thirteen years of experience as a project manager in a number of projects in Macao, Australia, New Zealand and Canada mainly focused on security systems, CCTV and data networks. The projects have successfully delivered outcomes for prisons, local Government facilities and casinos. The most recent project was as project manager for the delivery of a data network for the entire property at a major new Macao property.

LIANG Ka Man Gary, aged 53, is the sales director of the Group in Hong Kong. He joined the Group in 2001 as the business development manager for Hong Kong market. He graduated from UM, PRC with 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.

LOI Man Keong, aged 48, is the sales manager of MDL. He obtained a degree of Bachelor of Economics from JU, PRC and a degree of Bachelor of Laws from China University of Political Science and Law, PRC. He joined MDL in 1994 as a sales executive and was promoted to sales manager in 2006 responsible for product sales of MDL.

Biographical Details of Directors and Senior Management

SENIOR MANAGEMENT (By alphabetical order) (Continued)

Manouchehr MEHRABI, aged 60, is the senior project management consultant of the Group. He obtained his Bachelor of Computer Science degree from Concordia University, Canada in Montreal and his Master of Science degree in Telecommunications from Queen Mary University of London, UK. Over the years, he has filled a number of IT positions, including programmer, database administrator, field engineer, system manager, and network consultant. He joined the Group in June 2000.

MOK Chi Va, aged 53, is the deputy general manager, sales and marketing, Macao of the Group. He has obtained a Diploma in Business Administration jointly organised by UM, PRC and Macau Management Association and a Master of Business Administration - International Business degree from West Coast Institute of Management and Technology, Australia. He first joined the Group on 3rd July 2000 as the business development manager principally in charge of the business of AHL and was appointed as an executive director of AHL on 29th January 2003. He was back to the Group on 1st July 2007. Prior to joining the Group, he worked for Charter Kingdom Limited as operation manager and Tung Tat E&M Engineering Co. Limited as project manager.

NG Ka Leung, aged 49, is the assistant technical dicector of the Group. He graduated from UM, PRC with a Bachelor of Science degree in 1994. He has been with the Group since 1995.

WANG Qing, aged 48, is the regional business manager of the Group. He graduated from Nanjing University of Posts and Telecommunications, PRC with a Bachelor of Science degree in 1992. He joined the Group in 1994. He was an engineer at a telecommunications equipment firm before joining the Group.

WONG Wai Kan, aged 54, is the senior regional business director of the Group in Mainland China. He graduated from JU, PRC with a Bachelor of Science degree. He has been with the Group since 1993. He worked in the fields of purchasing and banking before joining the Group.

WU Wenhua, aged 55, is currently the CEO of TSTSH in charge of overall operations, overseeing the sales and marketing, technical development and management of TSTSH. With a doctoral degree from the University of Waterloo, Canada, he has previously worked for international software development corporations, where he has accumulated over fifteen years of product development experience, in particular, development of network management systems for telecommunications service providers. He has established good connections with different telecommunications service providers in PRC.

Corporate Governance Report

1 Corporate governance practices

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

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

2 not all Directors participated in continuous professional development;

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

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

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

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

A.6.5 The Directors consider that briefing received from the Company Secretary is sufficient for them to render their contribution to the Board.

A.6.7 The independent non-executive Directors consider that such attendance could not help to develop a balanced understanding of the views of the Members because not many Members attended the AGM in past few years.

C.1.2 Management consider that quarterly updates and periodic instant updates when developments arising out of the ordinary business instead of monthly updates are sufficient for the Board to discharge its duties.

E.1.2 The Chairman of the Board was away on a business trip on the date of AGM.

2 Directors' securities transactions

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

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

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

3 Board

The Directors were:

Chairman:	José Manuel dos Santos
Executive Directors:	Kuan Kin Man
	Monica Maria Nunes
Independent non-executive Directors:	Fung Kee Yue Roger
	Wong Tsu An Patrick
	Tou Kam Fai

Four meetings were held during the Year.

Corporate Governance Report

3 Board (Continued)

The attendance record of each Director was as follows:

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

Matters reserved for the Board are as follows:

(a) Approval of interim and final financial statements.

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

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

(d) Appointment or removal of the Company Secretary.

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

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

(g) Approval of all circulars and listing particulars.

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

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

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

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

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

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

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

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

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

(q) Major capital projects.

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

3 Board (Continued)

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

(t) Major investments.

(u) Risk management strategy.

(v) Treasury policies, including foreign currency exposure.

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

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

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

(z) Formulation of policy regarding charitable donations.

(aa) Political donations.

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

(ac) Prosecution, defence or settlement of litigation.

(ad) Internal control arrangements.

(ae) Directors' and officers' liability insurance.

Matters not mentioned above will be delegated to the management.

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

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

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

Monica Maria Nunes complied with Code A.6.5 by attending seminars organised by HKICS, the Auditor, an accounting firm, Labour Department and Women's Commission.

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

Corporate Governance Report

4 Chairman and Chief Executives

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

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

5 Non-executive Directors

Tou Kam Fai was re-appointed for a two-year term expiring on 12th May 2019. Wong Tsu An Patrick was re-appointed for a two-year term expiring on 3rd June 2020. Fung Kee Yue Roger was re-appointed for a two-year term expiring on 29th September 2020. Each Director's fee is HK$10,000 per month.

6 Remuneration of Directors

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

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

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

One meeting was held during the Year.

The attendance record of each Director was as follows:

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

During the Year, the Remuneration Committee determined the policy and structure for the remuneration of the Directors; evaluated their performance and recommended the bonuses for the year ended 31st December 2017 and on the salary increment for the Year of all the executive Directors.

7 Nomination of Directors

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

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

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

One meeting was held during the Year.

The attendance record of each Director was as follows:

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

During the Year, the Nomination Committee recommended José Manuel dos Santos, Kuan Kin Man and Tou Kam Fai 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$1,495,000 for the Year.

Corporate Governance Report

9 Audit Committee

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

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

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

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

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

During the Year, the Audit Committee reviewed the financial reports for the year ended 31st December 2017, for the six months ended 30th June 2018 and for the quarters ended 31st March 2018 and 30th September 2018. The Audit Committee also reviewed and discussed the report of the Auditor to the Audit Committee for the year ended 31st December 2017 and reviewed the Auditor's statutory audit plan for the Year.

10 Other specific disclosures

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

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

11 Members' rights

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

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

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

12 Investor relations

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

13 Risk management and internal control

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

Corporate Governance Report

13 Risk management and internal control (Continued)

Currently there is no separate internal audit function within the Group. Management are still working for ISO9001 on its business model, while two subsidiaries in Guangzhou, Guangdong already obtained ISO9001 in the year ended 31st December 2016. ISO9001 requires an annual audit on the internal control systems and procedures. An internal audit function will be developed, either in-house or outsourced. Management consider to apply for ISO9001 for subsidiaries in other locations, and internal audits will be implemented afterwards.

14 Dividend policy

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

On behalf of the Board

José Manuel dos Santos
Chairman

Hong Kong, 20th March 2019

ESG Report

ESG AT VODATEL

Vodatel is a renowned and reliable systems 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 shareholders, customers, employees, the local community and regulators.

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

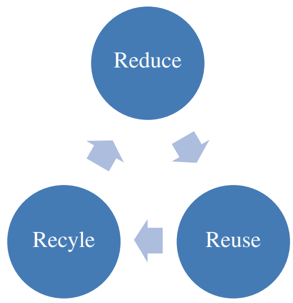
Although this is just the beginning of our ESG journey, we are staunch believers in the environment in which we work and live, and are resolute in our mission to integrate ESG elements in our operations, business strategies and management in order to foster sustainable, long-term growth for the business, 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 systems integrator, there are a few aspects regarding emissions that routinely apply to our day-to-day business operations:

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

ESG Report

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

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

Policies applicable at Vodatel

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

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

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

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

KPI A1.2 Greenhouse gas emissions are produced due to consumption of electricity by various offices in different locations. The largest office of the Group, which is in Macao, generates around 126 tonnes of carbon dioxide each year, while the Hong Kong office around 49 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 systems integrator for various IT-related turnkey solutions and services, the use of resources by Vodatel, such as energy, water and other raw materials, in its day-to-day operations is minimal. This aspect is not of great relevance to our cost-structure, which mainly involves purchase of equipment from our suppliers and the associated freight and insurance, salaries and benefits to staff and third-party expenses, e.g. inland transportation and engagement of sub-contractors, incurred during the installation of equipment and commissioning of surveillance and IT solutions. Despite that the use of natural resources is not largely relevant to Vodatel, we are aware of our consumption of electricity, water and fuel within an office environment, and will, therefore, focus our ESG improvement efforts in those areas.

Policies applicable at Vodatel

√ **Instill 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 systems 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 recources and the actions taken to manage them) is not applicable.

ESG Report

B) SOCIAL

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

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

Aspect B1: Employment

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

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

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

Policies applicable at Vodatel

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

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

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

Aspect B2: Health and Safety

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

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

2 Workplace tidiness and conservation;

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

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

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

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

7 Readily accessible first-aid assistance and equipment.

Policies applicable at Vodatel

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

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

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

Aspect B3: Development and Training

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

ESG Report

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

Policies applicable at Vodatel

√ **Formulation of a long-term training and development strategy;**

√ **Elaboration of training and development plans; and**

√ **Periodic formal review of the training and development programmes.**

Aspect B4: Labour Standards

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

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

Policies applicable at Vodatel

√ **Incorporation of guidelines concerning forced and child labour in employment practices;**

√ **Consistent verification of compliance with the latest legal development; and**

√ **Whistleblower protection to record any illegal activities.**

Aspect B5: Supply Chain Management

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

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

Policies applicable at Vodatel

- √ **Conduction of yearly assessment concerning environmental and social risks over selection of suppliers; and**
- √ **Whistleblower protection to record any illegal activities related to kick-backs.**

Aspect B6: Product Responsibility

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

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

Policies applicable at Vodatel

- √ **Establishment of formal guidelines concerning product responsibility;**
- √ **Periodic assessment/revision of product responsibility guidelines; and**
- √ **Effecting action/initiatives when deemed necessary.**

Aspect B7: Anti-corruption

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

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

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

ESG Report

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

Policies applicable at Vodatel

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

√ **Whistleblower protection.**

Aspect B8: Community Investment

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

Contributions to the Community – Vodatel is committed to developing positive relationships with the communities in which we operate. In the summer this Year, we donated HK$5,000 and HK$10,000 to the Community Chest of Hong Kong and the Sowers Action respectively. In February 2019, we made payment of MOP29,000 to The Macau Association for the Mentally Handicapped to purchase 1,700 small packs of "Fortune Rice" as a means to support job opportunities for the mentally handicapped children who are engaged by the association to do the rice packing. To share these packs of "Fortune Rice" with the less fortunate, other than 300 packs being reserved for distribution to the employees of the Group in Macao and Hong Kong, the balance of 1,000 and 400 packs were sent to the elderly homes in Macao and Hong Kong respectively. Going forward, we aim to deepen our understanding of our communities and their needs. We will continue to explore different channels and platforms to contribute meaningfully to the local communities.

Policies applicable at Vodatel

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

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

Report of the Directors

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

Principal activities and geographical analysis of operations

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

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

Business review

The business review is set out on pages 6 to 10 under the section headed "Management Discussion and Analysis".

Results and appropriations

The results of the Group for the Year are set out in the consolidated income statement on page 42.

The Directors recommend the payment of a final dividend of HK$0.005 per Share, totalling HK$3,072,000 (2017: HK$0.01 per Share, totaling HK$6,144,000).

Donations

Charitable donations made by the Group during the Year amounted to HK$43,000 (2017: HK$29,000).

Distributable reserves

Distributable reserves of the Company as at 31st December 2018, calculated under CA 1981 (as amended), amounted to HK$174,651,000 (2017: HK$177,783,000).

Options granted to Directors and selected employees

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

Five-year financial summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 111 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.

Report of the Directors

Options (Continued)

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 2018 was 61,443,500, representing 10% of the issued share capital of the Company as at 31st December 2018.

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

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

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

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

As at the Latest Practicable Date, Options to subscribe for a total of 27,146,000 Shares were still outstanding under the Scheme which represented approximately 4.42% of the issued Shares.

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

Details of the Shares outstanding on which Options were granted as at 31st December 2018 under the Scheme are as follows:

	Number of Options						
	held as at 1st January 2018	Lapsed during the Year	held as at 31st December 2018	Exercise price HK$	Grant date	Exercisable from	Exercisable until
Directors							
Kuan Kin Man	960,000	—	960,000	0.305	27th September 2016	28th September 2016	27th September 2019
Monica Maria Nunes	960,000	—	960,000	0.305	27th September 2016	28th September 2016	27th September 2019
Fung Kee Yue Roger	400,000	—	400,000	0.305	27th September 2016	28th September 2016	27th September 2019
Wong Tsu An Patrick	400,000	—	400,000	0.305	27th September 2016	28th September 2016	27th September 2019
Tou Kam Fai	400,000	—	400,000	0.305	27th September 2016	28th September 2016	27th September 2019
Director's associate							
Kuan Ieng Cheok	30,000	—	30,000	0.305	27th September 2016	28th September 2016	27th September 2019
Continuous contract employees	24,674,000	(884,000)	23,790,000	0.305	27th September 2016	28th September 2016	27th September 2019
Others	508,000	—	508,000	0.305	27th September 2016	28th September 2016	27th September 2019
	28,332,000	(884,000)	27,448,000				

Directors

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

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

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

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 re-appointment of independent non-executive Directors who have served more than nine years shall be subject to a separate resolution to be approved by the Members. Fung Kee Yue Roger will have been an independent non-executive Director for more than fourteen 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.

Tou Kam Fai, Wong Tsu An Patrick and Fung Kee Yue Roger, independent non-executive Directors, were re-appointed for two-year terms expiring on 12th May 2019, 3rd June 2020 and 29th September 2020 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' interests in contracts of significance in relation to the business of the Group are set out in Note 30 to the financial statements.

Save for contracts amongst Group companies and the aforementioned transactions, no other transactions, arrangements and contracts of significance to which the subsidiaries of the Company 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 2018 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 11 to 14.

Report of the Directors

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 2018, the relevant interests and short positions of the Directors or Chief Executives in the Shares, underlying Shares and debentures of the Company or its Associated Corporations which will be required to be notified to the Company and the Exchange pursuant to Divisions 7 and 8 of Part XV of SFO (including interests and short positions which he took or deemed to have taken under such provisions of SFO) or required pursuant to Section 352 of SFO, to be entered in the register referred to therein or required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors to be notified to the Company and the Exchange were as follows:

Aggregate long positions in the Shares

Name of Director	Nature of interest	Number of Shares held	Number of underlying Shares (in respect of Options held)	Approximate % of the issued share capital of the Company
José Manuel dos Santos	Corporate *(Note 1)*	357,945,500	—	58.26
Kuan Kin Man	Personal *(Note 2)*	22,112,500	960,000	3.76
Monica Maria Nunes	Personal *(Note 3)*	2,452,500	960,000	0.56
Fung Kee Yue Roger	Personal *(Note 4)*	210,000	400,000	0.10
Wong Tsu An Patrick	Personal *(Note 5)*	—	400,000	0.07
Tou Kam Fai	Personal *(Note 6)*	—	400,000	0.07

Notes:

1 As at 31st December 2018, these Shares were held in the names of BEL, BSPL and ERL. The entire issued share capital in BEL and BSPL were held by José Manuel dos Santos. 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 960,000 underlying Shares in respect of Options granted to him by the Company. The aforesaid interest was held by Kuan Kin Man as beneficial owner.

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

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

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

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

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

The register of Substantial Shareholders required to be kept under Section 336 of Part XV of SFO showed that as at 31st December 2018, 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)*	301,538,000	49.08
OHHL	Corporate *(Note 1)*	301,538,000	49.08
Lei Hon Kin	Family *(Note 2)*	357,945,500	58.26

Notes:

1 As at 31st December 2018, these Shares were held in the name of ERL. The entire issued share capital in ERL was held by OHHL, a company wholly-owned by José Manuel dos Santos.

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

Management contracts

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

Major suppliers and customers

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

Purchases	
– the largest supplier	25.76%
– five largest suppliers in aggregate	64.72%
Sales	
– the largest customer	21.62%
– five largest customers in aggregate	58.14%

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.

Report of the Directors

Connected transactions

The related party transactions as disclosed under Note 30 (b) to (d) in the consolidated financial statements constituted connected transactions under the GEM Listing Rules. However, they were exempt from Members' approval and disclosures and other requirements under Chapter 20 of the GEM Listing Rules because they were below the de minimis threshold under Rule 20.74.

Sufficiency of public float

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

Corporate governance report

The corporate governance report is set out on pages 15 to 22.

Permitted indemnity provisions

During the Year and as at 20th March 2019, a permitted indemnity provision is in force for the benefit of all the Directors.

Auditor

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

On behalf of the Board

José Manuel dos Santos
Chairman

Hong Kong, 20th March 2019

Independent Auditor's Report

pwc 羅兵咸永道

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

Opinion

What we have audited

The consolidated financial statements of Vodatel Networks Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 42 to 110, which comprise:

- the consolidated balance sheet as at 31 December 2018;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

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

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

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Independent Auditor's Report

Independence

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

Key Audit Matter

Key audit matter is the matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. This matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

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

Key Audit Matter	How our audit addressed the Key Audit Matter
Loss allowance for trade receivables and contract assets Refer to Note 4(b) (critical accounting estimates and judgements) and Note 19. As at 31 December 2018, the Group had gross trade receivables and contract assets amounting to HK$121.4 million and HK$21.9 million respectively, and loss allowance amounting to HK$14.3 million. A reversal of loss allowance of HK$150,000 was made to the consolidated income statement for the year ended 31 December 2018. The total amount of net trade receivables and contract assets represented approximately 38% of the total assets.	We checked, on a sample basis, the accuracy of aging profile of the trade receivables and contract assets balances. We performed analytics on aging profile of trade receivables and contract assets, and by making reference to settlement received for trade receivables, subsequent billing of contract assets, towards and after the year end, if any, to identify aged debts in respect of which there has been little or no recent or subsequent settlement. We challenged management as to the recoverability of trade receivables and contract assets which were past due but not impaired, corroborating explanations through examining underlying relevant supporting documents such as post year end settlements, historical payment record, financial information of the customers and other corresponding documents. Based on the procedures performed, we found the assumptions and judgement made by management in respect of the loss allowance of trade receivables and contract assets to be supportable by available evidence.

Key Audit Matter (Continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
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 receivables and contract assets. The assessment was an area of focus for us given the inherent uncertainties in this area and the significance of the related balance.	

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.

Independent Auditor's Report

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, related safeguards.

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

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 20th March 2019

Consolidated Income Statement

	Notes	Year ended 31st December 2018 HK$'000	2017 HK$'000
Revenue from contracts with customers	5(e)	**416,848**	439,317
Cost of sales of goods	7	**(249,367)**	(273,019)
Cost of providing services	7	**(60,398)**	(52,059)
Gross profit		**107,083**	114,239
Selling and marketing costs	7	**(12,897)**	(12,308)
Administrative expenses	7	**(96,788)**	(95,195)
Impairment loss on financial assets		**—**	(10,501)
Other gains/(losses), net	6	**822**	(1,119)
Operating loss		**(1,780)**	(4,884)
Finance income		**2,618**	2,254
Finance costs		**(75)**	(1)
Finance income – net	9	**2,543**	2,253
Share of net profit of an associate accounted for using the equity method	11	**10**	7
Profit/(loss) before income tax		**773**	(2,624)
Income tax expense	12	**(703)**	(3,139)
Profit/(loss) for the Year		**70**	(5,763)
Profit/(loss) is attributable to:			
Owners of the Company		**(171)**	(4,827)
Non-controlling interests		**241**	(936)
		70	(5,763)
		HK Cent	HK Cent
Loss per Share for loss attributable to the ordinary equity holders of the Company:			
Basic and diluted loss per Share	13	**(0.03)**	(0.79)

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

Consolidated Statement of Comprehensive Income

	Notes	Year ended 31st December 2018 HK$'000	2017 HK$'000
Profit/(loss) for the Year		**70**	(5,763)
Other comprehensive expense			
Items that may be reclassified to profit or loss			
Changes in the fair value of debt instruments at FVOCI	23	**(2,943)**	—
Changes in the fair value of AFS financial assets	23	**—**	(12,661)
Revaluation transfer to profit or loss	23	**261**	980
Exchange differences on translation of foreign operations		**(25)**	2
Other comprehensive expense for the Year, net of tax		**(2,707)**	(11,679)
Total comprehensive expense for the Year		**(2,637)**	(17,442)
Total comprehensive expense for the Year is attributable to:			
Owners of the Company		**(2,878)**	(16,507)
Non-controlling interests		**241**	(935)
		(2,637)	(17,442)

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

Consolidated Balance Sheet

		As at 31st December	
	Notes	**2018** **HK$'000**	2017 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	14	**3,369**	4,775
Interest in an associate	11(b)	**818**	808
Financial asset at FVOCI	18	**43,813**	—
AFS financial assets	18	**—**	39,029
Total non-current assets		**48,000**	44,612
Current assets			
Inventories	20	**18,120**	22,822
Contract assets	19	**21,897**	—
Trade receivables	19	**107,120**	184,112
Other receivables, deposits and prepayments	16	**54,517**	37,131
Financial assets at FVOCI	18	**3,917**	—
Financial assets at amortised cost	17	**7,400**	—
AFS financial assets	18	**—**	7,141
Cash and cash equivalents	21	**79,888**	75,342
Total current assets		**292,859**	326,548
Total assets		**340,859**	371,160
LIABILITIES			
Current liabilities			
Trade and bills payables	26	**59,608**	82,245
Other payables and accruals	26	**22,923**	63,815
Contract liabilities	26	**43,022**	—
Current tax liabilities		**9,704**	10,717
Total liabilities		**135,257**	156,777
Net current assets		**157,602**	169,771
Net assets		**205,602**	214,383

		As at 31st December	
	Notes	**2018** **HK$'000**	2017 HK$'000
EQUITY			
Share capital	22	**61,570**	61,570
Other reserves	23	**142,341**	144,821
Retained earnings			
– Proposed final dividend	27(b)	**3,072**	6,144
– Others		**457**	3,927
Capital and reserves attributable to owners of the Company		**207,440**	216,462
Non-controlling interests		**(1,838)**	(2,079)
Total equity		**205,602**	214,383

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

The financial statements on pages 42 to 110 were approved by the Board on 20th March 2019 and were signed on its behalf.

José Manuel dos Santos **Monica Maria Nunes**

Consolidated Statement of Changes in Equity

	Notes	Attributable to owners of the Company				Non-controlling interests HK$'000	Total equity HK$'000
		Share capital HK$'000	Other reserves HK$'000	Retained earnings HK$'000	Total HK$'000		
Balance as at 1st January 2017		61,382	156,501	21,042	238,925	(1,144)	237,781
Loss for the year ended 31st December 2017		—	—	(4,827)	(4,827)	(936)	(5,763)
Other comprehensive expense	23	—	(11,680)	—	(11,680)	1	(11,679)
Total comprehensive expense for the year ended 31st December 2017		**—**	**(11,680)**	**(4,827)**	**(16,507)**	**(935)**	**(17,442)**
Transactions with owners in their capacity as owners:							
Dividend paid		—	—	(6,144)	(6,144)	—	(6,144)
Issue of Shares under Scheme		188	—	—	188	—	188
		188	—	(6,144)	(5,956)	—	(5,956)
Balance as at 31st December 2017 as originally presented		**61,570**	**144,821**	**10,071**	**216,462**	**(2,079)**	**214,383**
Change in accounting policy by adoption of HKFRS 9 *Financial Instruments*	2(b)(i)(I)	—	227	(227)	—	—	—
Restated total equity as at 1st January 2018		**61,570**	**145,048**	**9,844**	**216,462**	**(2,079)**	**214,383**
Profit for the Year		—	—	(171)	(171)	241	70
Other comprehensive expense	23	—	(2,707)	—	(2,707)	—	(2,707)
Total comprehensive expense for the Year		**—**	**(2,707)**	**(171)**	**(2,878)**	**241**	**(2,637)**
Transactions with owners in their capacity as owners:							
Dividend paid		—	—	(6,144)	(6,144)	—	(6,144)
Balance as at 31st December 2018		**61,570**	**142,341**	**3,529**	**207,440**	**(1,838)**	**205,602**

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 **2018** **HK$'000**	 2017 HK$'000
Cash flows from operating activities			
Cash generated from operations	28	**22,146**	12,928
Interest paid		**(75)**	(1)
Income taxes paid		**(1,368)**	(1,471)
Net cash inflow from operating activities		**20,703**	11,456
Cash flows from investing activities			
Payments for property, plant and equipment	14	**(1,270)**	(3,659)
Payments for AFS financial assets		**—**	(43,993)
Payments for financial assets at FVOCI		**(26,003)**	—
Payments for financial assets at amortised cost		**(7,400)**	—
Proceeds from sale of property, plant and equipment		**907**	15
Proceeds from sale of AFS financial assets		**—**	25,299
Proceeds from sale of financial assets at FVOCI		**16,662**	—
Proceeds from sale of financial assets at amortised cost		**4,802**	—
Interest received on financial assets at FVOCI (2017: AFS financial assets)	9	**2,618**	2,254
Net cash outflow from investing activities		**(9,684)**	(20,084)
Cash flows from financing activities			
Proceeds from issue of Shares		**—**	188
Decrease in restricted bank deposits		**—**	24,895
Dividend paid to Members		**(6,144)**	(6,144)
Net cash (outflow)/inflow from financing activities		**(6,144)**	18,939
Net increase in cash and cash equivalents		**4,875**	10,311
Cash and cash equivalents at the beginning of the financial year		**75,342**	64,122
Effects of exchange rate changes on cash and cash equivalents		**(329)**	909
Cash and cash equivalents at end of Year		**79,888**	75,342

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

Notes to the Consolidated Financial Statements

1 General information

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

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

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

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

The Company has its listing on GEM.

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

2 Summary of significant accounting policies

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

(a) Basis of preparation

(i) Compliance with HKFRS

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

(ii) Historical cost convention

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

2 Summary of significant accounting policies (Continued)

(a) Basis of preparation (Continued)

(iii) New and amended standards adopted by the Group

The Group applied the following standards and amendments for the first time for their annual reporting period commencing 1st January 2018:

- HKFRS 9 *Financial Instruments*
- HKFRS 15 *Revenue from Contracts with Customers*
- *Classification and Measurement of Share-based Payment Transactions – Amendments to* HKFRS 2 *Share-based Payment*
- *Annual Improvements to HKFRS 2014 – 2016 Cycle*
- *Transfers to Investment Property – Amendments to* HKAS 40 *Investment Property*
- Hong Kong (IFRIC) Interpretation 22 *Foreign Currency Transactions and Advance Consideration*

The Group had to change its accounting policies and make certain retrospective adjustments following the adoption of HKFRS 9 and HKFRS 15 (see details in Note 2(b) below). Most of the other amendments listed above did not have any impact on the amounts recognised in prior periods and were not expected to significantly affect the current or future periods.

(iv) New standard not yet adopted

HKFRS 16 *Leases*

HKFRS 16 was published and was not mandatory for the Year and was not early adopted by the Group. The assessment of the impact of this new standard of the Group is set out below.

(I) Nature of change

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies (Continued)

(a) Basis of preparation (Continued)

(iv) New standard not yet adopted (Continued)

HKFRS 16 *Leases* *(Continued)*

(I) Nature of change *(Continued)*

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modification, amongst others. Under HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as operating and financing cash flows respectively.

(II) Impact

As at 31st December 2018, the Group had non-cancellable operating lease commitments of HK$3,505,000 (Note 29). A preliminary assessment indicates that these arrangements will meet the definition of lease under HKFRS 16, and the Group will recognise a right-of-use asset and corresponding liability in respect of all these leases unless they qualify for low value or short-term lease upon the application of HKFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above. The Group does not expect the adoption of HKFRS 16 as compared with the current accounting policy would result in a significant impact on the results of the Group and it is expected that right of use asset and lease liabilities of these lease commitments, in approximate amount of HK$2,600,000, will be required to be recognised in the consolidated balance sheet.

The Group will apply the standard from its mandatory adoption date of 1st January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

2 Summary of significant accounting policies (Continued)

(b) Changes in accounting policies

This note explains the impact of the adoption of HKFRS 9 and HKFRS 15 on the consolidated financial statements of the Group and the new accounting policies as disclosed in Note 2(j) and Note 2(v) that were applied from 1st January 2018, where they were different to those applied in prior periods.

(i) HKFRS 9

(I) Classification and measurement

On 1st January 2018 (the date of initial application of HKFRS 9), the management of the Group assessed which business models applied to the financial assets held by the Group and classified its financial instruments into the appropriate HKFRS 9 categories. HKFRS 9 was generally adopted without restating any comparative information. The adoption of HKFRS 9 in the current period resulted in the adjustment of the beginning financial position at 1st January 2018.

The main effects resulting from this reclassification are as follows:

Financial assets - 1st January 2018	**AFS financial assets HK$'000**	**Financial assets at FVOCI HK$'000**	**Financial assets at amortised cost HK$'000**
Opening balance- HKAS 39 *Financial Instruments – Recognition and Measurement*	**46,170**	**—**	**—**
Reclassified corporate bonds from AFS financial assets to financial assets at FVOCI	(39,911)	39,911	—
Reclassified unlisted equity securities from AFS financial assets to financial assets at FVOCI	(1,456)	1,456	—
Reclassified unlisted debt securities from AFS financial assets to financial assets at amortised cost	(4,803)	—	4,803
Opening balance – HKFRS 9	**—**	**41,367**	**4,803**

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies (Continued)

(b) Changes in accounting policies (Continued)

(i) HKFRS 9 (Continued)

(I) Classification and measurement *(Continued)*

The impact of these changes on the equity of the Group is as follows:

	Effect on other reserve - AFS financial assets HK$'000	Effect on other reserve - Financial assets at FVOCI HK$'000	Effect on retained earnings HK$'000
Opening balance – HKAS 39	**489**	**—**	**10,071**
Reclassified corporate bonds from AFS financial assets to financial assets at FVOCI	(489)	489	—
Reclassified loss allowance from other reserve to retained earnings	—	227	(227)
Opening balance – HKFRS 9 (Before adjustment for impairment)	**—**	**716**	**9,844**

(II) Impairment of financial assets

The Group had four types of financial assets that were subject to the new expected credit loss model of HKFRS 9:

– trade receivables for sales of inventory and from the provision of services

– contract assets

– debt investments carried at amortised cost, and

– debt investments carried at FVOCI

The Group was required to revise its impairment methodology under HKFRS 9 for each of these classes of assets.

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

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

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

2 Summary of significant accounting policies (Continued)

(b) Changes in accounting policies (Continued)

(i) HKFRS 9 (Continued)

(II) Impairment of financial assets *(Continued)*

Debt investments

Debt investments at amortised cost and those at FVOCI were considered to be low risk, and therefore the impairment provision was determined as twelve months expected credit losses. Applying the expected credit risk model resulted in the recognition of a loss allowance of HK$227,000 on 1st January 2018 (previous loss allowance was nil) for debt investments at FVOCI and a further increase in the allowance by HK$38,000 in the current report period.

The restatement of the loss allowance for debt investments at amortised cost on transition to HKFRS 9 as a result of applying the expected credit risk model was immaterial.

(ii) HKFRS 15

Except for the reclassification of the contract assets from trade receivables, and reclassification of contract liabilities from other payables and accruals for balance as at 1st January 2018, HKFRS 15 was generally adopted without restating any comparative information.

The adoption of HKFRS 15 in the current period did not result in any impact on the amounts reported in the consolidated financial statements and/or disclosures set out in the consolidated financial statements except that, the Group has adopted the following accounting policies on revenues in Note 2(v) with effect from 1st January 2018. HKFRS 15 required that revenue from contracts with customers was recognised upon the transfer of control over goods or services to the customer. As such, upon adoption, this requirement under HKFRS 15 resulted in immaterial impact to the consolidated financial statements as the timing of revenue recognition on sale of goods and services was nearly unchanged.

(c) 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 when the Company was directly or indirectly exposed to, or had rights to, variable returns from its involvement with the entity and had the ability to affect those returns through its power 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.

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies (Continued)

(c) 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(d)).

Intercompany 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.

Non-controlling interests 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) Associates

Associates were all entities 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. Investments in associates were accounted for using the equity method of accounting (see (iii) below), after initially being recognised at cost.

(iii) Equity accounting

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

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

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

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

2 Summary of significant accounting policies (Continued)

(d) Business combinations

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

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

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 non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the proportionate share of the non-controlling interest of the net identifiable assets of the acquired entity.

(e) 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.

(f) Segment reporting

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

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

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies (Continued)

(g) 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 income statement 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 rate on the dates of the transactions); and
- all resulting currency translation differences were recognised in OCI.

(h) 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.

2 Summary of significant accounting policies (Continued)

(h) Property, plant and equipment (Continued)

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

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

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

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

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(i)).

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

(i) 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.

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies (Continued)

(j) Investments and other financial assets

(i) Classification

From 1st January 2018, the Group classified its financial assets in the following measurement categories:

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

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

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

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

(ii) Recognition and derecognition

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

(iii) Measurement

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

(I) Debt instruments

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

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

2 Summary of significant accounting policies (Continued)

(j) Investments and other financial assets (Continued)

(iii) Measurement (Continued)

(I) Debt instruments *(Continued)*

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

(II) Equity instruments

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

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

(iv) Impairment

From 1st January 2018, the Group assessed on a forward-looking basis the expected credit loss associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depended on whether there was a significant increase in credit risk.

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

(v) Accounting policies applied until 31st December 2017

The Group applied HKFRS 9 retrospectively, but elected not to restate comparative information. As a result, the comparative information provided continued to be accounted for in accordance with the previous accounting policy of the Group.

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies (Continued)

(j) Investments and other financial assets (Continued)

(v) Accounting policies applied until 31st December 2017 (Continued)

Until 31st December 2017 the Group classified its financial assets in the following categories:

– loans and receivables, and

– AFS financial assets.

The classification determined on the purpose for which the investments were acquired. Management determined the classification on its investments at initial recognition. See Notes 18(f) for details about each type of financial asset.

(I) Subsequent measurement

The measurement at initial recognition did not change an adoption of HKFRS 9, see description above.

Subsequent to the initial recognition, loans and receivables were subsequently carried at amortised cost using the effective interest method.

AFS financial assets were subsequently carried at fair value. Gains or losses arising from changes in the fair value were recognised in OCI.

Details of how the fair value of financial instruments was determined were disclosed in Note 3(c).

(II) Impairment

The Group assessed at the end of each reporting period whether there was objective evidence that a financial asset or group of financial assets was impaired. A financial asset or a group of financial assets was impaired and impairment losses were incurred only if there was objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) had an impact on the estimated future cash flows of the financial asset or group of financial assets that could be reliably estimated. In the case of equity investments classified as AFS, a significant or prolonged decline in the fair value of the security below its cost was considered an indicator that the assets were impaired.

2 Summary of significant accounting policies (Continued)

(j) Investments and other financial assets (Continued)

(v) Accounting policies applied until 31st December 2017 (Continued)

(II) Impairment *(Continued)*

Assets carried at amortised cost

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

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

Impairment testing of trade receivables is described in Note 19(b).

Assets classified as AFS

If there was objective evidence of impairment for AFS financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – was removed from equity and recognised in profit or loss.

Impairment losses on equity instruments that were recognised in profit or loss were not reversed through profit or loss in a subsequent period.

If the fair value of a debt instrument classified as AFS increased in a subsequent period and the increase could be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss was reversed through profit or loss.

(k) Offsetting financial instruments

Financial assets and liabilities were offset and the net amount reported in the balance sheet when the Company currently had a legally enforceable right to offset the recognised amounts, and there was an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies (Continued)

(l) Inventories

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

(m) Trade and other receivables

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

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

(n) Cash and cash equivalents

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

(o) Share capital

Shares were classified as equity (Note 22).

(p) Trade and other payables

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

(q) Borrowing costs

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

2 Summary of significant accounting policies (Continued)

(r) Current and deferred income tax

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

(i) Current income tax

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

(ii) Deferred income tax

Deferred income tax was provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities were not recognised if they arose from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affected neither accounting nor taxable profit or loss. Deferred income tax was determined using tax rates (and laws) that were enacted or substantively enacted by the 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 when the deferred tax balances related to the same taxation authority. Current tax assets and tax liabilities were offset where the entity had a legally enforceable right to offset and intended either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax was recognised in profit or loss, except to the extent that it related to items recognised in OCI or directly in equity. In this case, the tax was also recognised in OCI or directly in equity, respectively.

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies (Continued)

(s) 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 render the related services were recognised in respect of employees' services up to the end of the reporting period and were measured at the amounts expected to be paid when the liabilities were settled. The liabilities were included in other payables and accruals in the balance sheet.

(ii) Pension obligations

The Group operated a post-employment scheme which was a defined contribution pension plan.

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

(iii) Bonus plans

The Group recognised a liability and an expense for bonuses based on a formula that took into consideration the profit/(loss) 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 whenever an employee accepted voluntary redundancy in exchange for these benefits. The Group recognised termination benefits when the Group could no longer withdraw the offer of those benefits. Benefits falling due more than twelve months after the end of the reporting period were discounted to their present value.

2 Summary of significant accounting policies (Continued)

(t) Share-based payments

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

Options

The fair value of Options granted under the Scheme was recognised as an expense with a corresponding increase in equity. The total amount to be expensed was determined by reference to the fair value of the Options granted:

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

(u) 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.

(v) Revenue recognition

Revenue was measured at the fair value of the consideration received or receivable for the project sales, sales of services and software in the ordinary course of the activities of the Group. Revenue is shown net of discounts and after eliminating sales with the Group companies. The Group recognised revenue when the amount of revenue would be reliably measured; when it was probable that future economic benefits could flow to the entity; and when specific criteria were met for each of the activities of the Group, as described below. The Group based its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies (Continued)

(v) Revenue recognition (Continued)

(i) Project sales

Revenue from the design, sale and implementation of network and systems infrastructure; customer data automation, customisation and integration; and provision of technical support services was recognised based on the stage of completion of the contracts, provided that the stage of contract completion and the gross billing value of contracting work could be measured reliably.

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

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

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

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.

(ii) Sales of services

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

(iii) Sales of software

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

2 Summary of significant accounting policies (Continued)

(w) Loss per Share

(i) Basic loss per Share

Basic loss per Share was calculated by dividing the loss attributable to owners of the Company by the weighted average number of Shares outstanding during the Year.

(ii) Diluted loss per Share

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

– the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary Shares, and

– the weighted average number of additional ordinary Shares that would have been outstanding assuming the conversion of all dilutive potential ordinary Shares.

(x) Dividend income

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

(y) Leases

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

(z) Dividends distribution

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

(aa) Interest income

Interest income on financial assets at amortised cost and financial assets at FVOCI (2017 – AFS and loans and receivables) calculated using the effective interest method was recognised in the statement of 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.

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies (Continued)

(aa) Interest income (Continued)

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 were 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	Investments in debt securities	Sensitivity analysis	Portfolio diversion
Credit risk	Cash and cash equivalents, trade receivables, debt investments and contract assets	Aging analysis Credit ratings	Diversification of bank deposits, credit limits and letters of credit; Investment guidelines for debt investments
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 carried out by the Directors. They identified and evaluated financial risks in close co-operation with the operating units of the Group.

3 Financial risk management (Continued)

(a) Financial risk factors

(i) Market risk

(I) Foreign exchange risk

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

Exposure

Management considered that foreign exchange risk related to financial assets denominated in US$ and MOP was minimal, since these currencies were pegged to HK$ and exchange rate fluctuation was minimal throughout the Year. The exposure of the Group to foreign currency risk at the end of the reporting period, expressed in HK$, was as follows:

	2018 RMB HK$'000	2017 RMB HK$'000
Cash and cash equivalents	**63**	119
Debt investments	**3,481**	6,779

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 2018, if HK$ had weakened/strengthened by 5% against RMB with all other variables held constant, post tax profit and comprehensive income for the Year would have been HK$177,000 (2017: post tax loss and comprehensive loss HK$345,000 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.

(III) Price risk

Exposure

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

Notes to the Consolidated Financial Statements

3 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(i) Market risk (Continued)

(III) Price risk *(Continued)*

Exposure *(Continued)*

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

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

Sensitivity

With all other variables held constant, if the market price of financial assets at FVOCI measured at fair value had been 10% higher/lower than the actual closing price as at 31st December 2018, other components of equity would increase/decrease by approximately HK$4,627,000 (2017: HK$3,991,000).

(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, banks and financial institutions, taking into account its financial position, past experience and other factors. Individual risk limits were set based on internal or external ratings in accordance with limits set by the Board. The compliance with credit limits by customers was regularly monitored by line management.

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

(II) Security

For some advance to suppliers the Group obtained security in the form of promissory note which could be presented to court if the counterparty were in default under the terms of the agreement.

3 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(ii) Credit risk (Continued)

(III) Impairment of financial assets

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

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

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

The expected credit loss rates were based on the payment profiles of sales over a period of twenty-four months before 31st December 2018 or 1st January 2018 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates were adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

Notes to the Consolidated Financial Statements

3 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(ii) Credit risk (Continued)

(III) Impairment of financial assets *(Continued)*

Trade receivables and contract assets *(Continued)*

On that basis, the loss allowance as at 31st December 2018 and 1st January 2018 (on adoption of HKFRS 9) was determined as follows for both trade receivables and contract assets:

	Within six months	> Six months but ≤ twelve months	Over twelve months	Total
31st December 2018				
Expected loss rate	**0.04%**	**1.00%**	**83.46%**	**—**
Gross carrying amount – trade receivables and contract assets	**125,877**	**383**	**17,027**	**143,287**
Loss allowance	**55**	**4**	**14,211**	**14,270**
1st January 2018				
Expected loss rate	0.05%	1.00%	66.81%	—
Gross carrying amount – trade receivables and contract assets	171,663	5,143	22,418	199,224
Loss allowance	84	51	14,977	15,112

There was no material impact on trade receivables and contract assets for the initial application of the new impairment requirements under HKFRS 9 compared with under HKAS 39. Further quantitative disclosures in respect of the exposure of the Group to credit risk arising from trade receivables and contract assets and other receivables are set out in Note 19.

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

3 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(ii) Credit risk (Continued)

(III) Impairment of financial assets *(Continued)*

Deposits and other receivables

The credit quality of the deposits and other receivables excluding prepayments were assessed with reference to historical information about the counterparties default rates and financial position of the counterparties. The Directors are of the opinion that the credit risk of deposits and other receivables was low due to the sound collection history of the receivables due from them. Therefore, expected credit loss rate of the deposits and other receivables excluding prepayments was assessed to be close to zero and no provision was made as at 31st December 2018.

Previous accounting policy for impairment of trade receivables and contract assets

In the prior year, the impairment of trade receivables was assessed based on the incurred model. Individual receivables which were known to be uncollectible were written off by reducing the carrying amount directly. The other receivables were assessed collectively to determine whether there was objective evidence that an impairment was incurred but not yet been identified. For these receivables the estimated impairment losses were recognised in a separate provision for impairment. The Group considered that there was evidence of impairment if any of the following indicators were present:

- significant financial difficulties of the debtor
- probability that the debtor would enter bankruptcy of financial reorganisation, and
- default or late payments (more than two years overdue)

Receivables for which an impairment provision was recognised were written off against the provision when there was no expectation for recovering additional cash.

Notes to the Consolidated Financial Statements

3 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(ii) Credit risk (Continued)

(III) Impairment of financial assets *(Continued)*

Debt investments

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

Financial assets at amortised cost

The Group entered into wealth management products with a bank during the Year and the year ended 31st December 2017. The management considered that the counterparty was a bank with high credit rating and, therefore, the default risk was remote.

Debt investments at FVOCI

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

The loss allowance for debt investments at FVOCI as at 31st December 2017 reconciles to the opening loss allowance on 1st January 2018 and to the closing loss allowance as at 31st December 2018 as follows:

	2018 **HK$'000**
Closing loss allowance as at 31st December 2017 (calculated under HKAS 39)	—
Amounts restated through opening retained earnings	227
Opening loss allowance as at 1st January 2018 – calculated under HKFRS 9	227
Increase in loss allowance recognised in profit or loss during the Year	38
Closing loss allowance as at 31st December 2018	**265**

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 gains/(losses) were recognised in profit or loss in relation to impaired assets:

	2018 HK$'000	2017 HK$'000
Impairment losses		
Reversal on individually impaired receivables (previous accounting policy)	**—**	474
Reversal on loss allowance for trade receivables and contract assets	**150**	—
Impairment losses on financial assets at FVOCI	**(38)**	—
Net gain	**112**	474

Of the above impairment losses, HK$14,270,000 (2017: HK$15,112,000) related to receivables arising from contracts with customers (see Note 19(b)).

(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. At the end of the reporting period the Group held deposits at call of HK$79,888,000 (2017: HK$75,342,000) 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.

Notes to the Consolidated Financial Statements

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:

	2018 **HK$'000**	2017 HK$'000
Fixed rate		
Expiring within one year	**397,168**	396,141

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

3 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(iii) Liquidity risk (Continued)

(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 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.

Contractual maturities of financial liabilities	Less than one year HK$'000
As at 31st December 2018	
Trade payables	**59,608**
Other payables and accruals	**22,923**
Total	**82,531**
As at 31st December 2017	
Trade and bills payables	82,245
Other payables and accruals	29,399
Total	111,644

(b) Capital management – risk management

The objectives of the Group when managing capital were to

- safeguard their ability to continue as a going concern, so that they 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.

Notes to the Consolidated Financial Statements

3 Financial risk management (Continued)

(b) Capital management – risk management (Continued)

Loan covenants

Under the terms of the major borrowing facilities, the Group was required to comply with the following financial covenants:

- to maintain consolidated tangible net worth of no less than HK$200,000,000,
- to maintain HK$45,000,000 average credit balance in a bank at all times,
- to maintain net external gearing ratio of no more than 0.5x, and
- the Company to remain listing status on GEM.

(c) Fair value estimation for financial assets and liabilities

(i) Fair value hierarchy

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

Recurring fair value measurements	**31st December 2018 Level one HK$'000**	31st December 2017 Level one HK$'000
Financial assets at FVOCI		
Debt investments	**46,274**	—
AFS financial assets		
Debt investments	**—**	39,911
Total financial assets	**46,274**	39,911

3 Financial risk management (Continued)

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

(i) Fair value hierarchy (Continued)

The debt instruments at amortised cost and unlisted equity instruments at FVOCI are included in level three.

There were no transfers between different levels for recurring fair value measurements during the Year.

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

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

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

(ii) Valuation techniques used to determine fair values

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

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

(iii) Fair value measurements using significant unobservable inputs (level three)

The following table presents the changes in level three unlisted equity securities for the Year and the year ended 31st December 2017:

	2018 **HK$'000**	2017 HK$'000
Opening balance as at 1st January	—	25,084
Loss recognised in OCI	—	(14,583)
Loss recognised in profit or loss	—	(10,501)
Closing balance as at 31st December	—	—

Notes to the Consolidated Financial Statements

3 Financial risk management (Continued)

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

(iv) Valuation inputs and relationships to fair value

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

Fair value as at	Unobservable inputs	2018 and 2017
31st December 2018 and 2017	Weighted average cost of capital	20.10%
	Long-term revenue growth rate	2.10%
	Discount for lack of marketability	10.90%
	Discount for lack of control	22.00%

(v) Valuation processes

The fair value of level three unlisted equity securities as at 31st December 2017 was determined by an independent qualified valuer based on discounted cash flow. The Directors reviewed the valuation performed by the independent valuer for financial reporting purposes.

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.
- Risk adjustments specific to the counterparties were derived from credit risk gradings determined by the independent qualified valuer.
- Earnings growth factor for unlisted equity securities were estimated based on market information for similar types of companies.

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

4 Critical accounting estimates and judgements

The preparation of 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 accounting estimates and judgements (Continued)

(a) Critical accounting estimates

(i) Provision for impairment of inventories

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

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

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

(b) Critical accounting judgements

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

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

(ii) Impairment of financial assets

(I) Estimates and judgements applied prior to 1st January 2018

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

Notes to the Consolidated Financial Statements

4 Critical estimates and judgements (Continued)

(b) Critical accounting judgements (Continued)

(ii) Impairment of financial assets (Continued)

(II) Estimates and judgements applied after 1st January 2018

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 calculations, based on the past history of the Group, existing market conditions as well as forward-looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in the table in Note 3(a) (ii).

5 Segment information

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

(iii) *CNMS*

It engaged in software consultancy services in PRC.

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

5 Segment information (Continued)

(b) Adjusted EBITDA

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

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

	2018 HK$'000	2017 HK$'000
Design, sale and implementation of network and systems infrastructure; customer data automation, customisation and integration; and provision of technical support services:		
– Mainland China	**1,155**	(5,472)
– Hong Kong and Macao	**1,028**	10,679
CNMS	**(1,397)**	3,421
Total adjusted EBITDA	**786**	8,628

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

	2018 HK$'000	2017 HK$'000
Total adjusted EBITDA	**786**	8,628
Dividend income	**123**	—
Depreciation	**(2,304)**	(1,676)
Finance income – net	**2,543**	2,253
Loss on disposal of financial assets at FVOCI (2017: AFS financial assets)	**(337)**	(1,328)
Impairment loss of financial assets at FVOCI (2017: AFS financial assets)	**(38)**	(10,501)
Profit/(loss) before income tax	**773**	(2,624)

Notes to the Consolidated Financial Statements

5 Segment information (Continued)

(c) Other profit and loss disclosures

	2018 Depreciation HK$'000	2018 Income tax expense HK$'000	2018 Share of profit of an associate HK$'000	2017 Depreciation HK$'000	2017 Income tax expense HK$'000	2017 Share of profit of an associate HK$'000
Design, sale and implementation of network and systems infrastructure; customer data automation, customisation and integration; and provision of technical support services:						
– Mainland China	(139)	–	–	(310)	–	–
– Hong Kong and Macao	(1,228)	(703)	10	(806)	(2,983)	7
CNMS	(937)	–	–	(560)	(156)	–
Total	(2,304)	(703)	10	(1,676)	(3,139)	7

(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.

	2018 Segment assets HK$'000	2018 Investment in an associate HK$'000	2018 Additions to non-current assets HK$'000	2017 Segment assets HK$'000	2017 Investment in an associate HK$'000	2017 Additions to non-current assets HK$'000
Design, sale and implementation of network and systems infrastructure; customer data automation, customisation and integration; and provision of technical support services:						
– Mainland China	22,815	–	13	14,806	–	113
– Hong Kong and Macao	247,881	818	793	288,590	808	1,902
CNMS	15,033	–	464	21.594	–	1,644
Total segment assets	285,729	818	1,270	324,990	808	3,659
Unallocated:						
Financial assets at FVOCI (2017: AFS financial assets)	47,730			46,170		
Financial assets at amortised cost	7,400			–		
Total assets as per the balance sheet	340,859			371,160		

5 Segment information (Continued)

(d) Segment assets (Continued)

Investments in financial assets were not considered to be segment assets. These were investments in debt and equity instruments that were classified as at FVOCI and at amortised cost (2017: AFS financial assets).

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

(e) Disaggregation of revenue from contracts with customers

	Revenue from external customers	
	2018	2017
	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	**30,135**	16,041
- Hong Kong and Macao	**369,136**	406,087
CNMS	**17,577**	17,189
Total	**416,848**	439,317

Revenues of approximately HK$90,390,000 (2017: HK$105,637,000) 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) Revenue recognised in relation to contract liabilities

The following table shows how much of the revenue recognised in the current reporting period related to carried-forward contract liabilities.

	2018	2017
	HK$'000	HK$'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	**29,019**	19,155
CNMS	**9,261**	11,410

Notes to the Consolidated Financial Statements

6 Other gains/(losses), net

	2018 HK$'000	2017 HK$'000
Loss on disposal of financial assets at FVOCI	**(337)**	—
Loss on disposal of AFS financial assets	**—**	(1,328)
Dividend	**123**	—
Other items	**1,036**	209
	822	(1,119)

7 Expenses by nature

	2018 HK$'000	2017 HK$'000
Auditor's remuneration – audit services	**1,495**	1,515
Changes in inventories	**248,060**	273,019
Depreciation (Note 14)	**2,304**	1,676
Employee benefit expenses and Directors' emoluments (Note 8)	**70,834**	73,042
Provision on inventories	**1,307**	528
Reversal of provision on trade receivables, net (Note 19(b))	**—**	(474)
Reversal of loss allowance, net (Note 3)	**(112)**	—
(Gain)/loss on disposal of property, plant and equipment	**(657)**	11
Operating lease payments	**3,955**	3,319
Transportation expenses	**3,080**	3,400
Other expenses	**89,184**	76,545
Total cost of sales of goods, cost of providing services, selling and marketing costs and administrative expenses	**419,450**	432,581

8 Employee benefit expense and Directors' emoluments

	2018 HK$'000	2017 HK$'000
Wages and salaries	**68,420**	70,342
Directors' fees	**750**	750
Social security costs	**1,257**	1,582
Pension costs - defined contribution plans	**407**	368
Total employee benefit expense	**70,834**	73,042

8 Employee benefit expense and Directors' emoluments (Continued)

(a) Pensions – defined contribution plans

There were no forfeited contributions.

Contributions totalling HK$407,000 (2017: HK$368,000) were paid to the fund during the Year.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the Year included three (2017: three) Directors whose emoluments are reflected in the analysis shown in Note 32. The emoluments payable to the remaining two (2017: two) individuals during the Year are as follows:

	2018 HK$'000	2017 HK$'000
Basic salaries and allowances	**1,815**	1,843
Contributions to pension scheme	**39**	21
Bonuses	**415**	107

The emoluments fell within the following bands:

	Number of individuals	
	2018	2017
Emolument bands (in HK$)		
<HK$1,000,000	**—**	2
HK$1,000,001 – HK$1,500,000	**2**	—

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

	Number of individuals	
	2018	2017
Emolument bands (in HK$)		
<HK$500,000	**2**	3
HK$500,001 – HK$1,000,000	**8**	10
>HK$1,000,000	**4**	2

Notes to the Consolidated Financial Statements

9 Finance income and costs

	2018 HK$'000	2017 HK$'000
Finance income		
Interest income	**2,618**	2,254
Finance costs expensed		
Bank borrowing interest expense	**(75)**	(1)
Net finance income	**2,543**	2,253

10 Subsidiaries

The principal subsidiaries of the Company as at 31st December 2018 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 issued share capital/ registered capital	Ownership interest held by the Company (%)	Ownership interest held by non-controlling interests (%)
泰思通軟件(江西)有限公司 ("TSTJX")	PRC, limited liability company	Research and development of software and related software consultancy services in Mainland China	RMB5,000,000	76	24
泰思通軟件(上海)有限公司 ("TSTSH")	PRC, limited liability company	Investment holding, research and development of software and related software consultancy services in Mainland China	US$1,510,000	76	24
廣州市愛達利發展有限公司 ("GVDL")	PRC, limited liability company	Design, sale and implementation of network and systems infrastructure; customer data automation, customisation and integration; and provision of technical support services in Mainland China	RMB3,000,000	54	46
廣州市圖文資訊有限公司 ("GZIC")	PRC, limited liability company	Provision of Internet related data services in Mainland China	RMB1,000,000	44	56
廣州愛達利科技有限公司	PRC, limited liability company	Design, sale and implementation of network and systems infrastructure; customer data automation, customisation and integration; and provision of technical support services in Mainland China	HK$3,000,000	100	—
Guangzhou Thinker Vodatel Limited	PRC, limited liability company	Research and development of wireless data communications and Internet related products in Mainland China	US$1,505,000	82	18
Mega Datatech Limited ("MDL")	Macao, limited liability company	Provision of computer software, hardware and system integration in Macao	MOP100,000	100	—

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	Ownership interest held by the Company (%)	Ownership interest held by non-controlling interests (%)
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; 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	—

(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$5,883,000 (2017: HK$7,411,000).

(b) Non-controlling interests

The total non-controlling interests as at 31st December 2018 was a deficit of HK$1,838,000 (2017: HK$2,079,000). The non-controlling interests in respect of each individual subsidiary was not material.

Notes to the Consolidated Financial Statements

11 Interest in an associate

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

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

Note:

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

Summarised financial information for STL

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

(a) Summarised balance sheet

	2018 HK$'000	2017 HK$'000
Total current assets	**1,821**	1,799
Total current liabilities	**(1)**	(1)
Net assets	**1,820**	1,798

(b) Reconciliation to carrying amount:

	2018 HK$'000	2017 HK$'000
Opening net assets as at 1st January	**1,798**	1,781
Profit for the Year	**22**	17
Closing net assets	**1,820**	1,798
Share of the Group in %	**45%**	45%
Share of the Group in HK$'000 and carrying amount	**818**	808
Revenue	**—**	—
Profit for the Year and total comprehensive income	**22**	17

12 Income tax expense

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

(a) Income tax expense

	2018 HK$'000	2017 HK$'000
Current tax		
Current tax on profit/(loss) for the Year		
- Macao complementary profits tax	**898**	3,142
- Mainland China corporate income tax	**—**	156
Adjustments for current tax of prior periods	**(195)**	(159)
Income tax expense	**703**	3,139

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

	2018 HK$'000	2017 HK$'000
Profit/(loss) before income tax expense	**773**	(2,624)
Tax calculated at domestic tax rates applicable to profits in the respective regions	**(406)**	(814)
Tax effects of:		
– Income not subject to tax	**(314)**	(200)
– Expenses not deductible for tax purposes	**1,175**	2,522
– Previously unrecognised tax losses now recouped to reduce current tax expense	**(1,208)**	(160)
– Tax losses for which no deferred income tax asset was recognised	**1,651**	1,950
– Adjustments for current tax of prior periods	**(195)**	(159)
Income tax expense	**703**	3,139

(c) Tax losses

The Group did not recognise deferred income tax assets of HK$12,960,000 (2017: HK$13,830,000) in respect of tax losses amounting to HK$70,075,000 (2017: HK$71,009,000) that could be carried forward against future taxable income. Cumulative tax losses amounting to HK$52,866,000 (2017: HK$44,337,000) can be carried forward indefinitely; cumulative tax losses of HK$17,209,000 (2017: HK$26,672,000) would expire (if not utilised) within the next five years.

Notes to the Consolidated Financial Statements

13 Loss per Share

(a) Basic loss per Share

Basic loss per Share was calculated by dividing:

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

(b) Loss used in calculating loss per Share

	2018 **HK$'000**	2017 HK$'000
Loss attributable to ordinary equity holders of the Company used in calculating basic loss per Share	**(171)**	(4,827)

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

	2018	2017
Weighted average number of Shares used as the denominator in calculating basic loss per Share (thousands)	**614,435**	614,396

(d) Effect of Options on loss per Share

Options granted to Directors, employees and a consultant under the Scheme were considered to be potential Shares. They would have been included in the determination of diluted loss per Share to the extent to which they were dilutive. The 51,376,000 Options granted on 26th September 2016 were not included in the calculation of diluted loss per Share because they were anti-dilutive for the Year. These Options could potentially dilute basic earnings/(loss) per Share in the future.

14 Property, plant and equipment

Non-current	Leasehold improvements HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Demon-stration equipment HK$'000	Total HK$'000
As at 1st January 2017					
Cost	2,156	9,365	1,814	692	14,027
Accumulated depreciation	(1,870)	(7,466)	(1,536)	(509)	(11,381)
Net book amount	286	1,899	278	183	2,646
Year ended 31st December 2017					
Opening net book amount	286	1,899	278	183	2,646
Exchange differences	(57)	225	4	—	172
Additions	74	2,187	5	1,393	3,659
Disposals	—	(23)	(3)	—	(26)
Depreciation charge (Note 7)	(174)	(924)	(90)	(488)	(1,676)
Closing net book amount	129	3,364	194	1,088	4,775
As at 31st December 2017					
Cost	2,181	11,258	1,821	2,085	17,345
Accumulated depreciation	(2,052)	(7,894)	(1,627)	(997)	(12,570)
Net book amount	129	3,364	194	1,088	4,775
Year					
Opening net book amount	129	3,364	194	1,088	4,775
Exchange differences	(2)	(117)	(3)	—	(122)
Additions	174	736	22	338	1,270
Disposals	—	(87)	—	(163)	(250)
Depreciation charge (Note 7)	(165)	(1,337)	(60)	(742)	(2,304)
Closing net book amount	136	2,559	153	521	3,369
As at 31st December 2018					
Cost	2,235	11,278	1,825	2,159	17,497
Accumulated depreciation	(2,099)	(8,719)	(1,672)	(1,638)	(14,128)
Net book amount	136	2,559	153	521	3,369

Notes to the Consolidated Financial Statements

15 Financial instruments by category

Financial assets	2018 HK$'000	2017 HK$'000
Financial assets at amortised cost		
(2017: loans and receivables)		
– Trade and other receivables, contract assets and deposits excluding prepayments	**175,245**	214,484
– Cash and cash equivalents	**79,888**	75,342
– Debenture assets	**7,400**	—
Financial assets at FVOCI	**47,730**	—
AFS financial assets	**—**	46,170
	310,263	335,996
Financial liabilities		
Liabilities at amortised cost		
Trade, bills and other payables excluding non-financial liabilities	**82,531**	117,791

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 receivables, deposits and prepayments

As at 31st December, other receivables, deposits and prepayments are summarised as below:

Current	2018 HK$'000	2017 HK$'000
Other receivables and deposits	**46,228**	30,372
Prepayments	**8,289**	6,759
	54,517	37,131

See Note 2(b) for the impact of the change in accounting policy following the adoption of HKFRS 9 on the classification of financial assets and for the remaining relevant accounting policies.

<u>Other receivables</u>

These amounts generally arose from transactions outside the usual operating activities of the Group. Collateral was not normally obtained.

17 Financial assets at amortised cost

Current	2018 HK$'000	2017 HK$'000
Debenture assets	**7,400**	—

(a) Fair values of financial assets at amortised cost

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

(b) Impairment and risk exposure

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

18 Financial assets at FVOCI

	2018 HK$'000	2017 HK$'000 Note (f)
Non-current		
Listed securities – corporate bonds (Note (c))	**42,357**	37,573
Unlisted securities – equity securities (Note (b))	**1,456**	1,456
	43,813	39,029
Current		
Listed securities – corporate bonds (Note (c))	**3,917**	2,338
Debt securities	**—**	4,803
	3,917	7,141
	47,730	46,170

(a) Classification of financial assets at FVOCI

Financial assets at FVOCI comprised:

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

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

Notes to the Consolidated Financial Statements

18 Financial assets at FVOCI (Continued)

(b) Equity investments at FVOCI

Equity investments at FVOCI comprised unlisted securities. As at 31st December 2018, the fair value of part of the unlisted equity securities was maintained as loss incurred was reimbursed by one of its shareholders.

On disposal of these equity investments, any related balance with FVOCI reserve was reclassified to retained earnings.

In the prior financial year, the Group designated equity investments as AFS where management intended to hold them for the long-term.

Note 2(b) (i) explains the change of accounting policy and the reclassification of certain equity investments from AFS to FVOCI. Note 2(a) sets out the remaining accounting policies.

(c) 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 profit or loss.

(d) Amounts recognised in profit or loss and OCI

During the Year, the following gains/(losses) were recognised in profit or loss and OCI.

	2018 **HK$'000**	2017 HK$'000
Losses recognised in OCI (see Note 23) (2017: relating to AFS financial assets, see (e) below)	**(2,682)**	(11,681)
Losses recognised in profit or loss as other loss (Note 6)	**(337)**	(1,328)
Losses recognised in profit or loss as impairment loss of AFS financial assets	**—**	(10,501)

(e) Fair value, impairment and risk exposure

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

Debt investments at FVOCI were considered to be of low risk, and therefore the impairment provision was determined as twelve months expected credit losses. Applying the expected credit risk model resulted in the recognition of a loss allowance of HK$227,000 on 1st January 2018 (previous loss allowance was nil) for debt investments at FVOCI and a further increase in the allowance by HK$38,000 in the Year.

Information about the loss allowance recognised on debt investments at FVOCI is provided in Note 3(a)(ii)(III).

18 Financial assets at FVOCI (Continued)

(e) Fair value, impairment and risk exposure (Continued)

All of the financial assets at FVOCI were denominated in MOP, US$ or RMB. For an analysis of the sensitivity of the assets to price and interest rate risk refer to Note 3(a).

(f) Financial assets previously classified as AFS financial assets (2017)

AFS financial assets included the following classes of financial assets:

	2017 HK$'000
Listed securities – corporate bonds	39,911
Unlisted securities	
Equity securities	1,456
Debt securities	4,803
	46,170

19 Trade receivables and contract assets

Current assets	**2018** **HK$'000**	2017 HK$'000
Trade receivables	**121,379**	199,224
Contract assets	**21,908**	—
Loss allowance (see Note 3(a))	**(14,270)**	(15,112)
	129,017	184,112

Notes to the Consolidated Financial Statements

19 Trade receivables and contract assets (Continued)

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

	2018 HK$'000	2017 HK$'000
Within three months	**101,205**	159,920
> Three months but ≤ six months	**2,764**	11,743
> Six months but ≤ twelve months	**383**	5,143
Over twelve months	**17,027**	22,418
	121,379	199,224

(a) Fair value of trade receivables

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

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

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

The loss allowance decreased from HK$15,112,000 to HK$14,270,000 for trade receivables and for contract assets during the current reporting period.

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

	2018 HK$'000	2017 HK$'000
As at 1st January	**15,112**	14,625
Reversal on individually impaired receivables (previous accounting policy)	**—**	(474)
Reversal on loss allowance for trade receivables and contract assets	**(150)**	—
Currency translation differences	**(692)**	961
As at 31st December	**14,270**	15,112

19 Trade receivables and contract assets (Continued)

(c) Past due but not impaired

As at 31st December 2018, trade receivables of HK$107,120,000 (2017: HK$184,112,000) were past due but not impaired. These related to a number of independent customers for whom there was no recent history of default. The ageing analysis of these trade receivables is as follows:

	2018 HK$'000	2017 HK$'000
Within three months	**101,147**	159,920
> Three months but ≤ six months	**2,764**	11,743
> Six months but ≤ twelve months	**383**	5,143
Over twelve months	**2,826**	7,306
	107,120	184,112

20 Inventories

Current assets	2018 HK$'000	2017 HK$'000
Networking equipment	**18,120**	22,822

(a) Assigning costs to inventories

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

(b) Amounts recognised in profit or loss

Inventories recognised as an expense during the Year amounted to HK$248,060,000 (2017: HK$273,019,000). These were included in cost of sales of goods.

Write-downs of inventories to net realisable value amounted to HK$1,307,000 (2017: HK$528,000). These were recognised as an expense during the Year and included in cost of sales of goods in profit or loss.

21 Cash and cash equivalents

Current assets	2018 HK$'000	2017 HK$'000
Cash at bank and in hand	**79,551**	75,009
Deposits at call	**337**	333
	79,888	75,342

Notes to the Consolidated Financial Statements

22 Share capital

	2018	2017	2018	2017
	Shares (thousands)	Shares (thousands)	HK$'000	HK$'000
Shares, fully paid:	**614,435**	614,435	**61,570**	61,570

(a) Movement in Shares

Details	Number of Shares (thousands)	Share capital HK$'000
Opening balance 1st January 2017	613,819	61,382
Exercise of Options – proceeds received during the year ended 31st December 2017	616	188
Balance 31st December 2017 and 2018	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, exercised and lapsed during the Year and Options outstanding at the end of the reporting period, is set out in Note 25.

23 Other reserves

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

	Contributed surplus HK$'000	Share-based payments HK$'000 (Note 25)	Capital redemption reserve HK$'000	AFS financial assets HK$'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 2017	**97,676**	**7,442**	**702**	**12,170**	**—**	**35,549**	**49**	**2,913**	**156,501**
Revaluation – loss	—	—	—	(12,661)	—	—	—	—	(12,661)
Reclassification to profit or loss – gross	—	—	—	980	—	—	—	—	980
Currency translation differences	—	—	—	—	—	—	—	1	1
OCI	**—**	**—**	**—**	**(11,681)**	**—**	**—**	**—**	**1**	**(11,680)**
As at 31st December 2017 as originally presented	**97,676**	**7,442**	**702**	**489**	**—**	**35,549**	**49**	**2,914**	**144,821**
Change in accounting policy by adoption of HKFRS 9 (Note 2(b)(i)(I))	—	—	—	(489)	716	—	—	—	227
Restated other reserve as at 1st January 2018	**97,676**	**7,442**	**702**	**—**	**716**	**35,549**	**49**	**2,914**	**145,048**
Revaluation – loss	—	—	—	—	(2,943)	—	—	—	(2,943)
Reclassification to profit or loss – gross	—	—	—	—	261	—	—	—	261
Currency translation differences	—	—	—	—	—	—	—	(25)	(25)
OCI	—	—	—	—	(2,682)	—	—	(25)	(2,707)
As at 31st December 2018	**97,676**	**7,442**	**702**	**—**	**(1,966)**	**35,549**	**49**	**2,889**	**142,341**

Notes to the Consolidated Financial Statements

23 Other reserves (Continued)

Nature and purpose of other reserves

(a) Merger reserve

It included the difference between the nominal value of the share capital of a subsidiary acquired and the nominal value of the Shares in exchange thereof together with an existing balance on the share premium account of a subsidiary.

(b) Statutory reserve

The Macao Decreto-Lei n°40/99/M Código Comercial (Commercial Code) required a company incorporated in Macao to set aside a minimum of 25% of the profit after income tax expense to the statutory reserve each financial year until the balance of the reserve reached a level equivalent to 50% of the capital of the company. Statutory reserve represented the amount set aside and not distributable to the Members.

(c) Financial assets at FVOCI

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

(d) AFS financial assets – until 31st December 2017

Changes in the fair value and exchange differences arising on translation of investments that were classified as AFS financial assets (eg equities), were recognised in OCI and accumulated in a separate reserve within equity. Amounts were transferred to profit or loss when the associated assets were sold or impaired, see accounting policy Note 2(j) (v) for details.

(e) Share-based payments

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

(f) Foreign currency translation

Exchange differences arising on translation of the results and financial positions of subsidiaries with a non-HK$ Functional Currency were recognised in OCI as described in Note 2(g) and accumulated in a separate reserve within equity. The cumulative amount was reclassified to profit or loss when the subsidiaries were disposed of.

24 Retained earnings

Movements in retained earnings were as follows:

	2018 HK$'000	2017 HK$'000
Balance 1st January as originally presented	**10,071**	21,042
Change in accounting policy (Note 2(b)(i)(I))	**(227)**	—
Net loss for the Year	**(171)**	(4,827)
Dividend	**(6,144)**	(6,144)
Balance 31st December	**3,529**	10,071

25 Share-based payments – Scheme

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

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

	2018		2017	
	Exercise price per Option	**Number of Options (thousands)**	Exercise price per Option	Number of Options (thousands)
As at 1st January	**HK$0.305**	**28,332**	HK$0.305	51,376
Exercised during the Year	**—**	**—**	HK$0.305	(616)
Cancelled during the Year	**—**	**—**	HK$0.305	(21,000)
Lapsed during the Year	**HK$0.305**	**(884)**	HK$0.305	(1,428)
Exercisable as at 31st December	**HK$0.305**	**27,448**	HK$0.305	28,332

The Share price at the date of exercise of Options exercised during the year ended 31st December 2017 was HK$0.46.

No Options expired during the periods covered by the above tables.

Options outstanding as at 31st December 2018 would expire on 27th September 2019.

Notes to the Consolidated Financial Statements

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

Current liabilities	2018 HK$'000	2017 HK$'000
Trade and bills payables	**59,608**	82,245
Other payables and accruals	**22,923**	63,815
Contract liabilities	**43,022**	—
	125,553	146,060

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

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

	2018 HK$'000	2017 HK$'000
Within three months	**56,071**	72,278
> Three months but ≤ six months	**945**	199
> Six months but ≤ twelve months	**1,127**	4,371
Over twelve months	**1,465**	5,397
	59,608	82,245

27 Dividends

(a) Shares

	2018 HK$'000	2017 HK$'000
Final dividend for the year ended 31st December 2017 of HK$0.01 (2016 – HK$0.01) per Share	**6,144**	6,144

27 Dividends (Continued)

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

	2018 HK$'000	2017 HK$'000
In addition to the above dividend, since year end the Directors recommend the payment of a final dividend of HK$0.005 per fully paid Share for the Year (2017 – HK$0.01). The proposed dividend expected to be paid out of retained earnings as at 31st December 2018, and not recognised as a liability at year end, is	**3,072**	6,144

28 Cash flow information – cash generated from operations

	2018 HK$'000	2017 HK$'000
Profit/(loss) before income tax	**773**	(2,624)
Adjustments for		
Depreciation (Note 14)	**2,304**	1,676
Net loss on sale of financial assets at FVOCI	**337**	—
Net loss on sale of AFS financial assets (Note 6)	**—**	1,328
Net (gain)/loss on disposal of property, plant and equipment (Note 7)	**(657)**	11
Interest classified as investing cash flows (Note 9)	**(2,543)**	(2,253)
Share of profit of an associate	**(10)**	(7)
Impairment loss of AFS financial assets	**—**	10,501
Impairment of inventories (Note 7)	**1,307**	528
Reversal of impairment of trade receivables and contract assets, net (Note 19(b))	**—**	(474)
Reversal of loss allowance of trade receivables and contract assets (Note 19(b))	**(150)**	—
Loss allowance on financial assets at FVOCI	**38**	—
Changes in operating assets and liabilities:		
Decrease in inventories	**3,395**	4,363
Decrease in trade and other receivables, deposits, prepayments and contract assets	**37,859**	29,577
Decrease in trade payables and contract liabilities	**(22,637)**	(36,277)
Increase in other payables and accruals	**2,130**	6,579
Cash generated from operations	**22,146**	12,928

Notes to the Consolidated Financial Statements

29 Commitments – non-cancellable operating leases

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

	2018 HK$'000	2017 HK$'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	**2,281**	2,629
Later than one year but no later than five years	**1,224**	992
	3,505	3,621

30 Related party transactions

(a) Key management compensation

Management considered remuneration to all key management of the Group is disclosed in Notes 8 and 32 to the consolidated financial statements.

(b) Transactions with other related parties

The following transactions occurred with related parties:

	2018 HK$'000	2017 HK$'000
Sale and purchases of goods and services		
Sale of goods to an entity controlled by key management personnel	**51**	155
Sale of goods to a restaurant owned by a child of key management personnel	**1**	63
Purchases of goods from an entity controlled by key management personnel	**143**	109
Entertainment expenses paid to a restaurant owned by a child of key management personnel	**15**	22
Other transaction		
Operating lease payments to an executive Director	**1,379**	1,355

30 Related party transactions (Continued)

(c) Outstanding balances arising from sales/purchases of goods and services

The following balances were outstanding at the end of the reporting period in relation to transactions with related parties

	2018 HK$'000	2017 HK$'000
Current receivables (sale of goods and services)		
An entity controlled by key management personnel	**—**	17

(d) Current payables to related parties

	2018 HK$'000	2017 HK$'000
Bonus to executive Directors	**522**	2,851

(e) Terms and conditions

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

The payables to related parties arose mainly from discretionary bonuses. The payables bore no interest.

Goods were sold based on the price lists in force and terms that would be available to third parties. Goods were sold to an entity controlled by key management personnel on normal commercial terms and conditions. Sales of services were negotiated with related parties at terms determined and agreed by both parties and carried out in the normal course of business. Goods were bought from an entity controlled by key management personnel on normal commercial terms and conditions.

Notes to the Consolidated Financial Statements

31 Balance sheet and reserve movement of the Company

Balance sheet of the Company

		As at 31st December	
		2018	2017
		HK$'000	HK$'000
Assets			
Non-current assets			
Investments in subsidiaries		**6,091**	80,001
Current assets			
Amounts due from subsidiaries		**287,424**	215,080
Prepayments		**273**	92
Cash and cash equivalents		**478**	442
		288,175	215,614
Total assets		**294,266**	295,615
Liabilities			
Current liabilities			
Amounts due to subsidiaries		**48,673**	46,824
Other payables and accruals		**1,228**	1,294
		49,901	48,118
Net current assets		**238,274**	167,496
Total assets less current liabilities		**244,365**	247,497
Equity			
Equity attributable to owners of the Company			
Share capital		**61,570**	61,570
Other reserves	(Note (b))	**179,538**	179,538
Retained earnings	(Note (a))		
– Proposed final dividend		**3,072**	6,144
– Others		**185**	245
Total equity		**244,365**	247,497

The balance sheet of the Company was approved by the Board on 20th March 2019 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 2017	6,283
Profit for the year ended 31st December 2017	6,250
Dividend paid	(6,144)
As at 31st December 2017	6,389
Profit for the Year	3,012
Dividend paid	(6,144)
As at 31st December 2018	3,257

(b) Other reserves

	Contributed surplus (Note (c)) HK$'000	Share-based payment HK$'000	Capital redemption reserve HK$'000	Total HK$'000
Balance as at 1st January 2017, 31st December 2017 and 2018	**171,394**	**7,442**	**702**	**179,538**

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

Notes to the Consolidated Financial Statements

32 Benefits and interests of Directors (disclosures required by Section 383 of CO, the Companies (Disclosure of Information about Benefits of Directors) Regulation (Chapter 622G of the laws of Hong Kong) and the GEM Listing Rules) – Directors' and Chief Executives' emoluments

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

For the Year:

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

For the year ended 31st December 2017:

Name	Fees HK$'000	Salary HK$'000	Discretionary bonuses HK$'000	Employer's contribution to a retirement benefit scheme HK$'000	Total HK$'000
José Manuel dos Santos	130	4,755	750	—	5,635
Kuan Kin Man (Note)	130	1,224	750	—	2,104
Monica Maria Nunes (Note)	130	1,513	750	22	2,415
Fung Kee Yue Roger	120	—	—	—	120
Wong Tsu An Patrick	120	—	—	—	120
Tou Kam Fai	120	—	—	—	120

Note:

Also managing director.

No Director waived or agreed to waive any of their emoluments in respect of the Year (2017: Nil).

Five-Year Financial Summary

	Year ended 31st December				
	2018	2017	2016	2015	2014
Results	**HK$'000**	HK$'000	HK$'000	HK$'000	HK$'000
(Loss)/profit attributable to:					
– Owners of the Company	**(171)**	(4,827)	8,989	7,253	29,746
– Non-controlling interest	**241**	(936)	(2,683)	(793)	(1,182)
Assets and liabilities					
Total assets	**340,859**	371,160	422,126	379,335	517,717
Total liabilities	**(135,257)**	(156,777)	(184,345)	(113,531)	(238,659)
Total equity	**205,602**	214,383	237,781	265,804	279,058

Definitions

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

"AFS"	available-for-sale
"AGM"	annual general meeting
"AHL"	AGTech Holdings Limited, a company incorporated in Bermuda with limited liability and ordinary shares of HK$0.002 each in its share capital are listed on GEM
"Associated Corporation"	a corporation: 1 which is a subsidiary or holding company of the Company or a subsidiary of the holding company of the Company; or 2 (not being a subsidiary of the Company) in which the Company has an interest in the shares of a class comprised in its share capital exceeding in nominal value one-fifth of the nominal value of the issued share of that class
"Audit Committee"	the audit committee of the Company
"Auditor"	the auditor of the Company
"Australia"	the Commonwealth of Australia
"BEL"	Best Eastern Limited, a company incorporated in BVI with limited liability
"Board"	the board of Directors (not applicable to Main Board)
"Brazil"	The Federative Republic of Brazil
"BSPL"	Back Support Properties Limited, a company incorporated in BVI with limited liability
"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
"CGMA"	Chartered Global Management Accountant

"Chief Executive"	a person who either alone or together with one or more other persons is or will be responsible under the immediate authority of the Board for the conduct of the business of the Company
"CIMA"	Chartered Institute of Management Accountants
"Close Associate"	has the meaning ascribed thereto in the GEM Listing Rules
"CNMS"	customer network management system
"CO"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) as amended from time to time
"Code"	the code provisions of the Corporate Governance Code set out in Appendix 15 of the GEM Listing Rules
"Company"	Vodatel Networks Holdings Limited
"Company Secretary"	the company secretary of the Company
"Compliance Officer"	the compliance officer of the Company
"CUM"	City University of Macau
"Date of Grant"	in respect of an Option and unless otherwise specified in the letter of grant, the Business Day on which the Board resolves to make an Offer to a Participant, whether or not the Offer is subject to Members' approval on the terms of the Scheme
"Director"	the director of the Company
"DWDM"	dense wavelength division multiplexing
"EBITDA"	earnings before interest, tax, depreciation and amortisation
"ERL"	Eve Resources Limited, a company incorporated in BVI with limited liability
"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
"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

Definitions

"Grantee"	any Participant who accepts an Offer in accordance with the terms of the Scheme, or (where the context so permits) any person who is entitled to any such Option in consequence of the death of the original Grantee, or the legal personal representative of such person
"Group" or "Vodatel" or "We"	the Company and its subsidiaries
"GVDL"	廣州市愛達利發展有限公司, details of which can be referred to in Note 10 to the financial statements
"GZIC"	廣州市圖文資訊有限公司, details of which can be referred to in Note 10 to the financial statements
"HK$"	Hong Kong Dollar, the lawful currency of Hong Kong
"HKAS"	Hong Kong Accounting Standard
"HK cent"	Hong Kong Cent, where 100 HK cents equal HK$1
"HKFRS"	financial reporting standards and interpretations issued by HKICPA. They comprise 1. Hong Kong Financial Reporting Standards, 2. HKAS, and 3. Interpretations
"HKICPA"	the Hong Kong Institute of Certified Public Accountants, established under the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong)
"HKICS"	The Hong Kong Institute of Chartered Secretaries, a company incorporated in Hong Kong with limited liability by guarantee
"HKU"	The University of Hong Kong, established under the University of Hong Kong Ordinance (Chapter 1053 of the Laws of Hong Kong)
"Hong Kong"	the Hong Kong Special Administrative Region of PRC (not applicable to Hong Kong Accounting Standard, Hong Kong Exchanges and Clearing Limited, Hong Kong Financial Reporting Standards, Hong Kong (IFRIC) Interpretation, the Hong Kong Institute of Certified Public Accountants, The Hong Kong Institute of Chartered Secretaries, Hong Kong Standards on Auditing, The Stock Exchange of Hong Kong Limited, Tidestone Science and Technology (Hong Kong) Company Limited and the University of Hong Kong)
"JU"	Jinan University
"KPI"	key performance indicator

"Latest Practicable Date"	19th March 2019, being the latest practicable date prior to the printing of this report for ascertaining certain information contained herein
"Macao"	the Macao Special Administrative Region of PRC
"Main Board"	the stock market operated by the Exchange prior to the establishment of GEM (excluding the options market) and which stock market continues to be operated by the Exchange in parallel with GEM. For the avoidance of doubt, the Main Board excludes GEM
"Mainland China"	PRC, other than the regions of Hong Kong, Macao and Taiwan
"MDL"	Mega Datatech Limited, details of which can be referred to in Note 10 to the financial statements
"Member"	the holder of the Shares
"MOP"	Patacas, the lawful currency of Macao
"Nomination Committee"	the nomination committee of the Company
"OCI"	other comprehensive income
"Offer"	the offer of the grant of an Option under the Scheme
"OHHL"	Ocean Hope Holdings Limited, a company incorporated in BVI with limited liability
"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
"PRC"	The People's Republic of China
"Remuneration Committee"	the remuneration committee of the Company
"RMB"	Renminbi, the lawful currency of Mainland China

Definitions

"Scheme"	the share option scheme approved by the Members at the AGM on 22nd June 2012
"SD-WAN"	software-defined networking in a wide area network
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended from time to time
"Share"	ordinary share of HK$0.10 each in the share capital of the Company
"STL"	Source Tech Limited, details of which can be referred to in Note 11 to the financial statements
"Subscription Price"	the price per Share at which a Grantee may subscribe for Shares on the exercise of an Option under the Scheme
"Substantial Shareholder"	a person who is entitled to exercise, or control the exercise of, 10% or more of the voting power at any general meeting of the Company
"Timor-Leste"	The Democratic Republic of Timor-Leste
"TSTJX"	泰思通軟件(江西)有限公司, details of which can be referred to in Note 10 to the financial statements
"TSTSH"	泰思通軟件(上海)有限公司, details of which can be referred to in Note 10 to the financial statements
"TTSA"	Timor Telecom, S.A., a company incorporated in Timor-Leste with limited liability
"UK"	The United Kingdom of Great Britain and Northern Ireland
"UM"	University of Macau
"US$"	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 financial statements
"Year"	the year ended 31st December 2018
"Zetronic"	Zetronic Communications (Macau) Limited, a company incorporated in Macao with limited liability