
VODATEL
Stock Code: 8033
FOCUS TO ADVANCE
ANNUAL REPORT 2023

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

Contents

Corporate Information	2
Company Profile	3
Chairman's Statement	4
Management Discussion and Analysis	6
Biographical Details of Directors and Senior Management	14
Corporate Governance Report	18
ESG Report	27
Report of the Directors	43
Financial Information	
Independent Auditor's Report	51
Consolidated Statement of Profit or Loss	57
Consolidated Statement of Comprehensive Income	58
Consolidated Balance Sheet	59
Consolidated Statement of Changes in Equity	61
Consolidated Statement of Cash Flows	63
Notes to Financial Statements	65
Five-year Financial Summary	138
Definitions	139

Corporate Information

Directors

Executive Directors

José Manuel dos Santos
Kuan Kin Man
Monica Maria Nunes

Non-executive Director

Ho Wai Chung Stephen

Independent Non-executive Directors

Fung Kee Yue Roger
Wong Tsu An Patrick
Wong Kwok Kuen

Authorised Representatives of the Company

Monica Maria Nunes
Foo Chun Ngai Redford

Company Secretary

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

Audit Committee

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

Auditor

Ernst & Young
Certified Public Accountants
Registered Public Interest Entity Auditor
27/F, One Taikoo Place
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Registered Office

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Website

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Bankers

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

Share Registrars

Codan Services Limited
Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Tricor Abacus Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

Company Profile

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

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

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

Chairman's Statement

Dear Members of Vodatel,

Every year is a challenging year for Vodatel. As we transitioned into the post-pandemic era and "new normal" becomes just normal, we continue to face an ongoing volatile and uncertain business landscape brought by an array of both global and domestic economic problems from the residual impact of the pandemic, tightening of foreign capital flows, economic concerns such as inflation zooming to the top risk position, and geopolitical challenges, some of which are both familiar but also feel new. With Mainland China yet to unveil full economic recovery, the exceptionally positive return of the gaming sector in Macao unfolded during the last quarter of 2023 propelled Vodatel to report another year of good performance, which further attests the branding of "Vodatel" and "Mega Datatech" as the partner-of-choice. Total contracts secured hit another record high since 2015 to reach HK$597,300,000. Headline revenue grew over 7% to HK$528,066,000, allowing Vodatel to end 2023 with profit for the Year of HK$5,392,000.

Our prudent management in capital allocation and sturdy balance sheet allow us to remain resilient in delivering value to our Members in spite of competitive business environment. As we generated cash returns from another year of revenue and profit growth and continue to maintain healthy cash and cash equivalents, the Directors recommend payment of a final dividend of HK$0.01 per Share for the Year, which will be the tenth consecutive year where the Group declared a dividend payout.

Improving our project pipeline is our main priority, yet investing in key products that are expected to drive future growth and leveraging available opportunities that have potential for a marked improvement in performance for Vodatel in the coming years are equally important. With our dividend policy dependent on future economic outlook and challenges of the markets that we operate, both of which will affect the expected profitability of the Group, the short to medium-term objectives that Vodatel plans to achieve, the Board will continue to internally evaluate the dividend policy for each upcoming fiscal year.

Review and Outlook

The theme of our annual report, "Focus to Advance", well described the ambitious aspirations Vodatel strives, which is to use our core competitive capabilities to focus and advance the company to become truly dominant in our chosen areas of business. As a key player in the area of gaming surveillance for twenty years, in 2023, backed by the strong support of our vendors and leveraging our years of experience and solid technical background in surveillance, we successfully capitalised the opportunity brought from the introduction of new gaming guidelines and were proud to become a partner of four of the six gaming incumbents in Macao to support their surveillance systems.

What truly reflects the performance of Vodatel is of course our order book. Therefore, as we replenish it and continue to drive our business forward, we are in continual and active pursuit to further expand our already extensive range of product and services categories to meet the demand of, and to create value for, our customers, who set pace for new frontiers in terms of technology, innovation, automation, modernisation, flexibility and sustainability, all of which are pivotal pillars.

As we look ahead, whether 2024 will be a bumpy ride or will be more benign, we remain cautiously optimistic about opportunities that Macao and Mainland China offer. We maintain our focus to advance and on executing strategic initiatives that will drive long-term growth and sustainability of Vodatel, and as always, with absolute no oversight of the need to exercise financial prudence, control operating costs and maintain adaptability in the swiftly altering economic landscape.

Our ESG Journey Continues

At Vodatel, we remain committed to upholding the highest standards of corporate governance and ethical business practices, prioritising transparency, accountability and integrity in all our operations. We are a firm believer that a strong ESG performance will enhance stakeholder value and investor confidence and will help Vodatel to make a difference to the society. ESG is a dynamic process and a work in progress and our ESG goals need to be proactively and constantly reviewed and updated. The Board is supportive of all ESG initiatives, yet success in their implementations is dependent on how we can successfully harness the collective power of our stakeholders, in particular our employees. With the significance of engaging and empowering our employees during the ESG journey cannot be overstated, in 2024, the Board is committed to put together an overarching ESG group policy that will provide a more formalised framework for our employees in sharing, coordinating and realising ideas and best practice.

Our Appreciation

People are our most valuable asset. Their contributions, dedications, loyalty and hard work allow us to consistently combine business development and sustainable goals in our operations, bringing Vodatel to where we are today. It is this unwavering determination to succeed that has sustained Vodatel for over three decades and the Board is incredibly appreciative of all of the effort involved. As a responsible employer, we will continue to do our part, which is to upkeep a work culture which rewards high performance, bring in new and complementary capabilities, invest in training, encourage development of new skills, strengthen succession planning and deepen staff engagement so every team member can confidently build their career path with Vodatel.

I also sincerely appreciate all the members of the Board for their substantial contributions and wise counsel in focusing and steering Vodatel to the right direction, and to my fellow executive Directors, a special thank for joining me again in taking pay cut during the Year when times were still uncertain.

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

José Manuel dos Santos
Chairman
Hong Kong, 27th March 2024

Management Discussion and Analysis

VODATEL – AT A GLANCE!

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

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

REVIEW OF BUSINESS ACTIVITIES

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

Business in Macao

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

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

Management Discussion and Analysis

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

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

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

Management Discussion and Analysis

Business in Hong Kong

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

Regarding Meta-V, which engages in managed services on a "pay when use" model, i.e. by shifting from capital expenditures to operating expenditures, due to heated competition from increasing number of managed services players and long selling cycle, total contracts secured for the provision of managed services and underlying server infrastructure totalled HK$12,100,000 only for the Year, or a 53.8% drop as compared to 2022.

Business in Mainland China

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

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

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

Other Investment Holdings

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

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

Subsequent to the news on 3rd May 2023 where the Government of Timor-Leste entered into a conditional sale and purchase with Oi for the purchase of the 57.06% of Oi in TTSA for cash payment of HK$42,738,000 and assumption of over HK$122,982,000 worth of debts, as at the Latest Practicable Date, there is no further official update. The Group will continue to keep close watch of any latest developments.

The Group holds 78,765 shares of TTSA, equalling to a shareholding of 17.86% with over HK$100,000,000 of dividends received between 2007 and 2012. Due to sustained losses as a result of competition from the introduction of two more telecommunications licence holders, the investment cost of HK$10,501,000 was fully impaired in the year ended 31st December 2017. With operating performance reverting back to positive since 2021, TTSA was first revalued during 2022 with a carrying cost of HK$37,477,000. As at 31st December 2023, investment in TTSA was fair valued at HK$36,380,000. Fair value of the investment of the Group in TTSA represented 8.33% of the total assets of the Group.

Management Discussion and Analysis

REVIEW OF OPERATING RESULTS

Turnover and Profitability

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

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

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

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

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

Capital Structure and Financial Resources

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

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

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

Financial prudence practised over the years, including controlling credit terms to customers, closely monitoring recoverability of receivables and negotiating extended payment terms from vendors, has allowed management to protect the business of the Group, even during challenging times such as the pandemic. The Group also has banking facilities available for use where needed. Management believes that the current liquidity position, capital structure and banking facilities will continue to suffice unexpected headwinds, while providing flexibility to pursue and support new business opportunities.

EMPLOYEES' INFORMATION

As at 31st December 2023, the Group had 150 employees, of which 24, 12 and 114 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 New Scheme in the year ended 31st December 2022, whereby Options granted to certain Directors and employees of the Group under the Terminated Scheme expired during the Year. Details of the New Scheme are set out under the section "Share option schemes" 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 2023, the Group had significant investments of which the details are set out in note 16 to the consolidated financial statements. Save as disclosed, the Group did not have any significant capital commitments and significant investments.

CHARGES ON GROUP ASSETS

As at 31st December 2023, bank deposit of approximately HK$3,470,000 was pledged for issuing a performance bond against a project in Hong Kong. Saved as disclosed, the Group did not have any charges on the assets of the Group.

DETAILS OF MATERIAL ACQUISITIONS AND DISPOSALS

During the Year, the Group had no material acquisitions or disposals.

DETAILS OF FUTURE PLANS FOR MATERIAL INVESTMENT OR CAPITAL ASSETS

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

FOREIGN EXCHANGE EXPOSURE

The Group mainly earns revenue and incurs costs in HK$, MOP, US$ and RMB. The Group incurred net foreign exchange loss of HK$154,000 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.

RELATIONSHIP 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 76, 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 the Macao Post, prior to the founding of Zetronic Communications (Macau) Limited, and subsequently the Group. He is the sole director of ERL and OHHL which are Substantial Shareholders.

KUAN Kin Man, aged 58, was first appointed as an executive Director on 14th December 1999. He joined the Group in 1992. He is the managing director and Group general manager, overseeing all key operating entities across Macao, Hong Kong and Mainland China. He began his career as an engineer and has over thirty years of experience in management and telecommunications industry. He is currently the Vice President of the Computer Chambers of Macau and the Vice President of the Smart City Alliance Association of Macau.

Monica Maria NUNES, aged 55, was first appointed as an executive Director on 13th December 1999. She is the managing director and finance director of the Company and has over twenty-five years of management, accounting and finance experience. She graduated from the University of Calgary, Canada with a Bachelor of Commerce degree and from HKU, PRC with a Master of Social Sciences degree. She is a Canadian Chartered Professional Accountant, Certified Management Accountant and is a member of the Chartered Professional Accountants of Alberta, Canada. She is an associate of CIMA and a designee of CGMA. She has resigned as an independent non-executive director of AHL on 24th January 2022.

NON-EXECUTIVE DIRECTOR

HO Wai Chung Stephen, aged 65, was first appointed as a non-executive Director on 9th April 2020. He has been a practitioner and senior executive of the information and communications industries for thirty-eight years. He is the Co-Founder and CEO of n-hop technologies Limited, a technology start-up in the data communication industry. He is currently a member of the Research Grants Council and the honorary chairman of CAHK. He is also a committee member of the IT management committee and the deputy chairman of the IT management club of HKMA, a member of the advisory board of the Department of Electronic and Computer Engineering of The Hong Kong University of Science and Technology, PRC and a member of the Asia Advisory Group of McGill University of Montreal, Canada. He holds a degree of Bachelor of Engineering – Honours Electrical from McGill University.

INDEPENDENT NON-EXECUTIVE DIRECTORS

FUNG Kee Yue Roger, aged 71, 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 50, was first appointed as an independent non-executive Director on 4th June 2008. He is the founder and CEO of Tenacity International Group 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 Group Limited, he has over ten years of investment experience in USA and Asia, working as a portfolio manager for growth-orientated funds at Trust Company of the West in USA. He has been a member of the American Institute of Certified Public Accountants since 2010, a member of YPO since 2009, and a member of the Zhejiang Provincial Committee of the Chinese People's Political Consultative Conference since 2013.

WONG Kwok Kuen, aged 68, was first appointed as an independent non-executive Director on 12th March 2020. He has twenty-eight years of banking experience specialising in credit, marketing and general management functions in Hong Kong, Macao and Mainland China and fifteen years of investment and asset management experience in Hong Kong, Macao, Mainland China and London, UK. He holds the degree of Master of Business Administration from Bangor University, UK in cooperation with Alliance Manchester Business School, UK. He is an associate of The London Institute of Banking & Finance, CGI and HKCGI respectively and was awarded CGP qualification. He is also a fellow of the Institute of Financial Accountants and the Institute of Public Accountants.

SENIOR MANAGEMENT (By alphabetical order)

CHAN Chi Pio, aged 54, is the technical support manager of the Group, mainly responsible for overseeing the projects of the Group in Mainland China and overseas. He joined the Group in 1992 after having graduated from Huaqiao University, PRC with a Bachelor of Science degree in the same year.

CHUI Yiu Sui, aged 54, is the assistant general manager of MDL. He graduated from CUM, PRC with a degree of Bachelor of Arts. He joined MDL in 1993 as an assistant software manager. He also oversees the software research and development team of MDL.

SENIOR MANAGEMENT (By alphabetical order) (Continued)

FOO Chun Ngai Redford, aged 50, is the Company Secretary. He joined the Company in September 2003. He is responsible for company secretarial matters and overall financial and accounting management of the Group. He graduated from HKU, PRC with degrees of Bachelor of Business Administration in Accounting and Finance and Master of Arts. He is a fellow of the Association of Chartered Certified Accountants and HKICPA. He is also an associate of CGI and HKCGI and was awarded CGP qualification. He is an associate of CIMA and a designee of CGMA. Before joining the Company, he worked for another company listed on GEM as the company secretary and qualified accountant and for an international renowned accounting firm.

FUNG Tsz Kwong, aged 60, is the lead project manager of the Group. He joined the Group in 2013 responsible for overseeing major projects involving mission critical turnkey solutions in surveillance, data networks and specialised systems in Macao and Hong Kong. Prior to joining the Group, he worked for different leading IT companies and networking vendors and accumulated over twenty years of strong project management experience.

HO Wai Sam, aged 61, is the director of technical services of the Group. He graduated from CUM, PRC with a Master of Business Administration degree. He had worked in Companhia de Telecomunicações de Macau S.A.R.L. for eighteen years and was head of transport networks covering the international and national engineering such as optical fibre, synchronous and plesiochronous digital hierarchy transmission, submarine cable, microwave and satellite earth station. He joined the Group in June 2000.

LIANG Ka Man Gary, aged 58, is the sales director of the Group in Hong Kong where he heads the sales team. He joined the Group in 2001 as the business development manager for Hong Kong market. He graduated from UM, PRC with a degree of Bachelor of Business Administration in 1989. Before joining the Group, he was a product manager in one of the leading Hong Kong IT distribution companies for over five years. He has over thirty years of experience in sales and marketing IT solutions in Hong Kong.

LOI Man Keong, aged 53, is the sales director of MDL, overseeing all the marketing activities at MDL. He obtained a degree of Bachelor of Economics from JU, PRC and a degree of Bachelor of Laws from China University of Political Science and Law, PRC. He joined MDL in 1994 as a sales executive and was promoted to sales manager in 2006.

LUO Zhien, aged 38, is the lead network engineer of the Group. He first joined a subsidiary of the Company in Guangzhou in 2004 as junior engineer and was then transferred to the head office in Macao in 2005. Since joining the Group, he has obtained a number of top professional qualifications in networking and security and has been assigned to lead different key data networks projects in Macao and Mainland China.

SENIOR MANAGEMENT (By alphabetical order) (Continued)

MOK Chi Va, aged 58, is the general manager of VHL. He has obtained a Diploma in Business Administration jointly organised by UM, PRC and Macau Management Association and a Master of Business Administration – International Business degree from West Coast Institute of Management and Technology, Commonwealth of Australia. He first joined the Group on 3rd July 2000 as the business development manager principally in charge of the business of AHL and was appointed as an executive director of AHL on 29th January 2003. He was back to the Group on 1st July 2007. Prior to joining the Group, he worked for Charter Kingdom Limited as operation manager and Tung Tat E&M Engineering Co. Limited as project manager.

NG Ka Leung, aged 54, is the assistant technical director of the Group and leads the network team in Macao. He graduated from UM, PRC with a Bachelor of Science degree in 1994. He has been with the Group since 1995.

WANG Qing, aged 53, is the regional business manager of the Group in Mainland China. He graduated from Nanjing University of Posts and Telecommunications, PRC with a Bachelor of Science degree in 1992. He joined the Group in 1994. He was an engineer at a telecommunications equipment firm before joining the Group.

WONG Wai Kan, aged 59, is the senior regional business director of the Group and oversees the marketing team in Mainland China. He graduated from JU, PRC with a Bachelor of Science degree. He has been with the Group since 1993. He worked in the fields of purchasing and banking before joining the Group.

YU Miaojun, aged 49, is the regional business manager for key accounts of the Group in Mainland China. He graduated from Guangdong Jiaotong School, PRC in 1994. He joined the Group in 1998. Prior to joining the Group, he worked in Guangdong Highway Engineering Company.

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:

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

(b) an independent non-executive Director did not attend the AGM held in the Year; and

(c) the management do not provide all Directors with monthly updates.

C.1.4	The Directors consider that briefing received from the Company Secretary is sufficient for them to render their contribution to the Board.
C.1.6	He was away on a business trip on the date of AGM.
D.1.2	Management consider that quarterly updates and periodic instant updates when developments arising out of the ordinary business instead of monthly updates are sufficient for the Board to discharge its duties. Management is also available to address any inquiries from the Directors.

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 enquiries of all Directors that they have complied with the required standard of dealings and its code of conduct regarding Directors' securities transactions.

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

3 Board

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

Chairman:	José Manuel dos Santos
Executive Directors:	Kuan Kin Man
	Monica Maria Nunes
Non-executive Director:	Ho Wai Chung Stephen
Independent non-executive Directors:	Fung Kee Yue Roger
	Wong Tsu An Patrick
	Wong Kwok Kuen

Four meetings were held during the Year.

3 Board (Continued)

The attendance record of each Director was as follows:

	Board	AGM
José Manuel dos Santos	4/4	Present
Kuan Kin Man	4/4	Present
Monica Maria Nunes	4/4	Present
Ho Wai Chung Stephen	3/4	Present
Fung Kee Yue Roger	4/4	Present
Wong Tsu An Patrick	3/4	Absent
Wong Kwok Kuen	4/4	Present

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.

3 Board (Continued)

(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.

(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.

3 Board (Continued)

Matters not mentioned above will be delegated to the management.

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

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

José Manuel dos Santos, Fung Kee Yue Roger and Wong Tsu An Patrick did not comply with Code C.1.4.

Kuan Kin Man complied with Code C.1.4 by attending seminars organised by the Government of Macao and certain suppliers.

Monica Maria Nunes complied with Code C.1.4 by attending seminars organised by HKCGI, a corporate business service provider, certain accounting firms and suppliers.

Ho Wai Chung Stephen complied with Code C.1.4 by attending MWC Shanghai and seminars organised by CAHK and HKMA.

Wong Kwok Kuen complied with Code C.1.4 by attending seminars organised by HKCGI, an accounting firm, a bank, certain professional bodies and law firms.

During the Year, the Board determined the policy for the corporate governance of the Company, and duties performed by the Board under Code A.2.1.

4 Chairman and Chief Executives

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

5 Non-executive Directors

Wong Tsu An Patrick was reappointed for a two-year term expiring on 3rd June 2024. Fung Kee Yue Roger was reappointed for a two-year term expiring on 29th September 2024. Wong Kwok Kuen was reappointed for a two-year term expiring on 11th March 2026. Ho Wai Chung Stephen was reappointed for a two-year term expiring on 8th April 2026. Each Director's fee is HK$10,000 per month.

6 Remuneration of Directors

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

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

Wong Tsu An Patrick	(Chairman) (independent non-executive Director)
José Manuel dos Santos	(executive Director)
Ho Wai Chung Stephen	(non-executive Director)
Fung Kee Yue Roger	(independent non-executive Director)
Wong Kwok Kuen	(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
Ho Wai Chung Stephen	1/1
Fung Kee Yue Roger	1/1
Wong Tsu An Patrick	0/1
Wong Kwok Kuen	1/1

During the Year, the Remuneration Committee determined the policy and structure for the remuneration of the Directors, evaluated their performance and recommended the salary increment for the Year of all the executive Directors to the Board.

7 Nomination of Directors

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

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

José Manuel dos Santos	(Chairman) (executive Director)
Ho Wai Chung Stephen	(non-executive Director)
Fung Kee Yue Roger	(independent non-executive Director)
Wong Tsu An Patrick	(independent non-executive Director)
Wong Kwok Kuen	(independent non-executive Director)

One meeting was held during the Year.

7 Nomination of Directors (Continued)

The attendance record of each Director was as follows:

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

During the Year, the Nomination Committee recommended Monica Maria Nunes, Ho Wai Chung Stephen and Wong Kwok Kuen to be reappointed in the AGM.

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$1,300,000 for the Year.

9 Audit Committee

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

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

Wong Tsu An Patrick	(Chairman) (independent non-executive Director)
Ho Wai Chung Stephen	(non-executive Director)
Fung Kee Yue Roger	(independent non-executive Director)
Wong Kwok Kuen	(independent non-executive Director)

9 Audit Committee (Continued)

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

Ho Wai Chung Stephen	4/5
Fung Kee Yue Roger	5/5
Wong Tsu An Patrick	4/5
Wong Kwok Kuen	5/5

During the Year, the Audit Committee reviewed the financial reports for the year ended 31st December 2022, for the six months ended 30th June 2023 and for the periods ended 31st March 2023 and 30th September 2023. The Audit Committee reviewed and discussed the report of the Auditor to the Audit Committee for the year ended 31st December 2022 and reviewed the audit plans of the Auditor for the year ended 31st December 2022 and the Year.

10 Members' rights and investor relations

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 the Act.

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.

A report was complied and presented to the Board and the Board conducted a review of the implementation and effectiveness of the Members' communication methods mentioned above in the Year.

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

11 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 is compiled and presented to the Board every year 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.

Currently there is no separate internal audit function within the Group. Certain operating subsidiaries already obtained ISO9001, ISO27001 and ISO14001. ISO9001 requires an annual audit on the internal control systems and procedures. Upon all major operating subsidiaries achieving same categories of ISO, management will develop, either in-house or outsourced, internal audit function to conduct regular internal audits.

12 Dividend policy

As a result of prudent financial management, the Group managed to propose a final dividend of HK$0.01 per Share for the Year, which will be the tenth consecutive year where the Group declared a dividend payout.

As the Group continues to conduct business and evaluate new business opportunities, any dividend payout will be assessed and there is no guarantee that the Group will continue to pay out dividend in the upcoming years.

13 Diversity

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.

The Company supports equal opportunity and welcomes a heterogeneous board. The Board now comprises of six male Directors and one female Director. Similar to when the Board is formed, potential successors to the Board continue to be evaluated based on dissimilar backgrounds, different skills and experiences and diverse social networks so as to ensure that any corporate matters, goals and objectives can be approached from a greater and broader range of perspectives.

All senior management of the Company have been with the Company for more than fifteen years. They are all male and have joined the Company when recruitment and retention of females in the field of IT and networks have been challenging, especially in Macao and Mainland China. As a means to ensure continuity of the culture of the Company, senior management have been selected and groomed internally instead of via external recruitment. All employees selected to be part of the succession planning programme are being assessed equally.

As at 31st December 2023, men comprised around 80% of the workforce and women around 20%. Due to the business nature of the Group, many frontline employees involved in installation works and on standby roster are males whereas back office support is mainly filled by females. The Company is gender neutral and does not have a specific target of gender ratio. The Company has implemented fair and impartial procedures to ensure that any candidate recruited is based on capabilities and fit for the job.

On behalf of the Board

José Manuel dos Santos
Chairman

Hong Kong, 27th March 2024

ESG AT VODATEL

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

We adhere to the people-oriented principle, under which our employees and contractors are our greatest assets. At Vodatel, we firmly commit to the well-being and development of the people who help us to succeed and the communities in which we operate.

As we continue our ESG journey, we remain as staunch believers in the environment in which we work and live, and 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.

Governance Structure

The management evaluates, prioritises and manages material ESG-related issues based on our observation and experience in the business environment and regular meetings with frontline employees. The evaluation and prioritisation cover ESG-related issues including, but not limited to, greenhouse gas emissions, resources usage, impacts of climate change, employment and labour practices, operating practices and community investment. The Board acknowledges that it is responsible for overseeing ESG issues. This ESG report has been compiled and presented to the Board and the Board has conducted a review of the progress made against ESG-related goals and targets.

Reporting Principles

All the business segments of the Group are examined based on specific risks, such as legal risk and reputation risk, associated with the relevant ESG-related issues in order to identify the material ESG factors. ESG factors which are considered material should possess the following characteristics:

– Oversight of such factors would result in personal health issues or injury;

– Neglect of such factors would culminate in harms to the environment; or

– Omission of such factors would cause an unfair market.

Material areas are listed beside each aspect at the beginning of each subject area below.

Information of the methodologies and sources of key conversion factors used on the KPI listed below are stated wherever appropriate. Consistent methodologies are adopted when calculating these KPI.

Reporting Boundary

The boundary covers the operations of the Group. Concerning electricity and water consumption, we compare the relevant expenses incurred by different operations and identified offices in Macao and Hong Kong as reportable entities, based on their significance. There is no change of the boundary compared with the ESG report for the year ended 31st December 2022.

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
A4 Climate Change	Extreme Weather

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 aims at waste control and minimisation.

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

Air Emission – Vodatel provides vehicles to our engineers in Macao for easy access to construction sites and premises of the customers. Other than adhering to Regulamento Administrativo n° 30/2016 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, improved fleet utilisation through vehicle-sharing is strongly encouraged.

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

Hazardous Waste – Hazardous waste is not an area of concern at Vodatel. Where we are required to handle hazardous waste, they will be 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 Energy indirect (scope 2) greenhouse gas emissions are produced due to:

1 Consumption of electricity by various offices in different locations – The largest office of the Group, which is in Macao, generates around 130 tonnes of carbon dioxide each year, while the Hong Kong office around 50 tonnes. Greenhouse gas emissions data is presented in carbon dioxide equivalent and is calculated based on the "Practical Guide on Carbon Audit and Management – Guide to Low Carbon Offices" issued by the Environmental Protection Department in Hong Kong; and

2 Use of freight services – With the need to use freight services for picking up equipment from overseas suppliers and for delivering equipment to customers at different overseas locations, there is carbon emission produced by carriers. While emission data is unavailable, steps have been taken to minimise such gas emissions via (a) consolidation of shipments; and (b) where possible, engagement of carriers that use fuel-efficient fleet, receive accreditation for carbon reduction or continue to make investments in energy-saving measures.

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	Our emission target set is to maintain the carbon dioxide generated at its present level, which is reasonable taking into account the normal consumption of light and air-conditioning during office hours. Steps taken to achieve this target can be referred to KPI A2.3 below. 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. Reduction target for packaging materials is not set. As a system integrator, we purchase equipment from suppliers which are responsible for the design of the packaging. There is no hazardous waste produced.

Aspect A2: Use of Resources

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

Policies applicable at Vodatel

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

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

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

KPI A2.1	Details of electricity consumption can be referred to KPI A1.2 above.
KPI A2.2	The Macao office consumes around 3,000 cubic metres of water each year.
KPI A2.3	As mentioned in KPI A1.5 above, our emission target set for energy use efficiency is in line with that for emission target, i.e. to maintain it at present level, which is reasonable taking into account the normal consumption of light and air-conditioning during office hours. Measures have been implemented for better energy use efficiency, such as 1. use of energy-efficient lightings and use of only energy-efficient appliances that are accredited under the Mandatory Energy Efficiency Labelling Scheme introduced through the Energy Efficiency (Labelling of Products) Ordinance (Chapter 598 of the Laws of Hong Kong); and 2. raise awareness on energy saving among employees by encouraging them to turn off lights, computers and air-conditioning when leaving the premises, even during short period of time, e.g. lunch break.
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. Where water leakage is identified, employees are encouraged to report to Human Resources and Administration Department immediately.
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 resources and the actions taken to manage them) is not applicable.

Aspect A4: Climate Change

With the geographical expansion of our customers, in recent years they sought our assistance in delivering equipment to different locations across the globe. Storage of inventory as well as logistics may be impacted by climate-related issues.

Extreme weather – Typhoons and hurricanes with more frequent occurrences and stronger magnitude may cause delay in the despatch of equipment due to flight delays, diversions or cancellation, or in more extreme situations, damage or loss during shipment. Also torrential rain may flood the warehouse and damage the equipment stored and business trips can be hindered by such extreme weather conditions. Since technology in weather forecast and software applications have advanced considerably over recent years, Vodatel has implemented certain policies to mitigate such risks.

Policies applicable at Vodatel

√ **Pay close attention to weather forecast and communicate with suppliers and customers in advance if interruption to transportation route is expected;**

√ **Ensure suitable force majeure clauses are included in the distribution agreements; and**

√ **Use videoconferencing applications in order to reduce the necessity of business trips.**

KPI A4.1 The Group has not experienced any climate-related issues. Description of such issues which may potentially impact us and the policies to be implemented to manage them are mentioned in the paragraphs above.

B) SOCIAL

Our people are our greatest asset and they are essential to the 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 and we believe strongly in the principles of diversification and anti-discrimination. Our human resources policies are in strict compliance with those labour laws issued by the governments in different jurisdictions in which we operate, namely Macao, Hong Kong and Mainland China, taking the highest standards to be applied across all entities, and other applicable laws and regulations regarding compensation and insurance, employment, promotion and termination of employees. To this end, the employee handbook at Vodatel outlines the benefits and rights enjoyed by all employees.

Attraction and Retention of Talents – With people being our key to success, we offer market-competitive employment packages, consisting of both fringe benefits and welfare for all our employees, to ensure that we attract and retain the best people for our business operations. Upkeeping a work culture that rewards high performance, our comprehensive packages offer discretionary incentives, including bonus scheme, sales commission, Options, housing allowances, medical insurance and retirement protection. In addition, we also encourage our employees to enjoy a well-balanced work and personal life. Other than annual leaves, we help our employees to effectively manage their work and life commitments through such policies as marriage, parental and compassionate leave. For job opportunities for personal development or career advancement, we open up new job postings for internal applications prior to outside recruitments. Any promotions are decided within a level-playing field environment disregard to gender or years of service and are awarded based on experience, performance and the ability to cohere to teamwork.

Working Hours and Rest Periods – As a system integrator that provides round-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 to overtime pay, meal allowance and additional compensation will be paid to 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.**

KPI B1.1 As at 31st December 2023, the total workforce of the Group was analysed as follows:

Number of employees	150
By gender	
Male	118
Female	32
By employment type	
Full-time	150
Contract	–
By age group	
Below 30	9
30 to 50	86
Over 50	55
By geographical region	
Mainland China	24
Hong Kong	12
Macao	114

KPI B1.2 During the Year, the employee turnover rate was as follows:

Rate of employee turnover	9.80%
By gender	
Male	7.59%
Female	17.39%
By age group	
Below 30 (note)	41.67%
30 to 50	9.20%
Over 50	3.70%
By geographical region	
Macao	6.17%
Hong Kong (note)	51.61%
Mainland China	0%

Note:

A subsidiary of the Company customarily offers short-term internship to university students to engage in marketing activities.

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 directed by, and adheres to, Decreto-Lei n° 37/89/M in Macao (published on 22nd May 1989) and also observes occupational health and safety standards under the Labour Department in Hong Kong, namely the Occupational Safety and Health Ordinance (Chapter 501 of the Laws of 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 vibrations);

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

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

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

7 Readily accessible first-aid assistance and equipment.

Policies applicable at Vodatel

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

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

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

√ **Promoting effective data gathering systems and its periodic review.**

KPI B2.1 There were no work-related fatalities occurred in each of the past three years including the Year.

KPI B2.2 There were no lost days due to work injury.

KPI B2.3 Description of occupational health and safety measures adopted are mentioned in the paragraphs above. Our employee handbook sent to employees outlines those measures. Disinfectants, plasters and painkillers are placed in the offices. For installation works to be performed in construction sites, senior management will visit the premises first to ensure proper working conditions for our employees. Any injury need be reported to the line manager immediately.

Aspect B3: Development and Training

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

Learning and Training – Our training and development approach focuses on:

1 Internal and on-the-job training, rotating them to different support teams to broaden their exposure and to build up their technical skills; and

2 External training in several specific knowledge areas or skill sets, such as technology-related (associated with certain vendor technologies), management techniques, individual worker skills and certification-related courses (Project Management Professional, Certified Public Accountant, etc.).

Policies applicable at Vodatel

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

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

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

KPI B3.1 During the Year, the percentage of employees who received training are analysed below:

By gender	
Male	22.03%
Female	6.25%
By category	
Executive Directors and senior management	25.00%
Other employees	17.91%

KPI B3.2 During the Year, the average training hours completed per employee are analysed below:

By gender	
Male	11.28
Female	3.02
By category	
Executive Directors and senior management	8.97
Other employees	9.58

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.**

KPI B4.1 The age of each new employee is verified against his identity card to ensure minimum age requirement is attained. Salary for each employee is determined compared with similar position within the Group and in the industry of the relevant jurisdiction.

KPI B4.2 No child and forced labour were discovered throughout the history of Vodatel. Such practices should be terminated with immediate effect and be reported to the authorities.

Aspect B5: Supply Chain Management

Committed to "ethics, 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 selections of contractors, not only in terms of quality, cost, service and delivery, but also for their corporate commitment to upholding high standards of ethical, environmental and social responsible behaviour over 1. legal and regulatory compliance; 2. environmental protection; 3. human rights of workers; 4. occupational health and safety; and 5. prevention of corruption and bribery.

Policies applicable at Vodatel

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

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

KPI B5.1 During the Year, the number of suppliers with contract sum exceeding HK$1,500,000 are analysed by geographical region as follows:

Number of key suppliers	27
Macao	9
Hong Kong	13
Mainland China	1
Asia excluding Macao, Hong Kong and Mainland China	1
USA	2
Europe	1

KPI B5.2 Our suppliers are mainly manufacturers of networking, surveillance and IT equipment and its distributors or resellers. Being a system integrator, Vodatel discusses with its customers beforehand in order to engage the supplier with the most relevant and advanced equipment, and the specifications requested by the end users. This practice is implemented with all our suppliers.

KPI B5.3 As most of our suppliers are renowned large-scale networking, surveillance and IT equipment manufacturers with listing status, we study their ESG report or similar documents in order to get informed on the ethical, environmental and social risks which the industry is facing. Also we shall pay attention to the news to understand if our suppliers are involved in any ethical, environmental or social issues.

KPI B5.4 Frequent meetings are held with both frontline and management of the suppliers. During such meetings, we obtain up-to-date information about their products or services sustainability, for example, if the equipment is manufactured with eco-friendly materials. Also we can communicate with them on our concerns about any environmental issues, such as packaging materials.

Aspect B6: Product Responsibility

The fiduciary nature of concerns of Vodatel over product responsibility revolves 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, such as minimal risk of electrocution, etc.

Policies applicable at Vodatel

√ **Establishment of formal guidance concerning product responsibility;**

√ **Periodic assessment/revision of product responsibility guidance; and**

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

KPI B6.1	No products sold or shipped are subject to recalls for safety and health reasons during the Year.
KPI B6.2	No official complaint related to products and services were received during the Year. Any complaint will be recorded in a log book and line manager responsible for customer service would determine if such complaint could be fixed by equipment replacement or on-site service. Continuous communication with customers will help to bolster their confidence in the equipment and services provided by Vodatel.
KPI B6.3	The "Vodatel" trademark is registered with the authorities in Macao, Hong Kong and Mainland China. Distribution agreements or similar documents are entered into with suppliers with clauses protecting intellectual property rights of both parties.
KPI B6.4	As a system integrator, we ensure that the equipment received from our suppliers are not damaged during transportation and fit for the purpose of our customers. Distribution agreements with suppliers include return merchandise authorisation clauses which illustrate steps to be taken when customers report malfunction of equipment.
KPI B6.5	Basically before any business negotiation, Vodatel executes non-disclosure agreements with potential customers and suppliers, and such confidentiality clauses will continue in the contracts afterwards. In addition, all employees are informed about the importance of data protection for the customers, suppliers and ourselves and such responsibilities are stated in the employee handbook and in each employment letter.

Aspect B7: Anti-Corruption

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

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

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

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

Policies applicable at Vodatel

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

√ **Whistleblower protection.**

KPI B7.1 No legal cases regarding corrupt practices were brought against us or our employees during the Year.

KPI B7.2 Description of preventive measures and whistle-blowing procedures are mentioned in the paragraphs above. Our employee handbook sent to employees outlines those measures.

KPI B7.3 Description of anti-corruption training provided to Directors and employees are mentioned in the paragraphs above.

Aspect B8: Community Investment

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

Contributions to the Community – Vodatel is committed to developing positive relationships with the communities in which we operate:

For over five years, we continued to support MAIDS, an association with a core focus on the provision of job opportunities to the mentally-challenged, and purchased packs of "Fortunate Rice", which were distributed to employees of the Group in Macao and Hong Kong during Chinese New Year and to different elderly homes in Macao.

For three continuous years, we continued to partner with a local restaurant to provide catering services to different centres of MAIDS.

During the Year, both VHL and MDL made donations to Tung Sin Tong Charitable Society and Charity Fund of The Readers of Macao Daily News and encourage colleagues to participate in "Walk for a Million in Macau" in December.

Going forward, we aim to deepen our understanding about 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.**

KPI B8.1 Our focus area of contribution is the disadvantaged.

KPI B8.2 Our resources contributed to the focus areas are mentioned in the paragraphs above.

Report of the Directors

The directors present their report and the audited financial statements for the Year.

Principal activities and business review

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in note 1 to the financial statements. There were no significant changes in the nature of the principal activities of the Group during the Year.

Results and dividends

The profit of the Group for the Year and the financial position of the Group at that date are set out in the financial statements on pages 57 to 60.

The Directors recommend the payment of a final dividend of HK$0.01 per Share in respect of the Year to Members.

Summary financial information

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the audited financial statements, is set out on page 138. This summary does not form part of the audited financial statements.

Share capital, Options, warrants and convertible bonds

Details of movements in the Options during the Year are set out in note 27 to the financial statements. There were no movements in the share capital of the Company during the Year.

Purchase, redemption or sale of listed securities of the Company

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the listed securities of the Company during the Year.

Distributable reserves

As at 31st December 2023, the reserves of the Company available for distribution, calculated in accordance with the provisions of the Act, amounted to HK$120,284,000, of which HK$6,161,000 has been proposed as a final dividend for the Year.

Charitable contributions

During the Year, the Group made charitable contributions totalling HK$295,000.

Major customers and suppliers

In the Year under review, sales to the five largest customers of the Group accounted for 53.65% of the total sales for the Year and sales to the largest customer included therein amounted to 18.96%. Purchases from the five largest suppliers of the Group accounted for 53.35% of the total purchases for the Year and purchases from the largest supplier included therein amounted to 17.03%.

None of the Directors or any of their Close Associates or any Member (which, to the best knowledge of the Directors, own more than 5% of the share capital of the Company) had any beneficial interest in the five largest customers of the Group.

Directors

The Directors during the Year were:

Executive chairman:
José Manuel dos Santos

Executive Directors:
Kuan Kin Man
Monica Maria Nunes

Non-executive Directors:
Ho Wai Chung Stephen
Fung Kee Yue Roger*
Wong Tsu An Patrick*
Wong Kwok Kuen*

* Independent non-executive Directors

In accordance with article 87 of the Bye-laws, Fung Kee Yue Roger will retire by rotation and, being eligible, will offer himself for re-election at the forthcoming AGM. To comply with the Code, José Manuel dos Santos and Kuan Kin Man will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming AGM. The non-executive Director and independent non-executive Directors are appointed for periods of two years.

The Company received annual confirmations of independence from Fung Kee Yue Roger, Wong Tsu An Patrick and Wong Kwok Kuen, and as at the date of this report still considers them to be independent.

Directors' and senior management's biographies

Biographical details of the Directors and the senior management of the Group are set out on pages 14 to 17 of the annual report.

Directors' service contracts

No Director proposed for re-election at the forthcoming AGM has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

Directors' remuneration

The Directors' fees are subject to Members' approval at general meetings. Other emoluments are determined by the Board with reference to Directors' duties, responsibilities and performance and the results of the Group.

Permitted indemnity provision

During the Year, a permitted indemnity provision as defined in CO was in force.

Directors' interests in transactions, arrangements or contracts

Save the details disclosed in note 30 to the financial statements, no Director nor a connected entity of a Director had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to which the Company, the holding companies of the Company, or any of the subsidiaries or fellow subsidiaries of the Company was a party during the Year.

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.

Directors' and Chief Executives' interests and short positions in Shares and underlying Shares and debentures

As at 31st December 2023, the relevant interests and short positions of the Directors and Chief Executives in the Shares, underlying Shares and debentures of the Company or its Associated Corporations which will be required to be notified to the Company and the Exchange pursuant to Divisions 7 and 8 of Part XV of SFO (including interests and short positions which he took or deemed to have taken under such provisions of SFO) or required pursuant to Section 352 of SFO, to be entered in the register referred to therein or required, pursuant to rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors to be notified to the Company and the Exchange were as follows:

Aggregate long positions in the Shares

Name of Director	Nature of interest	Number of Shares held	Approximate % of the issued share capital of the Company
José Manuel dos Santos	Corporate *(note 1)*	357,945,500	58.10
Kuan Kin Man	Personal *(note 2)*	22,952,500	3.73
Monica Maria Nunes	Personal *(note 3)*	3,292,500	0.53
Fung Kee Yue Roger	Personal *(note 4)*	210,000	0.03

Notes:

1 As at 31st December 2023, 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 Kuan Kin Man's personal interest comprised 22,952,500 Shares. The aforesaid interest was held by Kuan Kin Man as beneficial owner.

3 Monica Maria Nunes's personal interest comprised 3,292,500 Shares. The aforesaid interest was held by Monica Maria Nunes as beneficial owner.

4 Fung Kee Yue Roger's personal interest comprised 210,000 Shares. The aforesaid interest was held by Fung Kee Yue Roger as beneficial owner.

Share option schemes

The Company operated the New Scheme for the purpose of rewarding 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. Further details of the Terminated Scheme and are disclosed in note 27 to the financial statements.

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

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

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

The total number of Shares available for issue under the New Scheme as at 31st December 2023 was 61,611,500, representing 10% of the issued share capital of the Company as at 31st December 2023.

The maximum number of Shares issued and to be issued upon exercise of the options granted to each Grantee under the New Scheme (including both exercised and outstanding options) in any twelve-month period shall not (when aggregated with any Shares subject to options granted during such period under any other share option scheme of the Company other than those options granted pursuant to specific approval by the Members in a general meeting) exceed 1% of the Shares in issue for the time being.

An option may be exercised in accordance with the terms of the New Scheme at any time during the period, in respect of any particular option, 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.

Share option schemes (continued)

The New Scheme was adopted for a period of ten years commencing on 17th June 2022.

The following table discloses movements in the Options during the Year:

Name or category of Participant	Number of Options As at 1st January 2023	Number of Options Lapsed during the Year	Number of Options As at 31st December 2023	Date of grant of Options	Exercise period of Options	Exercise price of Options HK$ per Share
Directors						
Ho Wai Chung Stephen	350,000	(350,000)	–	9th April 2020	10th April 2020 to 9th April 2023	0.12
Fung Kee Yue Roger	350,000	(350,000)	–	9th April 2020	10th April 2020 to 9th April 2023	0.12
Wong Tsu An Patrick	350,000	(350,000)	–	9th April 2020	10th April 2020 to 9th April 2023	0.12
Wong Kwok Kuen	350,000	(350,000)	–	9th April 2020	10th April 2020 to 9th April 2023	0.12
Director's daughter						
Sonia Andreia dos Santos	144,000	(144,000)	–	9th April 2020	10th April 2020 to 9th April 2023	0.12
Other employees						
In aggregate	14,838,000	(14,838,000)	–	9th April 2020	10th April 2020 to 9th April 2023	0.12
	16,382,000	(16,382,000)	–			

Save as disclosed above, at no time during the Year were rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company granted to any of the Directors or their respective spouses or minor children, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

Contract of significance

Details of José Manuel dos Santos's interests in contracts of significance in relation to the business of the Group are set out in note 30 to the financial statements.

Save for contracts amongst Group companies and the aforementioned transactions, no other contracts of significance in relation to the business of the Group in which the Company, any of its subsidiaries or fellow subsidiaries, or its parent company was a party and in which a Director had a material interest, whether directly or indirectly, subsisted during or at the end of the Year.

Substantial Shareholders' interests and short positions in 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 2023, 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:

Long positions

Name	Notes	Capacity and nature of interest	Number of Shares held	Percentage of the share capital of the Company
ERL	1	Corporate	357,945,500	58.10
OHHL	1	Corporate	357,945,500	58.10
Lei Hon Kin	2	Family	357,945,500	58.10

Notes:

1 As at 31st December 2023, 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, José Manuel dos Santos's spouse, was deemed to be interested in all the interests of José Manuel dos Santos.

Connected transactions

The related party transactions as disclosed under note 30 in the financial statements constituted connected transactions under the GEM Listing Rules. However, they were exempt from Members' approval and disclosure and other requirements under chapter 20 of the GEM Listing Rules because they were below the de minimus threshold under rule 20.74.

Connected transactions (Continued)

On 17th February 2023, VNHKHL entered into a joint venture agreement with Shannon and Meta-V (a direct wholly-owned subsidiary of VNHKHL and an indirect wholly-owned subsidiary of the Company immediately before completion of the Subscription), pursuant to which, amongst others, VNHKHL agreed to advance HK$8,000,000 to Meta-V upon completion of the Subscription in the form of shareholder's loan and without interest.

Immediately upon Completion, VNHKHL and Shannon hold 60% and 40% of the issued share capital of Meta-V respectively. Ho Wai Chung Stephen (the non-executive Director) owns 50% of the issued share capital of Shannon. Accordingly, Meta-V became an indirect partly-owned connected subsidiary of the Company and constituted a connected person of the Company under the GEM Listing Rules immediately after Completion. As such, the advance of HK$8,000,000 by VNHKHL to Meta-V upon Completion constituted a connected transaction under chapter 20 of the GEM Listing Rules.

Sufficiency of public float

Based on information that was publicly available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed public float under the GEM Listing Rules as at the Latest Practical Date.

Auditor

Ernst & Young retires and a resolution for its reappointment as Auditor will be proposed at the forthcoming AGM. During the year ended 31st December 2022, PricewaterhouseCoopers, (a firm qualified for appointment as auditor under PAO who is responsible for the preparation of the accountants' report included in a listing document or circular of a company in accordance with chapter 7 of the GEM Listing Rules) resigned as Auditor and Ernst & Young was appointed by the Directors to fill the casual vacancy so arising. There have been no other changes of Auditor in the past three years.

On behalf of the Board

José Manuel dos Santos
Chairman

Hong Kong
27th March 2024

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Independent auditor's report
To the shareholders of Vodatel Networks Holdings Limited
(Incorporated in Bermuda with limited liability)

Opinion

We have audited the consolidated financial statements of Vodatel Networks Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 57 to 137, which comprise the consolidated balance sheet as at 31 December 2023, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

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 2023, 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 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key Audit Matter	How our audit addressed the Key Audit Matter
Provision for expected credit losses on trade receivables and contract assets As at 31 December 2023, the Group had trade receivables of HK$165.8 million and contract assets of HK$53.6 million, respectively, after making loss allowance of HK$1.5 million and HK$2.1 million, respectively. The Group uses a provision matrix to calculate expected credit losses ("ECL") for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar credit risk characteristics. The provision matrix is initially based on the Group's historical observed default rates. The Group calibrates the matrix to adjust the historical credit loss experience with forward-looking information. We identified the recoverability of trade receivables and contract assets as a key audit matter because the balances of trade receivables and contract assets were material to the Group and the recognition of expected credit losses was inherently subjective and required the exercise of significant management's judgements and estimations. Relevant disclosures are included in notes 3, 18 and 20 to the consolidated financial statements.	Our audit procedures to assess the provision for expected credit losses on trade receivables and contract assets included the following: • Evaluating and testing the methodology and data/parameters used by management, including historical loss information and forward-looking factors; • Executing substantive analytical review procedures by analysing the fluctuations of major customers' outstanding balances and trade receivables turnover days; • Assessing, on a sampling basis, the correctness of the ageing report of trade receivables at 31 December 2023 prepared by management by comparing the sample items with the relevant underlying documentation; • Testing, on a sampling basis, the subsequent settlements of trade receivables to cash receipts and the related supporting documentation; and • Evaluating the adequacy of related disclosures in the consolidated financial statements.

Key audit matters (Continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of unlisted equity investment As at 31 December 2023, the Group had unlisted equity investment measured at fair value through other comprehensive income of HK$36.4 million, representing approximately 8.3% of the total assets of the Group, which was measured at fair value and categorised as Level 3 within the fair value hierarchy as its fair value was measured using a valuation technique with significant unobservable inputs. The Group has engaged an independent professionally qualified valuer to perform the valuation of the investment. The external valuer has applied a valuation technique to determine the fair value of this unlisted investment that was not quoted in active markets. This valuation technique, in particular requiring significant unobservable inputs, involved subjective judgements and assumptions. Changes in the key inputs and assumptions on which the fair value of this unlisted equity investment is based could have a material impact on the valuation of this unlisted investment as at the end of the reporting period and could significantly affect the change in fair value being recognised for the reporting period. Relevant disclosures are included in notes 3, 16 and 32 to the consolidated financial statements.	Our audit procedures to assess the valuation of unlisted equity investment included the following: • Evaluating the objectivity and expertise of the valuer; • Assessing the valuation methodology adopted by the valuer; • Reviewing and testing the inputs and assumptions used for the valuation of the unlisted equity investment; and • Involving our internal valuation specialists to assist us in evaluating the key assumptions and methodology for the valuation of the unlisted equity investment of the Group, such as market comparables, valuation multipliers and the impact of lack of marketability and checking various inputs used against available market information.

Other information included in the Annual Report

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors 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 of the Company 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 of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities 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. Our report is made solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

Auditor's responsibilities for the audit of the consolidated financial statements (Continued)

- 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 the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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

The engagement partner on the audit resulting in this independent auditor's report is Wu Ka Lai, Cary.

Ernst & Young
Certified Public Accountants
Hong Kong
27 March 2024

Consolidated Statement of Profit or Loss

	Notes	Year ended 31st December 2023 HK$'000	2022 HK$'000
REVENUE	5	**528,066**	491,567
Cost of sales		**(421,621)**	(401,548)
Gross profit		**106,445**	90,019
Other (loss)/income and gains	5	**(3,195)**	558
Selling and marketing expenses		**(24,686)**	(18,469)
Administrative expenses		**(76,727)**	(75,051)
Impairment losses on financial and contract assets		**(663)**	(2,240)
Gain on disposal of a subsidiary	29	**–**	5,667
Operating profit		**1,174**	484
Finance income		**3,778**	3,051
Finance costs	7	**(93)**	(94)
Finance income, net		**3,685**	2,957
PROFIT BEFORE TAX	6	**4,859**	3,441
Income tax credit/(expense)	10	**533**	(29)
PROFIT FOR THE YEAR		**5,392**	3,412
Attributable to:			
Owners of the parent		**6,532**	5,460
Non-controlling interests		**(1,140)**	(2,048)
		5,392	3,412
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	12		
Basic		**1.06 HK cents**	0.89 HK cent
Diluted		**1.06 HK cents**	0.88 HK cent

Consolidated Statement of Comprehensive Income

	Note	Year ended 31st December 2023 HK$'000	2022 HK$'000
PROFIT FOR THE YEAR		**5,392**	3,412
OTHER COMPREHENSIVE INCOME/(LOSS)			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Debt investments at fair value through other comprehensive income:			
Changes in the fair value		**(2,635)**	(10,908)
Adjustments for losses included in the consolidated statement of profit or loss			
– impairment losses		**1,522**	846
Release to profit or loss on disposal of debt instruments		**4,352**	589
Exchange differences:			
Exchange differences on translation of foreign operations		**146**	228
Release to profit or loss on disposal of subsidiaries		**–**	(890)
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods		**3,385**	(10,135)
Other comprehensive (loss)/income that will not be reclassified to profit or loss in subsequent periods:			
Equity investment designated at fair value through other comprehensive income:			
Changes in the fair value	16	**(1,097)**	37,477
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**2,288**	27,342
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**7,680**	30,754
Attributable to:			
Owners of the parent		**8,820**	32,802
Non-controlling interests		**(1,140)**	(2,048)
		7,680	30,754

Consolidated Balance Sheet

	Notes	As at 31st December 2023 HK$'000	2022 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**1,787**	2,106
Right-of-use assets	14(a)	**951**	2,493
Investments in associates	15	**–**	–
Equity investment designated at fair value through other comprehensive income	16	**36,380**	37,477
Debt investments at fair value through other comprehensive income	16	**30,439**	37,391
Total non-current assets		**69,557**	79,467
CURRENT ASSETS			
Inventory	17	**24,953**	13,628
Trade receivables	18	**165,752**	183,554
Contract assets	20	**53,562**	35,459
Prepayment		**61,835**	63,998
Other receivables and deposits	19	**7,396**	8,105
Debt investments at fair value through other comprehensive income	16	**55**	843
Pledged deposit	21	**3,470**	3,470
Cash and cash equivalents	21	**50,280**	23,825
Total current assets		**367,303**	332,882
CURRENT LIABILITIES			
Trade payable	22	**128,129**	93,250
Other accounts payable and accruals	22	**23,910**	17,433
Interest-bearing bank borrowings	23	**–**	30,792
Lease liabilities	14(b)	**983**	1,517
Contract liabilities	24	**53,921**	41,106
Tax payable		**6,189**	6,784
Warranty provisions	25	**13,913**	12,174
Total current liabilities		**227,045**	203,056
NET CURRENT ASSETS		**140,258**	129,826
TOTAL ASSETS LESS CURRENT LIABILITIES		**209,815**	209,293

Consolidated Balance Sheet

		As at 31st December	
	Notes	**2023** **HK$'000**	2022 HK$'000
NON-CURRENT LIABILITIES			
Lease liabilities	14(b)	**–**	997
Net assets		**209,815**	208,296
EQUITY			
Equity attributable to owners of the parent			
Share capital	26	**61,771**	61,771
Other reserves	28	**155,000**	152,341
		216,771	214,112
Non-controlling interests		**(6,956)**	(5,816)
Total equity		**209,815**	208,296

José Manuel dos Santos
Director

Monica Maria Nunes
Director

Consolidated Statement of Changes in Equity

Year ended 31st December 2022

	Notes	Share capital HK$'000 (note 26)	Contributed surplus HK$'000	Share-based payments HK$'000	Capital redemption reserve HK$'000	Fair value reserve of financial assets at fair value through other comprehensive income HK$'000 (note 28(c))	Merger reserve HK$'000 (note 28(a))	Statutory reserve HK$'000 (note 28(b))	Exchange fluctuation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
		Attributable to owners of the parent											
As at 1st January 2022		61,771	97,676	7,282	702	(2,578)	35,549	49	4,996	(17,976)	187,471	(2,999)	184,472
Profit for the year ended 31st December 2022		–	–	–	–	–	–	–	–	5,460	5,460	(2,048)	3,412
Other comprehensive income/(loss) for the year ended 31st December 2022:													
Changes in fair value of equity investment at fair value through other comprehensive income		–	–	–	–	37,477	–	–	–	–	37,477	–	37,477
Changes in fair value of debt instruments at fair value through other comprehensive income		–	–	–	–	(10,908)	–	–	–	–	(10,908)	–	(10,908)
Impairment loss on debt instruments at fair value through other comprehensive income		–	–	–	–	846	–	–	–	–	846	–	846
Reclassification to profit or loss – upon disposal of debt instruments		–	–	–	–	589	–	–	–	–	589	–	589
Exchange differences related to foreign operations		–	–	–	–	–	–	–	228	–	228	–	228
Release to profit or loss on disposal of a subsidiary	29	–	–	–	–	–	–	–	(890)	–	(890)	–	(890)
Total comprehensive income for the year ended 31st December 2022		–	–	–	–	28,004	–	–	(662)	5,460	32,802	(2,048)	30,754
Disposal of a subsidiary	29	–	–	(197)	–	–	–	–	–	197	–	(769)	(769)
2021 final dividend paid		–	(6,161)	–	–	–	–	–	–	–	(6,161)	–	(6,161)
As at 31st December 2022		61,771	91,515*	7,085*	702*	25,426*	35,549*	49*	4,334*	(12,319)*	214,112	(5,816)	208,296

Consolidated Statement of Changes in Equity

Year

	Note	Attributable to owners of the parent											
		Share capital HK$'000 (note 26)	Contributed surplus HK$'000	Share-based payments HK$'000	Capital redemption reserve HK$'000	Fair value reserve of financial assets at fair value through other comprehensive income HK$'000 (note 28(c))	Merger reserve HK$'000 (note 28(a))	Statutory reserve HK$'000 (note 28(b))	Exchange fluctuation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
As at 1st January 2023		61,771	91,515	7,085	702	25,426	35,549	49	4,334	(12,319)	214,112	(5,816)	208,296
Profit for the Year		-	-	-	-	-	-	-	-	6,532	6,532	(1,140)	5,392
Other comprehensive income/(loss) for the Year:													
Changes in fair value of equity investment at fair value through other comprehensive income		-	-	-	-	(1,097)	-	-	-	-	(1,097)	-	(1,097)
Changes in fair value of debt instruments at fair value through other comprehensive income		-	-	-	-	(2,635)	-	-	-	-	(2,635)	-	(2,635)
Impairment loss on debt instruments at fair value through other comprehensive income		-	-	-	-	1,522	-	-	-	-	1,522	-	1,522
Reclassification to profit or loss – upon disposal of debt instruments		-	-	-	-	4,352	-	-	-	-	4,352	-	4,352
Exchange differences related to foreign operations		-	-	-	-	-	-	-	146	-	146	-	146
Total comprehensive income for the Year		-	-	-	-	2,142	-	-	146	6,532	8,820	(1,140)	7,680
2022 final dividend paid	11	-	(6,161)	-	-	-	-	-	-	-	(6,161)	-	(6,161)
As at 31st December 2023		61,771	85,354*	7,085*	702*	27,568*	35,549*	49*	4,480*	(5,787)*	216,771	(6,956)	209,815

* These reserves accounts comprise the consolidated other reserves of HK$155,000,000 (2022: HK$152,341,000) in the consolidated balance sheet.

Consolidated Statement of Cash Flows

	Notes	Year ended 31st December 2023 HK$'000	2022 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax:		**4,859**	3,441
Adjustments for:			
Finance income, net		**(3,685)**	(2,957)
Write-down of inventory to net realisable value	6	**2,024**	1,060
Impairment losses on financial and contract assets	6	**663**	2,240
Warranty provisions	6	**13,298**	12,174
Net loss on sale of financial assets at fair value through other comprehensive income (transfer from equity on disposal)	5(c)	**4,352**	589
Gain on disposal of items of property, plant and equipment	6	**(17)**	–
Gain on disposal of a subsidiary	29	**–**	(5,667)
Depreciation of property, plant and equipment	13	**1,136**	950
Depreciation of right-of-use assets	14(a)	**1,535**	1,410
		24,165	13,240
(Increase)/decrease in inventory		**(13,349)**	1,135
Decrease/(increase) in trade receivables		**18,529**	(71,951)
(Increase)/decrease in contract assets		**(17,971)**	27,592
Decrease/(increase) in prepayment, other receivables and deposits		**2,872**	(17,559)
Increase/(decrease) in contract liabilities		**12,815**	(3,806)
Increase in trade payable		**34,879**	21,053
Increase/(decrease) in other accounts payable and accruals		**6,477**	(3,184)
Decrease in warranty provisions		**(11,559)**	–
Cash generated from/(used in) operations		**56,858**	(33,480)
Interest element on lease liabilities	14(c)	**(93)**	(80)
Income taxes paid		**(62)**	(1,096)
Net cash flows generated from/(used in) operating activities		**56,703**	(34,656)

Consolidated Statement of Cash Flows

		Year ended 31st December	
		2023	2022
	Notes	**HK$'000**	HK$'000
Net cash flows generated from/(used in) operating activities		**56,703**	(34,656)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**3,778**	3,051
Purchases of items of property, plant and equipment		**(862)**	(1,381)
Proceeds from disposal of items of property, plant and equipment		**40**	–
Disposal of a subsidiary	29	**–**	(115)
Purchases of debt instruments designated at fair value through other comprehensive income		**(4,838)**	(4,818)
Proceeds from disposal of debt instruments designated at fair value through other comprehensive income		**10,076**	18,820
Increase in pledged time deposit		**–**	(3,470)
Net cash flows from investing activities		**8,194**	12,087
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		**–**	30,792
Repayment of bank loans		**(30,792)**	(3,514)
Interest paid for bank loans		**–**	(14)
Principal portion of lease payments		**(1,523)**	(1,332)
Dividend paid		**(6,161)**	(6,161)
Net cash flows (used in)/from financing activities		**(38,476)**	19,771
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**26,421**	(2,798)
Cash and cash equivalents at beginning of year		**23,825**	26,965
Effect of foreign exchange rate changes, net		**34**	(342)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**50,280**	23,825
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	21	**50,280**	23,825

1 CORPORATE AND GROUP INFORMATION

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

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

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

In the opinion of the Directors, the holding company of the Company is ERL and the ultimate holding company of the Company is OHHL.

Information about subsidiaries

Particulars of the principal subsidiaries of the Company are as follows:

Name	Place of incorporation/ registration and kind of legal entity	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Indirect	Principal activities and place of operation
廣州市愛達利發展有限公司	PRC, limited liability company	RMB3,000,000	54	Design, sale and implementation of network and systems infrastructure; customer data automation, customisation and integration; and provision of technical support services in Mainland China
廣州市圖文資訊有限公司 (“GZIC”)	PRC, limited liability company	RMB1,000,000	44 (note)	Provision of Internet related data services in Mainland China

1 CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (Continued)

Particulars of the principal subsidiaries of the Company are as follows: (Continued)

Name	Place of incorporation/ registration and kind of legal entity	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Indirect	Principal activities and place of operation
廣州愛達利科技有限公司	PRC, limited liability company	HK$3,000,000	100	Design, sale and implementation of network and systems infrastructure; customer data automation, customisation and integration; and provision of technical support services in Mainland China
Mega Datatech Limited ("MDL")	Macao, limited liability company	MOP100,000	100	Provision of computer software, hardware and system integration in Macao
Meta-V Tech Services Limited ("Meta-V")	Hong Kong, limited liability company	1,000 ordinary shares	60	ICT hosting services, managed services and cloud services in Hong Kong
Vodatel Holdings Limited ("VHL")	BVI, limited liability company	10,000 ordinary shares of US$1 each	100	Investment holding and design, sale and implementation of network and systems infrastructure, customer data automation, customisation and integration; and provision of technical support services in Macao
VDT Operator Holdings Limited	BVI, limited liability company	1,000 ordinary shares of US$1 each	100	Investment holding in Timor-Leste
Vodatel Networks (H.K.) Limited	Hong Kong, limited liability company	2 ordinary shares	100	Sale of data networking systems and provision of related engineering services in Hong Kong

1 CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (Continued)

Particulars of the principal subsidiaries of the Company are as follows: (Continued)

Name	Place of incorporation/ registration and kind of legal entity	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Indirect	Principal activities and place of operation
Vodatel Systems Inc.	BVI, limited liability company	1,000 ordinary shares of US$1 each	100	Sale of data networking systems in Macao
Vodatel Systems (HK) Limited	BVI, limited liability company	1,000 ordinary shares of US$1 each	100	Provision of warehouse services in Hong Kong

Note:

GZIC is a subsidiary of a non-wholly-owned subsidiary of the Company and, accordingly, is accounted for as a subsidiary by virtue of the control of the Company over it.

The above table lists the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results for the Year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

2 ACCOUNTING POLICIES

(a) Basis of preparation

These financial statements were prepared in accordance with HKFRS and the disclosure requirements of CO. They were prepared under the historical cost convention, except for equity investment and debt instruments at fair value through other comprehensive income which were measured at fair value. These financial statements were presented in HK$ and all values were rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements included the financial statements of the Group for the Year. A subsidiary was an entity (including a structured entity), directly or indirectly, controlled by the Company. Control was achieved when the Company, directly or indirectly, was exposed, or had rights, to variable returns from its involvement with the investee and had the ability to affect those returns through its power over the investee (i.e. existing rights that gave the Company, directly or indirectly, the current ability to direct the relevant activities of the investee).

2 ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (Continued)

Basis of consolidation (Continued)

Generally, there was a presumption that a majority of voting rights resulted in control. When the Company, directly or indirectly, had less than a majority of the voting or similar rights of an investee, it considered all relevant facts and circumstances in assessing whether it had power over an investee, including:

(i) the contractual arrangement with the other vote holders of the investee;

(ii) rights arising from other contractual arrangements; and

(iii) the voting rights and potential voting rights of the Company.

The financial statements of the subsidiaries were prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries were consolidated from the date on which the Company, directly or indirectly, obtained control, and continued to be consolidated until the date that such control ceased.

Profit or loss and each component of other comprehensive income were attributed to the owners of the parent of the Group and to the non-controlling interests, even if this resulted in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group were eliminated in full on consolidation.

The Company reassessed whether or not it controlled an investee if facts and circumstances indicated that there were changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, was accounted for as an equity transaction.

If the Company lost control over a subsidiary, it derecognised the related assets (including goodwill), liabilities, any non-controlling interest and the exchange fluctuation reserve; and recognised the fair value of any investment retained and any resulting surplus or deficit in profit or loss. The share of components of the Group previously recognised in other comprehensive income was reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2 ACCOUNTING POLICIES (CONTINUED)

(b) Changes in accounting policies and disclosures

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

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

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

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

(ii) Amendments to HKAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* clarified the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarified how entities used measurement techniques and inputs to develop accounting estimates. Since the approach and policy of the Group aligned with the amendments, the amendments had no impact on the financial statements of the Group.

2 ACCOUNTING POLICIES (CONTINUED)

(b) Changes in accounting policies and disclosures (Continued)

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

(iii) Amendments to HKAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrowed the scope of the initial recognition exception in HKAS 12 *Income Taxes* so that it no longer applied to transactions that gave rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities were required to recognise a deferred tax asset (provided that sufficient taxable profit was available) and a deferred tax liability for temporary differences arising from these transactions.

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

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

2 ACCOUNTING POLICIES (CONTINUED)

(c) Issued but not yet effective HKFRS

The Group has not applied the following revised HKFRS, that were issued but are not yet effective, in these financial statements. The Group intends to apply these revised HKFRS, if applicable, when they become effective.

2020 Amendments (notes (i) and (iv))	
2022 Amendments (notes (i) and (iv))	
Amendments to HKFRS 10 and HKAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (note (iii))
Amendments to HKFRS 16	*Lease Liability in a Sale and Leaseback* (note (i))
Amendments to HKAS 7 and HKFRS 7	*Supplier Finance Arrangements* (note (i))
Amendments to HKAS 21	*Lack of Exchangeability* (note (ii))

Notes:

(i) Effective for annual periods beginning on or after 1st January 2024

(ii) Effective for annual periods beginning on or after 1st January 2025

(iii) No mandatory effective date yet determined but available for adoption

(iv) As a consequence of the 2020 Amendments and 2022 Amendments, Hong Kong Interpretation 5 *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised to align the corresponding wording with no change in conclusion

2 ACCOUNTING POLICIES (CONTINUED)

(c) Issued but not yet effective HKFRS (Continued)

Further information about those HKFRS that are expected to be applicable to the Group is described below.

The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within twelve months after the reporting period. The amendments shall be applied retrospectively with early application permitted. An entity that applies the 2020 Amendments early is required to apply simultaneously the 2022 Amendments, and vice versa. The Group is currently assessing the impact of the amendments and whether existing loan agreements may require revision. Based on a preliminary assessment, the amendments are not expected to have any significant impact on the financial statements of the Group.

Amendments to HKFRS 10 *Consolidated Financial Statements* and HKAS 28 *Investments in Associates and Joint Ventures* address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the profit or loss of the investor only to the extent of the interest of the unrelated investor in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 was removed by HKICPA. However, the amendments are available for adoption now.

Amendments to HKFRS 16 *Leases* specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendments are effective for annual periods beginning on or after 1st January 2024 and shall be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of HKFRS 16 (i.e. 1st January 2019). Earlier application is permitted. The amendments are not expected to have any significant impact on the financial statements of the Group.

2 ACCOUNTING POLICIES (CONTINUED)

(c) Issued but not yet effective HKFRS (Continued)

Amendments to HKAS 7 *Statement of Cash Flows* and HKFRS 7 *Financial Instruments: Disclosures* clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on the liabilities, cash flows and exposure to liquidity risk of an entity. Earlier application of the amendments is permitted. The amendments provide certain transition reliefs regarding comparative information, quantitative information as at the beginning of the annual reporting period and interim disclosures. The amendments are not expected to have any significant impact on the financial statements of the Group.

Amendments to HKAS 21 *The Effects of Changes in Foreign Exchange Rates* specify how an entity shall assess whether a currency is exchangeable into another currency and how it shall estimate a spot exchange rate at a measurement date when exchangeability is lacking. The amendments require disclosures of information that enable users of financial statements to understand the impact of a currency not being exchangeable. Earlier application is permitted. When applying the amendments, an entity cannot restate comparative information. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening balance of retained profits or to the cumulative amount of translation differences accumulated in a separate component of equity, where appropriate, at the date of initial application. The amendments are not expected to have any significant impact on the financial statements of the Group.

2 ACCOUNTING POLICIES (CONTINUED)

(d) Material accounting policies

(i) Investments in associates

An associate was an entity in which the Group had a long term interest of generally not less than 20% of the equity voting rights and over which it had significant influence. Significant influence was the power to participate in the financial and operating policy decisions of the investee, but was not control or joint control over those policies.

The investments in associates of the Group were stated in the consolidated balance sheet at the share of net assets of the Group under the equity method of accounting, less any impairment losses. Adjustments were made to bring into line any dissimilar accounting policies that might exist.

The share of the post-acquisition results and other comprehensive income of associates of the Group was included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there was a change recognised directly in the equity of the associate, the Group recognised its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates were eliminated to the extent of the investments in the associates of the Group, except where unrealised losses provided evidence of an impairment of the assets transferred.

(ii) Fair value measurement

The Group measured its equity investment and debt investments at fair value at the end of each reporting period. Fair value was the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement was based on the presumption that the transaction to sell the asset or transfer the liability took place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market had to be accessible by the Group. The fair value of an asset or a liability was measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants acted in their economic best interest.

A fair value measurement of a non-financial asset took into account the ability of a market participant to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

2 ACCOUNTING POLICIES (CONTINUED)

(d) Material accounting policies (Continued)

(ii) Fair value measurement (Continued)

The Group used valuation techniques that were appropriate in the circumstances and for which sufficient data were available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value was measured or disclosed in the financial statements were categorised within the fair value hierarchy, described as follows, based on the lowest level input that was significant to the fair value measurement as a whole:

Level one – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level two – based on valuation techniques for which the lowest level input that was significant to the fair value measurement was observable, either directly or indirectly

Level three – based on valuation techniques for which the lowest level input that was significant to the fair value measurement was unobservable

For assets and liabilities that were recognised in the financial statements on a recurring basis, the Group determined whether transfers had occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that was significant to the fair value measurement as a whole) at the end of each reporting period.

(iii) Impairment of non-financial assets

Where an indication of impairment existed, or when annual impairment testing for a non-financial asset was required (other than inventory, contract assets and non-current assets), the recoverable amount of the asset was estimated. The recoverable amount of an asset was the higher of the value of the asset or the cash-generating unit in use and its fair value less costs of disposal, and was determined for an individual asset, unless the asset did not generate cash inflows that were largely independent of those from other assets or groups of assets, in which case the recoverable amount was determined for the cash-generating unit to which the asset belonged.

2 ACCOUNTING POLICIES (CONTINUED)

(d) Material accounting policies (Continued)

(iii) Impairment of non-financial assets (Continued)

In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset was allocated to an individual cash-generating unit if it could be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss was recognised only if the carrying amount of an asset exceeded its recoverable amount. In assessing value in use, the estimated future cash flows were discounted to their present value using a pre-tax discount rate that reflected current market assessments of the time value of money and the risks specific to the asset. An impairment loss was charged to the statement of profit or loss in the period in which it arose in those expense categories consistent with the function of the impaired asset.

An assessment was made at the end of each reporting period as to whether there was an indication that previously recognised impairment losses might no longer exist or might have decreased. If such an indication existed, the recoverable amount was estimated. A previously recognised impairment loss of an asset other than goodwill was reversed only if there was a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss was credited to the statement of profit or loss in the period in which it arose.

2 ACCOUNTING POLICIES (CONTINUED)

(d) Material accounting policies (Continued)

(iv) Related parties

A party was considered to be related to the Group if:

(I) the party was a person or a close member of that person's family and that person

- had control or joint control over the Group;
- had significant influence over the Group; or
- was a member of the key management personnel of the Group or of a parent of the Group;

or

(II) the party was an entity where any of the following conditions applied:

- the entity and the Group were members of the same group;
- one entity was an associate of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- the entity was controlled or jointly controlled by a person identified in (I);
- the person had control or joint control over the Group had significant influence over the entity or was a member of the key management personnel of the entity (or of a parent of the entity); and
- the entity, or any member of a group of which it was a part, provided key management personnel services to the Group or to the parent of the Group.

2 ACCOUNTING POLICIES (CONTINUED)

(d) Material accounting policies (Continued)

(v) Property, plant and equipment and depreciation

Property, plant and equipment were stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprised its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment were put into operation, such as repairs and maintenance, was normally charged to the statement of profit or loss in the period in which it was incurred. In situations where the recognition criteria were satisfied, the expenditure for a major inspection was capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment were required to be replaced at intervals, the Group recognised such parts as individual assets with specific useful lives and depreciated them accordingly.

Depreciation was calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold improvements	Over the shorter of the lease terms and 20%
Furniture, fixtures and office equipment	20% to 50%
Motor vehicles	20%
Demonstration equipment	$33^1/_3$%

Where parts of an item of property, plant and equipment had different useful lives, the cost of that item was allocated on a reasonable basis among the parts and each part was depreciated separately. Residual values, useful lives and the depreciation method were reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised was derecognised upon disposal or when no future economic benefits were expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset was derecognised was the difference between the net sales proceeds and the carrying amount of the relevant asset.

2 ACCOUNTING POLICIES (CONTINUED)

(d) Material accounting policies (Continued)

(vi) Leases – Group as a lessee

The Group assessed at contract inception whether a contract was, or contained, a lease. A contract was, or contained, a lease if the contract conveyed the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognised lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(I) Right-of-use assets

Right-of-use assets were recognised at the commencement date of the lease (that was the date the underlying asset was available for use). Right-of-use assets were measured at cost, less accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets included the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets were depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Office building	Two years

If ownership of the leased asset transferred to the Group by the end of the lease term or the cost reflected the exercise of a purchase option, depreciation would be calculated using the estimated useful life of the asset.

2 ACCOUNTING POLICIES (CONTINUED)

(d) Material accounting policies (Continued)

(vi) Leases – Group as a lessee (Continued)

(II) Lease liabilities

Lease liabilities were recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments included fixed payments (including in-substance fixed payments) less any lease incentives receivable.

In calculating the present value of lease payments, the Group used its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease was not readily determinable. After the commencement date, the amount of lease liabilities was increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities was remeasured if there was a modification, a change in the lease term, a change in lease payments (e.g. a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

(III) Short-term leases

The Group applied the short-term lease recognition exemption to its short-term leases of offices and quarters (that was those leases that had a lease term of twelve months or less from the commencement date and did not contain a purchase option).

Lease payments on short-term leases were recognised as an expense on a straight-line basis over the lease term.

2 ACCOUNTING POLICIES (CONTINUED)

(d) Material accounting policies (Continued)

(vii) Investments and other financial assets

(I) Initial recognition and measurement

Financial assets were classified, at initial recognition, as subsequently measured at amortised cost and fair value through other comprehensive income.

The classification of financial assets at initial recognition depended on the contractual cash flow characteristics of the financial asset and the business model of the Group for managing them. With the exception of trade receivables that did not contain a significant financing component or for which the Group applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measured a financial asset at its fair value plus transaction costs. Trade receivables that did not contain a significant financing component or for which the Group applied the practical expedient were measured at the transaction price determined under HKFRS 15 *Revenue from Contracts with Customers* in accordance with the policies set out in note 2(d)(xvii) below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needed to give rise to cash flows that were solely payments of principal and interest on the principal amount outstanding.

The business model of the Group for managing financial assets referred to how it managed its financial assets in order to generate cash flows. The business model determined whether cash flows would result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost were held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income were held within a business model with the objective of both holding to collect contractual cash flows and selling.

Purchases or sales of financial assets that required delivery of assets within the period generally established by regulation or convention in the marketplace were recognised on the trade date, that was, the date that the Group committed to purchase or sell the asset.

2 ACCOUNTING POLICIES (CONTINUED)

(d) Material accounting policies (Continued)

(vii) Investments and other financial assets (Continued)

(II) Subsequent measurement

The subsequent measurement of financial assets depended on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost were subsequently measured using the effective interest method and were subject to impairment. Gains and losses were recognised in the statement of profit or loss when the asset was derecognised, modified or impaired.

Financial assets at fair value through other comprehensive income (debt instruments)

For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals were recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes were recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income was recycled to the statement of profit or loss.

Financial assets designated at fair value through other comprehensive income (equity investments)

Upon initial recognition, the Group could elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they met the definition of equity under HKAS 32 *Financial Instruments: Presentation* and were not held for trading. The classification was determined on an instrument-by-instrument basis.

Gains and losses on these financial assets were never recycled to the statement of profit or loss. Dividends were recognised as other income in the statement of profit or loss when the right of payment was established, except when the Group benefited from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains were recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income were not subject to impairment assessment.

2 ACCOUNTING POLICIES (CONTINUED)

(d) Material accounting policies (Continued)

(vii) Investments and other financial assets (Continued)

(III) Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) was primarily derecognised (i.e. removed from the consolidated balance sheet of the Group) when:

- the rights to receive cash flows from the asset expired; or

- the Group transferred its rights to receive cash flows from the asset or assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either

  – the Group transferred substantially all the risks and rewards of the asset, or

  – the Group neither transferred nor retained substantially all the risks and rewards of the asset, but transferred control of the asset.

When the Group transferred its rights to receive cash flows from an asset or entered into a pass-through arrangement, it evaluated if, and to what extent, it retained the risk and rewards of ownership of the asset. When it neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continued to recognise the transferred asset to the extent of the continuing involvement of the Group. In that case, the Group also recognised an associated liability. The transferred asset and the associated liability were measured on a basis that reflected the rights and obligations that the Group retained.

Continuing involvement that took the form of a guarantee over the transferred asset was measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

2 ACCOUNTING POLICIES (CONTINUED)

(d) Material accounting policies (Continued)

(viii) Impairment of financial assets

The Group recognised an allowance for ECL for all debt instruments not held at fair value through profit or loss. ECL were based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expected to receive, discounted at an approximation of the original effective interest rate. The expected cash flows would include cash flows from the sale of collateral held or other credit enhancements that were integral to the contractual terms.

(I) General approach

ECL were recognised in two stages. For credit exposures for which there had not been a significant increase in credit risk since initial recognition, Twelve-month ECL were provided. For those credit exposures for which there was a significant increase in credit risk since initial recognition, Lifetime ECL was required.

At each reporting date, the Group assessed whether the credit risk on a financial instrument increased significantly since initial recognition. When making the assessment, the Group compared the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considered reasonable and supportable information that was available without undue cost or effort, including historical and forward-looking information. The Group considered that there had been a significant increase in credit risk when contractual payments were more than thirty days past due.

The Group considered a financial asset in default when contractual payments were eighteen months past due. The Group rebutted the ninety days past due presumption of default based on reasonable and supportable information, including the credit risk control practices of the Group and the historical recovery rate of financial assets over ninety days past due. However, the Group might also consider a financial asset to be in default when internal or external information indicated that the Group was unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

2 ACCOUNTING POLICIES (CONTINUED)

(d) Material accounting policies (Continued)

(viii) Impairment of financial assets (Continued)

(I) General approach (Continued)

For debt investments at fair value through other comprehensive income, the Group applied the low credit risk simplification. At each reporting date, the Group evaluated whether the debt investments were considered to have low credit risk using all reasonable and supportable information that was available without undue cost or effort. In making that evaluation, the Group reassessed the external credit ratings of the debt investments. It was the policy of the Group to measure ECL on such instruments on a twelve-month basis. However, when there was a significant increase in credit risk of debt investments since origination, the allowance would be based on the Lifetime ECL.

A financial asset was written off when there was no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortised cost were subject to impairment under the general approach and they were classified within the following stages for measurement of ECL except for trade receivables and contract assets which applied the simplified approach as detailed below.

Stage one – financial instruments for which credit risk did not increase significantly since initial recognition and for which the loss allowance was measured at an amount equal to Twelve-month ECL

Stage two – financial instruments for which credit risk increased significantly since initial recognition but that were not credit-impaired financial assets and for which the loss allowance was measured at an amount equal to Lifetime ECL

Stage three – financial assets that were credit-impaired at the reporting date (but that were not purchased or originated credit-impaired) and for which the loss allowance was measured at an amount equal to Lifetime ECL

2 ACCOUNTING POLICIES (CONTINUED)

(d) Material accounting policies (Continued)

(viii) Impairment of financial assets (Continued)

(II) Simplified approach

For trade receivables and contract assets that did not contain a significant financing component or when the Group applied the practical expedient of not adjusting the effect of a significant financing component, the Group applied the simplified approach in calculating ECL. Under the simplified approach, the Group did not track changes in credit risk, but instead recognised a loss allowance based on Lifetime ECL at each reporting date. The Group established a provision matrix that was based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

(ix) Financial liabilities

(I) Initial recognition and measurement

Financial liabilities were classified, at initial recognition, as loans and borrowings or accounts payable, as appropriate.

All financial liabilities were recognised initially at fair value and, in the case of loans and borrowings and accounts payable, net of directly attributable transaction costs.

The financial liabilities of the Group included trade payable, other accounts payable and interest-bearing bank borrowings.

(II) Subsequent measurement – financial liabilities at amortised cost (trade, and other accounts payable and borrowings)

After initial recognition, trade, and other accounts payable, and interest-bearing borrowings were subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they were stated at cost. Gains and losses were recognised in the statement of profit or loss when the liabilities were derecognised as well as through the effective interest rate amortisation process.

Amortised cost was calculated by taking into account any discount or premium on acquisition and fees or costs that were an integral part of the effective interest rate. The effective interest rate amortisation was included in finance costs in the statement of profit or loss.

2 ACCOUNTING POLICIES (CONTINUED)

(d) Material accounting policies (Continued)

(x) Derecognition of financial liabilities

A financial liability was derecognised when the obligation under the liability was discharged or cancelled, or expired.

When an existing financial liability was replaced by another from the same lender on substantially different terms, or the terms of an existing liability were substantially modified, such an exchange or modification was treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts was recognised in the statement of profit or loss.

(xi) Offsetting of financial instruments

Financial assets and financial liabilities were offset and the net amount was reported in the balance sheet if there was a currently enforceable legal right to offset the recognised amounts and there was an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

(xii) Inventory

Inventory was stated at the lower of cost and net realisable value. Cost was determined on the basis of weighted average costs. Costs of purchased inventory were determined after deducting rebates and discounts. Net realisable value was based on estimated selling prices less any estimated costs necessary to make the sale.

(xiii) Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprised cash on hand and at banks, and short-term highly liquid deposits with a maturity of generally within three months that were readily convertible into known amounts of cash, subject to an insignificant risk of changes in value, and held for the purpose of meeting short-term cash commitments.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprised cash on hand and at banks, and short-term deposits as defined above, less bank overdrafts which were repayable on demand and formed an integral part of the cash management of the Group.

2 ACCOUNTING POLICIES (CONTINUED)

(d) Material accounting policies (Continued)

(xiv) Provisions

A provision was recognised when a present obligation (legal or constructive) arose as a result of a past event and it was probable that a future outflow of resources would be required to settle the obligation, provided that a reliable estimate could be made of the amount of the obligation.

When the effect of discounting was material, the amount recognised for a provision was the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time was included in finance costs in the statement of profit or loss.

The Group provided for warranties in relation to project sales during the warranty period. Provisions for these assurance-type warranties granted by the Group were initially recognised based on the expectation of the level of repair and replacement to ensure the product should operate without defects and operated in conformity to requirement of the customer specified in contracts. The warranty-related cost would be revised annually.

(xv) Income tax

Income tax comprised current and deferred tax. Income tax relating to items recognised outside profit or loss was recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities were measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that were enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the regions in which the Group operated.

Deferred tax was provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

2 ACCOUNTING POLICIES (CONTINUED)

(d) Material accounting policies (Continued)

(xv) Income tax (Continued)

Deferred tax liabilities were recognised for all taxable temporary differences, except:

- when the deferred tax liability arose from the initial recognition of goodwill or an asset or liability in a transaction that was not a business combination and, at the time of the transaction, affected neither the accounting profit nor taxable profit or loss and did not give rise to equal taxable and deductible temporary differences; and

- in respect of taxable temporary differences associated with investments in subsidiaries and associates, when the timing of the reversal of the temporary differences could be controlled and it was probable that the temporary differences would not reverse in the foreseeable future.

Deferred tax assets were recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets were recognised to the extent that it was probable that taxable profit would be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses could be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arose from the initial recognition of an asset or liability in a transaction that was not a business combination and, at the time of the transaction, affected neither the accounting profit nor taxable profit or loss and did not give rise to equal taxable and deductible temporary differences; and

- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets were only recognised to the extent that it was probable that the temporary differences would reverse in the foreseeable future and taxable profit would be available against which the temporary differences could be utilised.

The carrying amount of deferred tax assets was reviewed at the end of each reporting period and reduced to the extent that it was no longer probable that sufficient taxable profit would be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets were reassessed at the end of each reporting period and were recognised to the extent that it had become probable that sufficient taxable profit would be available to allow all or part of the deferred tax asset to be recovered.

2 ACCOUNTING POLICIES (CONTINUED)

(d) Material accounting policies (Continued)

(xv) Income tax (Continued)

Deferred tax assets and liabilities were measured at the tax rates that were expected to apply to the period when the asset was realised or the liability was settled, based on tax rates (and tax laws) that were enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities were offset if and only if the Group had a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities related to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intended either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets were expected to be settled or recovered.

(xvi) Government grants

Government grants were recognised at their fair value where there was reasonable assurance that the grant would be received and all attaching conditions would be complied with. When the grant related to an expense item, it was recognised as income on a systematic basis over the periods that the costs, for which it was intended to compensate, were expensed.

(xvii) Revenue recognition

(I) Revenue from contracts with customers

Revenue from contracts with customers was recognised when control of goods or services was transferred to the customers at an amount that reflected the consideration to which the Group expected to be entitled in exchange for those goods or services.

When the consideration in a contract included a variable amount, the amount of consideration was estimated to which the Group would be entitled in exchange for transferring the goods or services to the customer. The variable consideration was estimated at contract inception and constrained until it was highly probable that a significant revenue reversal in the amount of cumulative revenue recognised would not occur when the associated uncertainty with the variable consideration was subsequently resolved.

2 ACCOUNTING POLICIES (CONTINUED)

(d) Material accounting policies (Continued)

(xvii) Revenue recognition (Continued)

(I) Revenue from contracts with customers (continued)

When the contract contained a financing component which provided the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue was measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contained a financing component which provided the Group with a significant financial benefit for more than one year, revenue recognised under the contract included the interest expense added on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services was one year or less, the transaction price was not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

Project sales

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

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

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

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

2 ACCOUNTING POLICIES (CONTINUED)

(d) Material accounting policies (Continued)

(xvii) Revenue recognition (Continued)

(I) Revenue from contracts with customers (continued)

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.

(II) Other income

Interest income was recognised on an accrual basis using the effective interest method by applying the rate that exactly discounted the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

(xviii) Contract assets

If the Group performed by transferring goods or services to a customer before being unconditionally entitled to the consideration under the contract terms, a contract asset was recognised for the earned consideration that was conditional. Contract assets were subject to impairment assessment, details of which were included in the accounting policies for impairment of financial assets. They were reclassified to trade receivables when the right to the consideration became unconditional.

(xix) Contract liabilities

A contract liability was recognised when a payment was received or a payment was due (whichever was earlier) from a customer before the Group transferred the related goods or services. Contract liabilities were recognised as revenue when the Group performed under the contract (i.e. transferred control of the related goods or services to the customer).

(xx) Share-based payments

The Company operated a share option scheme. Employees (including Directors) of the Group received remuneration in the form of share-based payments, whereby employees rendered services in exchange for equity instruments.

2 ACCOUNTING POLICIES (CONTINUED)

(d) Material accounting policies (Continued)

(xxi) Other employee benefits

(I) Pension scheme

The Group operated a defined contribution MPF Scheme for all of its employees in Hong Kong. Contributions were made based on a percentage of the employees' basic salaries and were charged to the statement of profit or loss as they became payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme were held separately from those of the Group in an independently administered fund. The employer contributions of the Group vested fully with the employees when contributed into the MPF Scheme.

The employees of the subsidiaries of the Company which operated in Macao were required to participate in a social security fund scheme operated by the Government of Macao. These subsidiaries were required to pay monthly fixed contributions to meet the minimum mandatory requirements of the social security fund scheme to fund the benefits.

The employees of the subsidiaries of the Company which operated in Mainland China were required to participate in a central pension scheme operated by the local municipal Government. These subsidiaries were required to contribute 20% of its payroll costs to the central pension scheme. The contributions were charged to the statement of profit or loss as they became payable in accordance with the rules of the central pension scheme.

(II) Termination benefits

Termination benefits were recognised at the earlier of when the Group could no longer withdraw the offer of those benefits and when the Group recognised restructuring costs involving the payment of termination benefits.

(xxii) Borrowing costs

All borrowing costs were expensed in the period in which they were incurred. Borrowing costs consisted of interest and other costs that an entity incurred in connection with the borrowing of funds.

(xxiii) Dividends

Final dividends were recognised as a liability when they were approved by the Members in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

2 ACCOUNTING POLICIES (CONTINUED)

(d) Material accounting policies (Continued)

(xxiv) Foreign currencies

These financial statements were presented in HK$, which was the functional currency of the Company. Each entity in the Group determined its own functional currency and items included in the financial statements of each entity were measured using that functional currency. Foreign currency transactions recorded by the entities in the Group were initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies were translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items were recognised in the statement of profit or loss.

Non-monetary items that were measured in terms of historical cost in a foreign currency were translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency were translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value was treated in line with the recognition of the gain or loss on change in fair value of the item (i.e. translation difference on the item whose fair value gain or loss was recognised in other comprehensive income or profit or loss was also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction was the date on which the Group initially recognised the non-monetary asset or non-monetary liability arising from the advance consideration. If there were multiple payments or receipts in advance, the Group determined the transaction date for each payment or receipt of the advance consideration.

The functional currencies of subsidiaries and associates in Mainland China and Macao were RMB and MOP respectively. As at the end of the reporting period, the assets and liabilities of these entities were translated into HK$ at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss were translated into HK$ at the exchange rates that approximated to those prevailing at the dates of the transactions.

The resulting exchange differences were recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the cumulative amount in the reserve relating to that particular foreign operation was recognised in the statement of profit or loss.

3 SIGNIFICANT ACCOUNTING ESTIMATES

The preparation of the financial statements of the Group required management to make judgements, estimates and assumptions that affected the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation Uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that had a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

(a) Provision for ECL on trade receivables and contract assets

The Group used a provision matrix to calculate ECL for trade receivables and contract assets. The provision rates were based on days past due for groupings of various customer segments that had similar loss patterns.

The provision matrix was initially based on the historical observed default rates of the Group. The Group would calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions were expected to deteriorate over the next year which could lead to an increased number of defaults in the technology sector, the historical default rates were adjusted. At each reporting date, the historical observed default rates were updated and changes in the forward-looking estimates were analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECL was a significant estimate. The amount of ECL was sensitive to changes in circumstances and forecast economic conditions. The historical credit loss experience and forecast of economic conditions of the Group might also not be representative of the actual default of a customer in the future. The information about the ECL on the trade receivables and contract assets of the Group is disclosed in note 18 and note 20 to the financial statements respectively.

(b) Warranty provisions

The Group identified assurance-type warranty presented in the contract terms and conditions for ensuring that the product should operate without defects and operate in the conformity to the requirement of the customers. Management estimated the related provision for future warranty based on historical or relevant information that required to settle the obligation of the Group.

3 SIGNIFICANT ACCOUNTING ESTIMATES (CONTINUED)

Estimation Uncertainty (Continued)

(c) Provision for impairment of inventory

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

(d) Fair value of unlisted equity investment

The unlisted equity investment was valued based on a market-based valuation technique as detailed in note 32 to the financial statements. The valuation required the Group to determine the comparable public companies (peers) and select the price multiple. In addition, the Group made estimates about the discount for lack of marketability. The Group classified the fair value of this investment as level three. The fair value of the unlisted equity investment as at 31st December 2023 was HK$36,380,000 (2022: HK$37,477,000). Further details are included in note 16 and note 32 to the financial statements.

4 OPERATING SEGMENT INFORMATION

For management purposes, the Group was organised into business units based on their products and services and had two reportable operating segments as follows:

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

(b) 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.

Management monitored the results of the operating segments of the Group separately for the purpose of making decisions about resource allocation and performance assessment. The executive Directors primarily used a measure of adjusted EBITDA 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.

Segment assets excluded equity investment designated at fair value through other comprehensive income and debt investments at fair value through other comprehensive income.

4 OPERATING SEGMENT INFORMATION (CONTINUED)

Year	Design, sale and implementation of network and systems infrastructure; customer data automation, customisation and integration; and provision of technical support services		
	Mainland China HK$'000	Hong Kong and Macao HK$'000	Total HK$'000
Adjusted EBITDA	(10,949)	20,668	9,719
Segment results			
Reconciliation:			
Depreciation – property, plant and equipment			(1,136)
Depreciation – right-of-use assets			(1,535)
Finance income – net			3,685
Loss on disposal of financial assets at fair value through other comprehensive income			(4,352)
Impairment of debt investments at fair value through other comprehensive income			(1,522)
Profit before tax			4,859
As at 31st December 2023			
Segment assets	9,525	360,461	369,986
Reconciliation:			
Debt investments at fair value through other comprehensive income			30,494
Equity investment designated at fair value through other comprehensive income			36,380
Total assets			436,860
Other segment information			
(Impairment)/reversal of impairment of financial and contract assets at amortised cost	(67)	926	859
Income tax credit	–	533	533
Depreciation	(320)	(2,351)	(2,671)
Additions to property, plant and equipment	20	842	862

4 OPERATING SEGMENT INFORMATION (CONTINUED)

Year ended 31st December 2022	Design, sale and implementation of network and systems infrastructure; customer data automation, customisation and integration; and provision of technical support services Mainland China HK$'000	 Hong Kong and Macao HK$'000	Total HK$'000
Adjusted EBITDA	2,909	1,370	4,279
Segment results			
Reconciliation:			
Depreciation – property, plant and equipment			(950)
Depreciation – right-of-use assets			(1,410)
Finance income – net			2,957
Loss on disposal of financial assets at fair value through other comprehensive income			(589)
Impairment of debt investments at fair value through other comprehensive income			(846)
Profit before tax			3,441
As at 31st December 2022			
Segment assets	24,803	311,835	336,638
Reconciliation:			
Debt investments at fair value through other comprehensive income			38,234
Equity investment designated at fair value through other comprehensive income			37,477
Total assets			412,349
Other segment information			
Impairment of financial and contract assets at amortised cost	(491)	(903)	(1,394)
Income tax credit/(expense)	24	(53)	(29)
Depreciation	(392)	(1,968)	(2,360)
Additions to property, plant and equipment	74	1,307	1,381

4 OPERATING SEGMENT INFORMATION (CONTINUED)

(c) Geographical information – revenue from external customers

	2023 HK$'000	2022 HK$'000
Hong Kong and Macao	**374,168**	255,849
Mainland China	**153,898**	235,718
Total revenue	**528,066**	491,567

The revenue information above was based on the locations of the customers.

(d) Information about a major customer

Revenue of approximately HK$100,074,000 (2022: HK$114,386,000) was derived from the 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 segment to a single group of external customers.

5 REVENUE, OTHER (LOSS)/INCOME AND GAINS

(a) Disaggregated revenue information

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period:

	2023 HK$'000	2022 HK$'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Design, sale and implementation of network and systems infrastructure; customer data automation, customisation and integration; and provision of technical support services	**34,080**	37,363

5 REVENUE, OTHER (LOSS)/INCOME AND GAINS (CONTINUED)

(b) Performance obligations

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31st December are as follows:

	2023 HK$'000	2022 HK$'000
Amounts expected to be recognised as revenue:		
Within one year	**31,167**	27,290
After one year	**9,670**	11,950
Total	**40,837**	39,240

The amounts of transaction prices allocated to the remaining performance obligations which were expected to be recognised as revenue after one year related to provision of technical services, of which the performance obligations were to be satisfied within two years. All the other amounts of transaction prices allocated to the remaining performance obligations were expected to be recognised as revenue within one year. The amounts disclosed above did not include variable consideration which was constrained.

(c) Other (loss)/income and gains

	2023 HK$'000	2022 HK$'000
Loss on disposal of financial assets at fair value through other comprehensive income	**(4,352)**	(589)
Others	**1,157**	1,147
Total other (loss)/income and gains	**(3,195)**	558

6 PROFIT BEFORE TAX

The profit before tax of the Group was arrived at after charging/(crediting):

	Notes	2023 HK$'000	2022 HK$'000
Cost of inventory sold		**307,029**	278,355
Cost of services provided		**112,567**	122,133
Depreciation of property, plant and equipment	13	**1,136**	950
Depreciation of right-of-use assets	14(a)	**1,535**	1,410
Lease payments not included in the measurement of lease liabilities	14(c)	**270**	362
Auditor's remuneration		**1,300**	1,250
Employee benefit expense (excluding Directors' fee (note 8)):			
Wages and salaries		**69,147**	64,273
Pension scheme contributions (defined contribution scheme) (note (a))		**220**	232
Social security costs		**847**	916
Total		**70,214**	65,421
Foreign exchange differences, net		**154**	(851)
Impairment of financial and contract assets:			
(Reversal of impairment)/impairment of trade receivables	18	**(727)**	1,255
(Reversal of impairment)/impairment of contract assets	20	**(132)**	139
Impairment of debt investments at fair value through other comprehensive income		**1,522**	846
Total		**663**	2,240
Write-down of inventory to net realisable value		**2,024**	1,060
Product warranty provisions – additional provision (included in cost of services provided)	25	**13,298**	12,174
Bank interest income		**(3,778)**	(3,051)
Government grants (note (b))		**(8)**	(829)
Gain on disposal of items of property, plant and equipment		**(17)**	–

Notes:

(a) There were no forfeited contributions that might be used by the Group as the employer to reduce the existing level of contributions.

(b) There were no unfulfilled conditions or contingencies related to these grants.

7 FINANCE COSTS

An analysis of finance costs is as follows:

	2023 **HK$'000**	2022 HK$'000
Interest on bank loans	**–**	14
Interest on lease liabilities	**93**	80
Total	**93**	94

8 DIRECTORS' AND CHIEF EXECUTIVES' REMUNERATION

Directors' and Chief Executives' remuneration for the Year, disclosed pursuant to the GEM Listing Rules, Section 383(1)(a), (b), (c) and (f) of CO and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, was as follows:

	2023 **HK$'000**	2022 HK$'000
Fees	**870**	870
Other emoluments:		
Salaries	**7,560**	7,938
Performance related bonuses	**1,800**	–
Pension scheme contributions	**23**	23
Subtotal	**9,383**	7,961
Total fees and other emoluments	**10,253**	8,831

(a) Independent non-executive Directors

The fees paid to independent non-executive Directors during the Year were as follows:

	2023 **HK$'000**	2022 HK$'000
Fung Kee Yue Roger	**120**	120
Wong Tsu An Patrick	**120**	120
Wong Kwok Kuen	**120**	120
Total	**360**	360

There were no other emoluments payable to the independent non-executive Directors during the Year (2022: Nil).

8 DIRECTORS' AND CHIEF EXECUTIVES' REMUNERATION (CONTINUED)

(b) Executive Directors, a non-executive Director and the Chief Executives

	Fees HK$'000	Salaries HK$'000	Performance related bonus HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
Year					
Executive Directors:					
José Manuel dos Santos	**130**	**4,666**	**500**	**–**	**5,296**
Kuan Kin Man	**130**	**1,300**	**800**	**–**	**2,230**
Monica Maria Nunes	**130**	**1,594**	**500**	**23**	**2,247**
Subtotal	**390**	**7,560**	**1,800**	**23**	**9,773**
Non-executive Director:					
Ho Wai Chung Stephen	**120**	**–**	**–**	**–**	**120**
Total	**510**	**7,560**	**1,800**	**23**	**9,893**
Year ended 31st December 2022					
Executive Directors:					
José Manuel dos Santos	130	5,064	–	–	5,194
Kuan Kin Man	130	1,288	–	–	1,418
Monica Maria Nunes	130	1,586	–	23	1,739
Subtotal	390	7,938	–	23	8,351
Non-executive Director:					
Ho Wai Chung Stephen	120	–	–	–	120
Total	510	7,938	–	23	8,471

Kuan Kin Man and Monica Maria Nunes were also managing directors. They collectively took up the functions as Chief Executives.

During the Year, José Manuel dos Santos waived emoluments of HK$848,000 (2022: HK$422,000), Kuan Kin Man waived emoluments of HK$89,000 (2022: HK$108,000) and Monica Maria Nunes waived emoluments of HK$133,000 (2022: HK$132,000).

9 FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the Year included three Directors (2022: three Directors), details of whose remuneration are set out in note 8 above. Details of the remuneration for the Year of the remaining two (2022: two) highest paid employees who were neither a Director nor Chief Executive were as follows:

	2023 **HK$'000**	2022 HK$'000
Salaries and allowances	**1,933**	2,192
Performance related bonuses	**555**	271
Pension scheme contributions	**36**	21
Total	**2,524**	2,484

The number of non-Director and non-Chief Executive highest paid employees whose remuneration fell within the following band was as follows:

	Number of employees	
	2023	2022
HK$1,000,001 to HK$1,500,000	**2**	2

The number of individuals of senior management whose remuneration fell within the following bands was as follows:

	Number of employees	
	2023	2022
Nil to HK$500,000	**–**	1
HK$500,001 to HK$1,000,000	**8**	9
> HK$1,000,000	**5**	3
Total	**13**	13

10 INCOME TAX

No Hong Kong and Mainland China profits taxes were provided in the current and prior years as the Group had available tax losses brought forward from prior years. Taxes on profits assessable elsewhere were calculated at the rates of tax prevailing in the jurisdictions in which the Group operated.

	2023 HK$'000	2022 HK$'000
Current – Macao		
Charge for the year	**312**	53
Overprovision in prior years	**(845)**	–
Current – Mainland China		
Overprovision in prior years	**–**	(24)
Total	**(533)**	29

A reconciliation of the tax (credit)/expense applicable to profit before tax at the statutory tax rate for the jurisdiction where the operations of the Group were substantially based to the tax (credit)/expense at the effective tax rate is as follows:

	2023 HK$'000	2022 HK$'000
Profit before tax	**4,859**	3,441
Tax at the statutory tax rates	**206**	39
Adjustments in respect of current tax of previous periods	**(845)**	(24)
Income not subject to tax	**(241)**	(130)
Expenses not deductible for tax	**1,276**	707
Tax losses utilised from previous periods	**(4,923)**	(1,323)
Tax losses not recognised	**3,994**	760
Tax (credit)/charge at the effective rate of the Group	**(533)**	29

The Group had tax losses, subject to agreement by the respective tax authorities, of HK$38,332,000 (2022: HK$36,335,000) that were available indefinitely for offsetting against future taxable profits of the companies in which the losses arose and of HK$31,649,000 (2022: HK$29,610,000) that would expire in one to five years for offsetting against future taxable profits. Deferred tax assets were not recognised in respect of these losses as they arose in subsidiaries that were loss-making for some time and it was not considered probable that future taxable profits would be available against which the tax losses could be utilised.

11 DIVIDEND

	2023 HK$'000	2022 HK$'000
Proposed final – HK$0.01 (2022: HK$0.01) per Share	**6,161**	6,161

The proposed final dividend for the Year is subject to the approval of the Members at the forthcoming AGM.

12 EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per Share amount was based on the profit for the Year attributable to ordinary equity holders of the parent, and the weighted average number of Shares of 616,115,000 (2022: 616,115,000) in issue during the Year.

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

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

	2023 HK$'000	2022 HK$'000
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per Share calculation	**6,532**	5,460

	Number of Shares	
	2023 (thousands)	2022 (thousands)
Shares		
Weighted average number of Shares in issue during the Year used in the basic earnings per Share calculation	**616,115**	616,115
Effect of dilution – weighted average number of Shares:		
Options	**–**	4,805
Total	**616,115**	620,920

13 PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Furniture, fixture and office equipment HK$'000	Motor vehicles HK$'000	Demonstration equipment HK$'000	Total HK$'000
As at 31st December 2023					
As at 1st January 2023:					
Cost	4,634	7,169	1,285	2,199	15,287
Accumulated depreciation	(3,616)	(6,738)	(628)	(2,199)	(13,181)
Net carrying amount	1,018	431	657	–	2,106
As at 1st January 2023, net of accumulated depreciation	1,018	431	657	–	2,106
Additions	624	206	–	32	862
Disposals	–	(23)	–	–	(23)
Depreciation provided during the Year	(751)	(220)	(157)	(8)	(1,136)
Exchange realignment	(2)	(17)	(3)	–	(22)
As at 31st December 2023, net of accumulated depreciation	889	377	497	24	1,787
As at 31st December 2023:					
Cost	5,252	6,389	1,272	2,231	15,144
Accumulated depreciation	(4,363)	(6,012)	(775)	(2,207)	(13,357)
Net carrying amount	889	377	497	24	1,787

13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Leasehold improvements HK$'000	Furniture, fixture and office equipment HK$'000	Motor vehicles HK$'000	Demonstration equipment HK$'000	Total HK$'000
As at 31st December 2022					
As at 1st January 2022:					
Cost	4,258	7,369	1,594	2,199	15,420
Accumulated depreciation	(3,086)	(6,914)	(1,523)	(2,173)	(13,696)
Net carrying amount	1,172	455	71	26	1,724
As at 1st January 2022, net of accumulated depreciation	1,172	455	71	26	1,724
Additions	388	301	692	–	1,381
Depreciation provided during the year ended 31st December 2022	(543)	(277)	(104)	(26)	(950)
Derecognised for disposal of a subsidiary	–	(43)	–	–	(43)
Exchange realignment	1	(5)	(2)	–	(6)
As at 31st December 2022, net of accumulated depreciation	1,018	431	657	–	2,106
As at 31st December 2022:					
Cost	4,634	7,169	1,285	2,199	15,287
Accumulated depreciation	(3,616)	(6,738)	(628)	(2,199)	(13,181)
Net carrying amount	1,018	431	657	–	2,106

14 LEASES – THE GROUP AS A LESSEE

(a) Right-of-use assets

The carrying amounts of the right-of-use assets of the Group and the movements during the Year are as follows:

	Buildings HK$'000
As at 1st January 2022	1,281
Additions	3,080
Disposal of a subsidiary (note 29)	(437)
Exchange realignment	(21)
Depreciation charge	(1,410)
As at 31st December 2022 and 1st January 2023	**2,493**
Exchange realignment	**(7)**
Depreciation charge	**(1,535)**
As at 31st December 2023	**951**

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the Year are as follows:

	2023 HK$'000	2022 HK$'000
Carrying amount as at 1st January	**2,514**	1,346
New leases	**–**	3,080
Payments	**(1,523)**	(1,332)
Disposal of a subsidiary (note 29)	**–**	(470)
Exchange realignment	**(8)**	(110)
Carrying amount as at 31st December	**983**	2,514
Analysed into:		
Current portion	**983**	1,517
Non-current portion	**–**	997
Carrying amount as at 31st December	**983**	2,514
The maturity analysis of lease liabilities is as follow:		
Within one year	**983**	1,517
In the second year	**–**	997
	983	2,514

14 LEASES – THE GROUP AS A LESSEE (CONTINUED)

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2023 HK$'000	2022 HK$'000
Interest on lease liabilities	**93**	80
Depreciation charge of right-of-use assets	**1,535**	1,410
Expense relating to short-term leases (included in administrative expenses)	**270**	362
Total amount recognised in profit or loss	**1,898**	1,852

15 INVESTMENTS IN ASSOCIATES

The amounts due from associates included in other receivables and deposits of the Group totalling HK$55,000 (2022: amounts due to associates included in other accounts payable and accruals of HK$164,000) were unsecured, interest-free and repayable on demand or within one year.

Particulars of the associates are as follows:

Name	Particulars of issued shares held	Place of incorporation/ registration and kind of legal entity	Percentage of ownership interest attributable to the Group	Principal activity
Capital Instant Limited ("CIL")	Ordinary shares	BVI, limited liability company	49.91	Investment holding
廣州新科元電訊技術有限公司 ("GTVL")	Registered capital	PRC, limited liability company	21.60	Research and development of wireless data communications and Internet related products

The shareholdings of the Group in the associates all comprised equity held through wholly-owned subsidiaries of the Company.

16 EQUITY AND DEBT INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2023 HK$'000	2022 HK$'000
Equity investment designated at fair value through other comprehensive income		
Unlisted equity investment, at fair value – TTSA	**36,380**	37,477

Name	Place of incorporation	Principal activities	Particulars of issued shares held	Interest held	Investment cost HK$'000
Timor Telecom, S.A. ("TTSA")	Timor-Leste	Provision of telecommunications services	78,565 ordinary shares of US$10 each	17.86%	10,501

The above equity investment was irrevocably designated at fair value through other comprehensive income as the Group considered this investment to be strategic in nature.

	2023 HK$'000	2022 HK$'000
Debt investments designated at fair value through other comprehensive income		
Listed bonds	**30,494**	38,234

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

On disposal of these debt investments, any related balance within the fair value through other comprehensive income reserve was reclassified to other (loss)/income and gains, net within profit or loss.

During the Year, the Group made a full write-down to its investment in AT1 bonds amounting to HK$2,471,000 (2022: nil) issued by CS Group subsequent to the official announcement made by the Swiss Financial Market Supervisory Authority on 20th March 2023 for taking over CS Group by another bank.

17 INVENTORY

	2023 HK$'000	2022 HK$'000
Finished goods – networking equipment	**40,256**	26,907
Provision for inventory	**(15,303)**	(13,279)
Total	**24,953**	13,628

Write-down of inventory to net realisable value amounted to HK$2,024,000 (2022: HK$1,060,000). This was recognised as an expense during the Year and included in cost of sales in the statement of profit or loss.

18 TRADE RECEIVABLES

	2023 HK$'000	2022 HK$'000
Trade receivables	**167,261**	191,088
Impairment	**(1,509)**	(7,534)
Net carrying amount	**165,752**	183,554

The trading terms of the Group with its customers were mainly 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. Each customer had a maximum credit limit. The Group sought to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances were reviewed regularly by senior management. In view of the aforementioned and the fact that the trade receivables of the Group related to a large number of diversified customers, there was no significant concentration of credit risk. The Group did not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables were non-interest-bearing.

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

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

18 TRADE RECEIVABLES (CONTINUED)

The movements in the loss allowance for impairment of trade receivables are as follows:

	2023 HK$'000	2022 HK$'000
At beginning of year	**7,534**	10,413
(Reversal of impairment)/impairment losses (note 6)	**(727)**	1,255
Amount written off as uncollectible	**(5,273)**	–
Derecognised loss allowance for disposal of a subsidiary	**–**	(3,754)
Currency translation difference	**(25)**	(380)
At end of year	**1,509**	7,534

An impairment analysis was performed at each reporting date using a provision matrix to measure ECL. The provision matrix was initially based on the historical observed default rates of the Group. The Group would calibrate the matrix to adjust the historical credit loss experience with forward-looking information.

Set out below is the information about the credit risk exposure on the trade receivables of the Group using a provision matrix:

	Within six months	Seven to twelve months	Over twelve months	Total
As at 31st December 2023				
ECL rate	**0.11%**	**4.61%**	**18.74%**	**0.90%**
Gross carrying amount (HK$'000)	**157,804**	**3,080**	**6,377**	**167,261**
ECL (HK$'000)	**172**	**142**	**1,195**	**1,509**
As at 31st December 2022				
ECL rate	0.38%	37.89%	50.06%	3.94%
Gross carrying amount (HK$'000)	176,926	1,834	12,328	191,088
ECL (HK$'000)	667	695	6,172	7,534

19 OTHER RECEIVABLES AND DEPOSITS

	2023 HK$'000	2022 HK$'000
Other receivables and deposits	**7,396**	22,205
Impairment allowance	**–**	(14,100)
Total	**7,396**	8,105

Where applicable, an impairment analysis was performed at each reporting date by considering the probability of default of comparable companies with published credit ratings.

The financial assets included in the above balances related to receivables for which there was no recent history of default and past due amounts, except for an other receivable due from a project owner as at 31st December 2022. Due to uncertainty over the timing of its recoverability from the project owner, an ECL rate of 100% was employed as at 31st December 2022. During the Year, the amount due from the project owner was fully written off as it was not expected to be recovered. As at 31st December 2023 and 2022, the loss allowance of the remaining other receivables was assessed to be minimal.

20 CONTRACT ASSETS

	31st December 2023 HK$'000	31st December 2022 HK$'000	1st January 2022 HK$'000
Current contract assets	**55,700**	37,729	65,321
Impairment	**(2,138)**	(2,270)	(2,131)
Net carrying amount	**53,562**	35,459	63,190

Contract assets were initially recognised for revenue earned from both sales of hardware and the provision of related design and implementation of network services under project sales as the receipt of consideration was conditional on successful completion of installation of the products. Upon completion of installation and acceptance by the customer, the amounts recognised as contract assets were reclassified to trade receivables. The increase in contract assets in the Year was the result of the increase in the ongoing sale of services and the provision of project sales during the Year, while the decrease in contract assets in the year ended 31st December 2022 was the result of the decrease in the ongoing sale of services and the provision of project sales during the year ended 31st December 2022.

20 CONTRACT ASSETS (CONTINUED)

During the Year, HK$132,000 was reversed (2022: HK$139,000 recognised) as an allowance for ECL on contract assets. The trading terms and credit policy of the Group with customers are disclosed in note 18 to the financial statements.

The expected timing of recovery or settlement for contract assets as at 31st December is as follows:

	2023 HK$'000	2022 HK$'000
Within one year	**53,562**	35,459

The movements in the loss allowance for impairment of contract assets are as follows:

	2023 HK$'000	2022 HK$'000
At beginning of year	**2,270**	2,131
(Reversal of impairment)/impairment losses (note 6)	**(132)**	139
At end of year	**2,138**	2,270

An impairment analysis was performed at each reporting date using a provision matrix to measure ECL. The provision rates for the measurement of ECL of the contract assets were based on those of the trade receivables as the contract assets and the trade receivables were from the same customer bases. The provision matrix was initially based on the historical observed default rates of the Group. The Group would calibrate the matrix to adjust the historical credit loss experience with forward-looking information.

Set out below is the information about the credit risk exposure on the contract assets of the Group using a provision matrix:

	2023	2022
ECL rate	**3.84%**	6.02%
Gross carrying amount (HK$'000)	**55,700**	37,729
ECL (HK$'000)	**2,138**	2,270

21 PLEDGED DEPOSIT AND CASH AND CASH EQUIVALENTS

	2023 **HK$'000**	2022 HK$'000
Cash and bank balances	**53,413**	26,958
Time deposit	**337**	337
Subtotal	**53,750**	27,295
Less: pledged time deposit	**(3,470)**	(3,470)
Cash and cash equivalents	**50,280**	23,825

At the end of the reporting period, the cash and bank balances of the Group denominated in RMB amounted to HK$4,122,000 (2022: HK$4,890,000). RMB was not freely convertible into other currencies, however, under Foreign Exchange Control Regulations and Administration of Settlement, and Sale and Payment of Foreign Exchange Regulations in Mainland China, the Group was permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earned interest at floating rates based on daily bank deposit rates. Short term time deposits were made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earned interest at the respective short term time deposit rates. The bank balances and pledged deposit were deposited with creditworthy banks with no recent history of default.

A pledged time deposit represented a deposit amounting to HK$3,470,000 (2022: HK$3,470,000) pledged to a bank to secure a performance bond granted to the Group.

22 TRADE AND OTHER ACCOUNTS PAYABLE AND ACCRUALS

	2023 **HK$'000**	2022 HK$'000
Trade payable	**128,129**	93,250
Other accounts payable and accruals	**23,910**	17,433
Total	**152,039**	110,683

22 TRADE AND OTHER ACCOUNTS PAYABLE AND ACCRUALS (CONTINUED)

An ageing analysis of the trade payable as at the end of the reporting period, based on the invoice date, was as follows:

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

The trade payable was non-interest-bearing.

23 INTEREST-BEARING BANK BORROWINGS

	2022		
	Effective interest rate (%)	Maturity	HK$'000
Current			
Bank loan – unsecured	4.6-7.0	2023	30,792

	2023 **HK$'000**	2022 HK$'000
Analysed into:		
Bank loans repayable – within one year or on demand	**–**	30,792

The overdraft facilities of the Group amounting to US$4,000,000 (equivalent to HK$31,231,000) (2022: US$4,000,000, equivalent to HK$31,231,000), in which nil (2022: HK$30,792,000) was utilised as at the end of the reporting period, were unsecured.

As at 31st December 2022, except for the HK$20,711,000 bank loan which was denominated in US$, all borrowings were in HK$.

24 CONTRACT LIABILITIES

	31st December 2023 HK$'000	31st December 2022 HK$'000	1st January 2022 HK$'000
Short-term advances received from customers			
Design, sale and implementation of network and systems infrastructure; customer data automation, customisation and integration; and provision of technical support services	**53,921**	41,106	44,912

The increase in contract liabilities in the Year was mainly due to the increase in short-term advances received from customers in relation to the provision of technical support services during the Year, while the decrease in contract liabilities in the year ended 31st December 2022 was mainly due to the decrease in short-term advances received from customers in relation to the provision of technical support services during the year ended 31st December 2022.

25 WARRANTY PROVISIONS

	HK$'000
As at 1st January 2022	–
Additional provision (note 6)	12,174
As at 31st December 2022 and 1st January 2023	**12,174**
Additional provision (note 6)	**13,298**
Amounts utilised during the Year	**(11,559)**
As at 31st December 2023	**13,913**

The Group provided warranties to certain customers on certain of its services. The provision for the warranties was made in an amount that was the best estimate of the expected settlement under sales contracts recognised during the period. The estimation basis was reviewed on an ongoing basis and revised where appropriate.

26 SHARE CAPITAL

(a) Shares

	2023 HK$'000	2022 HK$'000
Issued and fully paid:		
616,115,000 (2022: 616,115,000) Shares	**61,771**	61,771

A summary of movements in the share capital of the Company is as follows:

	Number of Shares in issue (thousands)	Share capital HK$'000
As at 1st January 2022, 31st December 2022, 1st January 2023 and 31st December 2023	**616,115**	**61,771**

(b) Options

Details of the Terminated Scheme and the Options are included in note 27 to the financial statements.

27 TERMINATED SCHEME

The Terminated Scheme was adopted for a period of ten years commencing from 22nd June 2012 and was terminated on 17th June 2022. The Directors might, at their discretion, invite Participants to take up Options at the Subscription Price. Pursuant to the Terminated Scheme, the Grantee should pay HK$1 to the Company as consideration for the grant of Options.

On 9th April 2020, Options were granted to certain Directors and selected employees. The Subscription Price of the granted Options equalled the market price of the Shares at the Date of Grant. The Options were immediately vested at the Date of Grant and were exercisable for a period of three years starting from the Date of Grant. The Group had no legal or constructive obligation to repurchase or settle the Options in cash.

27 TERMINATED SCHEME (CONTINUED)

The following Options were outstanding under the Terminated Scheme during the Year:

	2023		2022	
	Exercise price HK$ per Option	**Number of Options '000**	Exercise price HK$ per Option	Number of Options '000
As at 1st January	**0.12**	**16,382**	0.12	16,734
Lapsed during the year	**0.12**	**(16,382)**	0.12	(352)
As at 31st December	**–**	**–**	0.12	16,382

28 OTHER RESERVES

The amounts of the reserves of the Group and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 61 to 62 of the financial statements.

(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) Fair value reserve of financial assets at fair value through other comprehensive income

The Group elected to recognise changes in the fair value of an investment in equity security in other comprehensive income, as explained in note 16. These changes were accumulated within the fair value reserve for financial assets at fair value through other comprehensive income within equity. The Group transferred amounts from this reserve to retained profits/accumulated losses when the relevant equity securities were derecognised.

The Group also had certain debt investments measured at fair value through other comprehensive income, as explained in note 16. For these investments, changes in fair value were accumulated within the fair value reserve for financial assets at fair value through other comprehensive income within equity. The accumulated changes in fair value were transferred to profit or loss when the investment was derecognised or impaired.

29 GAIN ON DISPOSAL OF A SUBSIDIARY

In May 2022, there was a partial disposal of a subsidiary. The Group disposed of 60% of the equity interest of GTVL at the consideration of RMB300,000 (approximately HK$351,000). Prior to the disposal, GTVL was an indirect partly-owned subsidiary of the Company as to 81.6%. Upon disposal, GTVL ceased to be a subsidiary of the Company and the financial results of GTVL was no longer consolidated with the results of the Group. GTVL was then held as to 21.6% by the Group and it was accounted for as an associate of the Group thereafter.

	2022 HK$'000
Net assets disposed of:	
Property, plant and equipment	43
Right-of-use assets	437
Cash and bank balances	466
Trade receivables	163
Other receivables	175
Trade payable	(3,929)
Other accounts payable and accruals	(262)
Tax payable	(280)
Lease liabilities	(470)
Non-controlling interest	(769)
Subtotal	(4,426)
Other reserves	(890)
Subtotal	(5,316)
Gain on disposal of a subsidiary	5,667
Total consideration	351
Satisfied by:	
Cash	351

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	2022 HK$'000
Cash consideration	351
Cash and bank balances disposed of	(466)
Net outflow of cash and cash equivalents in respect of the disposal of a subsidiary	(115)

30 RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the year:

	Note	**2023** **HK$'000**	2022 HK$'000
Sale of goods to a company of which a Director was a controlling shareholder	(i)	**2,222**	2,153
Purchases of goods from a company of which a Director was a controlling shareholder	(i)	**24**	27

Note:

(i) The sales and purchases were made from and to a company of which a Director was a controlling shareholder. The Directors considered that the sales and purchases were made according to the published prices and conditions similar to those offered to the major customers of the Group and offered by the related company to its major customers, respectively.

(b) Other transactions with a related party:

During the Year, a Director was entitled to receive HK$1,182,000 (2022: HK$1,275,000) from the Group for leasing certain offices to the Group.

(c) Compensation of key management personnel of the Group:

Further details of Directors' and the Chief Executives' emoluments are included in note 8 to the financial statements.

(d) Current accounts payable to a related party:

	2023 **HK$'000**	2022 HK$'000
Lease liabilities to a Director	**963**	2,376

The related party transactions in respect of notes (a), (b) and (d) above also constituted connected transactions or continuing connected transactions as defined in chapter 20 of the GEM Listing Rules.

31 FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

As at 31st December 2023

Financial assets

	Financial assets at fair value through other comprehensive income			
	Debt investments HK$'000	Equity investment HK$'000	Financial assets at amortised cost HK$'000	Total HK$'000
Equity investment at fair value through other comprehensive income	–	36,380	–	36,380
Debt investments at fair value through other comprehensive income	30,494	–	–	30,494
Trade receivables	–	–	165,752	165,752
Other receivables and deposits	–	–	7,396	7,396
Pledged deposit	–	–	3,470	3,470
Cash and cash equivalents	–	–	50,280	50,280
Total	30,494	36,380	226,898	293,772

Financial liabilities

	Financial liabilities at amortised cost HK$'000
Trade payable	128,129
Financial liabilities included in other accounts payable	3,907
Lease liabilities	983
Total	133,019

31 FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

As at 31st December 2022

Financial assets

	Financial assets at fair value through other comprehensive income			
	Debt investments HK$'000	Equity investment HK$'000	Financial assets at amortised cost HK$'000	Total HK$'000
Equity investment at fair value through other comprehensive income	–	37,477	–	37,477
Debt investments at fair value through other comprehensive income	38,234	–	–	38,234
Trade receivables	–	–	183,554	183,554
Other receivables and deposits	–	–	8,105	8,105
Pledged deposit	–	–	3,470	3,470
Cash and cash equivalents	–	–	23,825	23,825
Total	38,234	37,477	218,954	294,665

Financial liabilities

	Financial liabilities at amortised cost HK$'000
Trade payable	93,250
Financial liabilities included in other accounts payable	3,809
Interest-bearing bank borrowings	30,792
Lease liabilities	2,514
Total	130,365

32 FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management assessed that the fair values of cash and cash equivalents, pledged deposit, trade receivables, contract assets, trade payable, other receivables and deposits, financial liabilities included in other accounts payable approximated to their carrying amounts largely due to the short-term maturities of these instruments.

The fair values of the financial assets and liabilities were included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:

The fair value of unlisted equity investment designated at fair value through other comprehensive income was estimated using a market-based valuation technique based on assumptions that were not supported by observable market prices or rates. The valuation required the Directors to determine comparable public companies (peers) based on industry, size, leverage and strategy, and to calculate an appropriate price multiple, such as EV to EBITDA multiple, for each comparable company identified. The multiple was calculated by dividing EV of the comparable company by an earnings measure. The trading multiple was then discounted for considerations such as illiquidity and size differences between the comparable companies based on company-specific facts and circumstances. The discounted multiple was applied to the corresponding earnings measure of the unlisted equity investments to measure the fair value. The Directors believed that the estimated fair value resulting from the valuation technique, which was recorded in the consolidated balance sheet, and the related changes in fair value, which were recorded in other comprehensive income, were reasonable, and that they were the most appropriate values at the end of the reporting period.

For the fair value of the unlisted equity investment at fair value through other comprehensive income, management estimated the potential effect of using reasonably possible alternatives as inputs to the valuation model.

32 FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Below is a summary of significant unobservable inputs to the valuation of financial instruments as at 31st December 2023 and 2022:

	Valuation technique	Significant unobservable inputs	Range or weighted average	Sensitivity of fair value to the input
Unlisted equity investment	Market approach	Discount for lack of marketability	24.86% (2022: 24.86%)	An increase/decrease in discount would result in a decrease/increase in fair value
		Median EV/EBITDA multiple of peers	5.91 (2022: 5.4)	An increase/decrease in multiple would result in an increase/decrease in fair value

The discount for lack of marketability represented the amounts of premiums and discounts determined by the Group that market participants would take into account when pricing the investment.

32 FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the financial instruments of the Group:

Assets measured at fair value:

	Fair value measurement using			
	Quoted prices in active markets (Level one) HK$'000	Significant observable inputs (Level two) HK$'000	Significant unobservable inputs (Level three) HK$'000	Total HK$'000
As at 31st December 2023				
Equity investment designated at fair value through other comprehensive income	**–**	**–**	**36,380**	**36,380**
Debt investments at fair value through other comprehensive income	**30,494**	**–**	**–**	**30,494**
Total	**30,494**	**–**	**36,380**	**66,874**
As at 31st December 2022				
Equity investment designated at fair value through other comprehensive income	–	–	37,477	37,477
Debt investments at fair value through other comprehensive income	38,234	–	–	38,234
Total	38,234	–	37,477	75,711

The Group did not have any financial liabilities measured at fair value as at 31st December 2023 and 2022.

During the Year, there were no transfers of fair value measurements between level one and level two and no transfers into or out of level three for both financial assets and financial liabilities (2022: Nil).

33 PLEDGE OF ASSETS

Details of the asset of the Group pledged for the performance bond of the Group of HK$3,470,000 is included in note 21 to the financial statements.

34 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

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

(a) Interest rate risk

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

34 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Foreign currency 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.

(i) Exposure

Management considered that foreign exchange risk related to financial assets denominated in US$ and MOP was minimal, since MOP was pegged to HK$ and HK$ was pegged to US$ and the 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:

	2023 **HK$'000**	2022 HK$'000
Cash and cash equivalents (RMB against HK$)	**21**	66

The aggregate net foreign exchange loss recognised in profit or loss of HK$154,000 (2022: gain of HK$851,000) was included in administrative expenses.

(ii) 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 2023, if HK$ had weakened/strengthened by 5% against RMB with all other variables held constant, post-tax profit and total comprehensive income for the Year would have been HK$1,000 higher/lower (2022: HK$3,000 higher/lower).

34 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Credit risk

Credit risk arose from cash and cash equivalents, contractual cash flows of debt instruments carried at amortised cost and at fair value through other comprehensive income 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 receivables balances.

Each local entity was responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions were offered. Risk control assessed the credit quality of the customer and bank, taking into account their financial positions, past experience and other factors. Individual risk limits were set based on internal or external ratings in accordance with limits set by the Board. The compliance with credit limits by customers was regularly monitored by line management.

The investments 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) Impairment of financial assets

The Group had four types of financial assets that were subject to ECL model:

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

– contract assets;

– other receivables and deposits; and

– debt investments carried at fair value through other comprehensive income.

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

34 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Credit risk (Continued)

(ii) Impairment of financial assets (Continued)

(I) Trade receivables and contract assets

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

To measure ECL, 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 ECL rates for trade receivables were a reasonable approximation of the loss rates for the contract assets.

ECL rates were based on the payment profiles of sales over a period of eighteen months on or before 31st December 2023 or 31st December 2022 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.

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

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

(II) Debt investments at fair value through other comprehensive income

Debt investments at fair value through other comprehensive income included listed debt securities. The loss allowance for debt investments at fair value through other comprehensive income was recognised in profit or loss and reduced the fair value loss otherwise recognised in other comprehensive income.

34 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(d) 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 cash and cash equivalents of HK$50,280,000 (2022: HK$23,825,000) that were expected to readily generate cash inflows for managing liquidity risk. Due to the dynamic nature of the underlying businesses, the Directors maintained flexibility in funding by maintaining availability under committed credit lines.

Management monitored rolling forecasts of the liquidity reserve (comprising the undrawn borrowing facilities) 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 cash flows, monitoring balance sheet liquidity ratios against internal and external regulatory requirements and maintaining debt financing plans.

Maturities of financial liabilities

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

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

34 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(d) Liquidity risk (Continued)

Maturities of financial liabilities (Continued)

	Less than one year HK$'000	Between one and two years HK$'000	Total contractual cash flows HK$'000	Carrying amount HK$'000
As at 31st December 2023				
Lease liabilities	**1,004**	**–**	**1,004**	**983**
Trade payable	**128,129**	**–**	**128,129**	**128,129**
Other accounts payable	**3,907**	**–**	**3,907**	**3,907**
Total	**133,040**	**–**	**133,040**	**133,019**
As at 31st December 2022				
Lease liabilities	1,624	1,004	2,628	2,514
Interest-bearing bank borrowings	30,953	–	30,953	30,792
Trade payable	93,250	–	93,250	93,250
Other accounts payable	3,809	–	3,809	3,809
Total	129,636	1,004	130,640	130,365

34 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(e) Price risk

(i) Exposure

The exposure of the Group to debt investments price risk arose from investments held by the Group and classified in the balance sheet as at fair value through other comprehensive income (note 16).

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

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

(ii) Sensitivity

With all other variables held constant, if the market price of debt investments at fair value through other comprehensive income had been 10% higher/lower than the actual closing price as at 31st December 2023, debt investments at fair value through other comprehensive income would increase/decrease by approximately HK$3,049,000 (2022: HK$3,823,000).

(f) Capital management

The objectives of the Group when managing capital were to

- safeguard its ability to continue as a going concern, so that it could continue to provide returns for Members and benefits for other stakeholders, and
- maintain an optimal capital structure to reduce the cost of capital.

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

35 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the Year, the Group did not have non-cash additions to right-of-use assets (2022: HK$3,080,000) and lease liabilities (2022: HK$3,080,000) in respect of lease arrangements for office building.

(b) Changes in liabilities arising from financing activities

	Interest-bearing bank borrowings HK$'000	Lease liabilities HK$'000
As at 1st January 2022	3,514	1,346
Changes from financing cash flow	27,264	(1,332)
New leases	–	3,080
Foreign exchange movement	–	(110)
Interest expense	14	80
Interest paid classified as operating cash flows	–	(80)
Decrease arising from disposal of a subsidiary	–	(470)
As at 31st December 2022 and 1st January 2023	**30,792**	**2,514**
Changes from financing cash flow	**(30,792)**	**(1,523)**
Foreign exchange movement	**–**	**(8)**
Interest expense	**–**	**93**
Interest paid classified as operating cash flows	**–**	**(93)**
As at 31st December 2023	**–**	**983**

36 BALANCE SHEET OF THE COMPANY

Information about the balance sheet of the Company at the end of the reporting period is as follows:

	As at 31st December	
	2023	2022
	HK$'000	HK$'000
NON-CURRENT ASSETS		
Investments in subsidiaries	**5,690**	5,690
CURRENT ASSETS		
Due from subsidiaries	**253,678**	260,227
Prepayment	**264**	369
Cash and cash equivalents	**271**	82
Total current assets	**254,213**	260,678
CURRENT LIABILITIES		
Due to subsidiaries	**69,208**	65,508
Other accounts payable and accruals	**853**	1,377
Total current liabilities	**70,061**	66,885
NET CURRENT ASSETS	**184,152**	193,793
Net assets	**189,842**	199,483
EQUITY		
Share capital	**61,771**	61,771
Other reserves (note)	**128,071**	137,712
Total equity	**189,842**	199,483

36 BALANCE SHEET OF THE COMPANY (CONTINUED)

Note:

A summary of the reserves of the Company is as follows:

	Capital redemption reserve HK$'000	Contributed surplus HK$'000	Share-based payments HK$'000	Accumulated losses HK$'000	Total HK$'000
Balance as at 1st January 2022	702	171,394	7,282	(31,912)	147,466
Dividend paid	–	(6,161)	–	–	(6,161)
Loss for the year ended 31st December 2022	–	–	–	(3,593)	(3,593)
Release to accumulated losses on disposal of a subsidiary	–	–	(197)	197	–
As at 31st December 2022 and 1st January 2023	**702**	**165,233**	**7,085**	**(35,308)**	**137,712**
Dividend paid	**–**	**(6,161)**	**–**	**–**	**(6,161)**
Loss for the Year	**–**	**–**	**–**	**(3,480)**	**(3,480)**
As at 31st December 2023	**702**	**159,072**	**7,085**	**(38,788)**	**128,071**

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 the Act, 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.

37 COMPARATIVE AMOUNTS

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

38 APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board on 27th March 2024.

Five-year Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the published audited financial statements, is set out below.

	Year ended 31st December				
	2023	2022	2021	2020	2019
RESULTS	**HK$'000**	HK$'000	HK$'000	HK$'000	HK$'000
Profit/(loss) attributable to:					
Owners of the parent	**6,532**	5,460	(6,321)	3,826	(5,256)
Non-controlling interests	**(1,140)**	(2,048)	(2,110)	(98)	(2,109)

	As at 31st December				
	2023	2022	2021	2020	2019
ASSETS AND LIABILITIES	**HK$'000**	HK$'000	HK$'000	HK$'000	HK$'000
TOTAL ASSETS	**436,860**	412,349	339,381	345,623	382,528
TOTAL LIABILITIES	**(227,045)**	(204,053)	(154,909)	(149,508)	(183,368)
	209,815	208,296	184,472	196,115	199,160

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:

"2020 Amendments"	Amendments to HKAS 1 *Classification of Liabilities as Current or Non-current*
"2022 Amendments"	Amendments to HKAS 1 *Non-current Liabilities with Convenants*
"Act"	the Companies Act 1981 of Bermuda as amended from time to time
"AGM"	annual general meeting
"AHL"	AGTech Holdings Limited, a company incorporated in Bermuda with limited liability and ordinary shares of HK$0.002 each in the share capital of AHL are listed on GEM
"Associated Corporation"	a corporation: 1 which is a subsidiary or holding company of the Company or a subsidiary of the holding company of the Company; or 2 (not being a subsidiary of the Company) in which the Company has an interest in the shares of a class comprised in its share capital exceeding in nominal value one-fifth of the nominal value of the issued share of that class
"AT1"	Additional Tier 1
"Audit Committee"	the audit committee of the Company
"Auditor"	the auditor of the Company
"Board"	the board of Directors (not applicable to Main Board)
"Brazil"	The Federative Republic of Brazil
"Business Day"	any day (excluding Saturday and Sunday) on which licensed banks are generally open for business in Hong Kong
"BVI"	the British Virgin Islands
"Bye-law"	the bye-laws of the Company

Definitions

"CAHK"	Communications Association of Hong Kong Limited, a company incorporated in Hong Kong with limited liability by guarantee
"Capital Market Intermediary"	any corporation or authorised financial institution, licensed or registered under SFO that engages in specified activities under paragraph 21.1.1 of the Code of Conduct, including, without limitation, a Capital Market Intermediary appointed pursuant to rule 6A.40 of the GEM Listing Rules. An Overall Coordinator is also a Capital Market Intermediary
"CFLD"	CFLD (Cayman) Investment Ltd., a company incorporated in the Cayman Islands with limited liability and a subsidiary of China Fortune Land Development Co., Ltd., a company incorporated in PRC with limited liability and whose shares are listed on Shanghai Stock Exchange
"CGI"	The Chartered Governance Institute, a body incorporated by Royal Charter and domiciled in UK
"CGMA"	Chartered Global Management Accountant
"CGP"	Chartered Governance Professional
"Chief Executive"	a person who either alone or together with one or more other persons is or will be responsible under the immediate authority of the Board for the conduct of the business of the Company
"CIL"	Capital Instant Limited, details of which can be referred to in note 15 to the consolidated financial statements
"CIMA"	The Chartered Institute of Management Accountants, a body incorporated by Royal Charter and domiciled in UK
"Close Associate"	has the meaning ascribed thereto in the GEM Listing Rules
"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 C1 of the GEM Listing Rules (not applicable to Code of Conduct)
"Code of Conduct"	Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission established under Section 3 of the Securities and Futures Commission Ordinance and continuing in existence under Section 3 of SFO

Definitions

"Company"	Vodatel Networks Holdings Limited (not applicable to Guangdong Highway Engineering Company, Hysan Development Company Limited and Trust Company of the West)
"Company Secretary"	the company secretary of the Company
"Completion"	completion of the Subscription in accordance with the terms and conditions of the joint venture agreement entered into between VNHKHL, Shannon and Meta-V
"CS Group"	Credit Suisse Group AG, a company incorporated in the Swiss Confederation with limited liability
"CUM"	City University of Macau, established under Portaria n.º 196/92/M in Macao
"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 New Scheme or the Terminated Scheme
"Debt Securities"	debenture or loan stock, debentures, bonds, notes and other securities or instruments acknowledging, evidencing or creating indebtedness, whether secured or unsecured and options, warrants or similar rights to subscribe or purchase any of the foregoing and convertible debt securities
"Director"	the director of the Company (not applicable to Companies (Disclosure of Information about Benefits of Directors) Regulation)
"EBITDA"	earnings before interest, tax, depreciation and amortisation
"ECL"	expected credit loss
"ERL"	Eve Resources Limited, a company incorporated in BVI with limited liability
"ESG"	environmental, social and governance
"EV"	enterprise value
"Exchange"	The Stock Exchange of Hong Kong Limited, a company incorporated in Hong Kong with limited liability (not applicable to London Stock Exchange, New York Stock Exchange and Shanghai Stock Exchange)

Definitions

"GEM"	GEM operated by the Exchange
"GEM Listing Rules"	the Rules Governing the Listing of Securities on GEM made by the Exchange from time to time, their appendices, listing application forms, formal applications, marketing statements and declarations required to be made in respect of listing on GEM by Sponsors, Overall Coordinators and Issuers and other forms published in the "Regulatory Forms" section of the Website of the Exchange from time to time and the rules governing listing or issue fees, and levies, trading fees, brokerage and other charges relating to transactions of securities listed or to be listed on GEM as published in the "Fees Rules" section of the Website of the Exchange from time to time, published on the Website of the Exchange that are indicated as being part of the GEM Listing Rules, any contractual arrangement entered into with any party under them, and rulings of the Exchange made under them
"Grantee"	any Participant who accepts an Offer in accordance with the terms of the New Scheme or the Terminated 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 (not applicable to Credit Suisse Group AG, CS Group, Kaisa Group Holdings Ltd., Tenacity International Group Limited, Tidestone Group and Wing Tak Group and Companies)
"GTVL"	廣州新科元電訊技術有限公司, details of which can be referred to in note 15 to the consolidated financial statements
"GZIC"	廣州市圖文資訊有限公司, details of which can be referred to in note 1 to the consolidated financial statements
"HK$"	Hong Kong dollar, the lawful currency of Hong Kong
"HKAS"	Hong Kong Accounting Standard(s)
"HK cent"	Hong Kong cent, where 100 HK cents equal HK$1
"HKCGI"	The Hong Kong Chartered Governance Institute, a company incorporated in Hong Kong with limited liability by guarantee
"HKEC"	Hong Kong Exchanges and Clearing Limited, a company incorporated in Hong Kong with limited liability

Definitions

"HKFRS"	financial reporting standard(s) 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 PAO
"HKMA"	The Hong Kong Management Association, a company incorporated in Hong Kong with limited liability by guarantee
"HKU"	The University of Hong Kong, established under the University of Hong Kong Ordinance (Chapter 1053 of the Laws of Hong Kong)
"Hong Kong"	the Hong Kong Special Administrative Region of PRC (not applicable to Communications Association of Hong Kong Limited, Hong Kong Accounting Standard(s), The Hong Kong Chartered Governance Institute, Hong Kong Exchanges and Clearing Limited, Hong Kong Financial Reporting Standards, the Hong Kong Institute of Certified Public Accountants, Hong Kong Interpretation, The Hong Kong Management Association, The Hong Kong University of Science and Technology, The Stock Exchange of Hong Kong Limited, The University of Hong Kong and Vodatel Networks Hong Kong Holdings Limited)
"Issuer"	any company or other legal person any of whose equity or Debt Securities are the subject of an application for listing on GEM or some or all of whose equity or Debt Securities are already listed on GEM
"JU"	Jinan University
"KPI"	key performance indicator
"Latest Practicable Date"	26th March 2024, being the latest practicable date prior to the printing of this report for ascertaining certain information contained herein
"Lifetime ECL"	loss allowance for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default
"Macao"	the Macao Special Administrative Region of PRC (not applicable to Charity Fund of The Readers of Macao Daily News)
"MAIDS"	The Macau Association for Intellectual Development Services

Definitions

"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 1 to the consolidated financial statements
"Member"	the holder of the Shares
"Meta-V"	Meta-V Tech Services Limited, details of which can be referred to in note 1 to the consolidated financial statements
"Meta-V Share"	ordinary share in the share capital of Meta-V
"MOP"	Pataca, the lawful currency of Macao
"MPF Scheme"	Mandatory Provident Fund scheme
"New Scheme"	the share option scheme approved by the Members at the AGM on 17th June 2022
"Nomination Committee"	the nomination committee of the Company
"Offer"	the offer of the grant of an option under the New Scheme
"OHHL"	Ocean Hope Holdings Limited, a company incorporated in BVI with limited liability
"Oi"	Oi S.A. – in Judicial Reorganisation, a company incorporated in Brazil with limited liability and whose shares are listed on the New York Stock Exchange in USA and B3 S.A. – Brasil, Bolsa, Balcão in Brazil
"Option"	an option to subscribe for Shares pursuant to the Terminated Scheme
"Overall Coordinator"	a Capital Market Intermediary that engages in specified activities under paragraphs 21.1.1 and 21.2.3 of the Code of Conduct, including, without limitation, an Overall Coordinator appointed pursuant to rule 6A.42 of the GEM Listing Rules

Definitions

"PAO"	the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong) as amended from time to time
"Participant"	Directors (including executive Directors, non-executive Directors and independent non-executive Directors) and employees of the Group, and the Terminated Scheme also included 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
"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
"Shannon"	Shannon Investment Limited, a company incorporated in Hong Kong with limited liability
"Share"	ordinary share of HK$0.10 each in the share capital of the Company (not applicable to Meta-V Share)
"Sponsor"	any corporation or authorised financial institution licensed or registered under SFO for Type 6 regulated activity and permitted under its licence or certificate of registration to undertake work as a Sponsor and, as applicable, which is appointed as a Sponsor pursuant to rule 6A.02 of the GEM Listing Rules
"Subscription"	the subscriptions for 400 new Meta-V Shares by Shannon and 500 new Meta-V Shares by VNHKHL, to be allotted and issued by Meta-V at HK$1 per new Meta-V share payable in cash (not applicable to Subscription Price)
"Subscription Price"	the price per Share at which a Grantee may subscribe for Shares on the exercise of an Option under the New Scheme or the Terminated Scheme

Definitions

"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
"Terminated Scheme"	the share option scheme approved at the AGM on 22nd June 2012 and terminated on 17th June 2022 by the Members
"Tidestone Group"	CIL and its subsidiaries
"Timor-Leste"	The Democratic Republic of Timor-Leste
"TTSA"	Timor Telecom, S.A., details of which can be referred to in note 16 to the consolidated financial statements
"Twelve-month ECL"	ECL for credit losses that resulted from default events that were possible within the next twelve months
"UK"	The United Kingdom of Great Britain and Northern Ireland
"UM"	University of Macau, established under Regime Jurídico da Universidade de Macau (Lei n.º 1/2006 in Macao)
"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 1 to the consolidated financial statements
"VNHKHL"	Vodatel Networks Hong Kong Holdings Limited, incorporated in BVI with limited liability and an indirect wholly-owned subsidiary of the Company
"Website of the Exchange"	the official website of HKEC and/or the website "HKEXnews" which is used for publishing regulatory information of Issuers
"Year"	the year ended 31st December 2023