



# SiS Mobile Holdings Limited

## 新龍移動集團有限公司\*

*(Incorporated in the Cayman Islands with limited liability)*  
Stock Code: 1362

# 2017

## ANNUAL REPORT



\*For identification purpose only



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# CORPORATE INFORMATION

## DIRECTORS

### Non-executive Directors:

Lim Kia Hong (*Chairman*)  
Lim Hwee Hai

### Executive Directors:

Lim Kiah Meng  
Fong Po Kiu  
Wong Yi Ting

### Independent Non-executive Directors:

Chu Chung Yi  
Ng See Wai Rowena  
Doe Julianne Pearl

## AUDIT COMMITTEE

Chu Chung Yi (*Chairlady*)  
Ng See Wai Rowena  
Doe Julianne Pearl

## REMUNERATION COMMITTEE

Ng See Wai Rowena (*Chairlady*)  
Lim Kia Hong  
Lim Kiah Meng  
Chu Chung Yi  
Doe Julianne Pearl

## NOMINATION COMMITTEE

Lim Kia Hong (*Chairman*)  
Lim Kiah Meng  
Chu Chung Yi  
Ng See Wai Rowena  
Doe Julianne Pearl

## COMPANY SECRETARY

Wong Yi Ting

## AUDITORS

Deloitte Touche Tohmatsu

## SOLICITORS

Cleary Gottlieb Steen & Hamilton (Hong Kong)

## PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited  
Hang Seng Bank Limited  
The Hongkong and Shanghai Banking Corporation Limited  
Oversea-Chinese Banking Corporation Ltd.  
United Overseas Bank Limited

## REGISTERED OFFICE

Clifton House  
75 Fort Street  
Grand Cayman KY1-1108  
Cayman Islands

## PRINCIPAL PLACE OF BUSINESS

6/F Contempo Place  
81 Hung To Road  
Kwun Tong  
Kowloon, Hong Kong  
Telephone: (852) 2138 3938  
Fax: (852) 2138 3928

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Estera Trust (Cayman) Ltd.  
Clifton House  
75 Fort Street  
Grand Cayman KY1-1108  
Cayman Islands

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

## STOCK CODE

1362

## INVESTOR RELATIONS

[www.sismobile.com.hk](http://www.sismobile.com.hk)  
[enquiry@sismobile.com.hk](mailto:enquiry@sismobile.com.hk)

# COMPANY PROFILE

SiS Mobile Holdings Limited (“SiS Mobile”) is one of the leading distributors of mobile phones in Hong Kong with extensive distribution channels. Distribution customers are wholesale customers, telecommunications services operators and chain retailers in Hong Kong. SiS Mobile acts as the mobile phones distributor of Samsung, Asus, Acer, Sugar, ZTE, etc.

It has been listed on the Main Board of the Stock Exchange of Hong Kong Limited (“Stock Exchange”) since 15 January 2015 (Stock Code: 1362).

SiS Mobile believes the Group has the following competitive strengths that will continue to drive future success of the Group:

- One of the market leaders in the mobile phones distribution business in Hong Kong supported by a sizable and growing distribution network
- Established relationship with major suppliers
- Wide and diversified customer base with long and established relationships with distribution customers
- Experienced management team with proven track record and focus on human capital

# CHAIRMAN'S STATEMENTS

## DEAR SHAREHOLDERS

I am pleased to present to our shareholders the financial results of the Group for the year ended 31 December 2017.

## RESULTS

The Group's turnover for 2017 declined 28% to HK\$445,911,000, net profit attributable to shareholders amounted to HK\$1,320,000.



## BUSINESS REVIEW

The Group made progress and reported a net profit of HK\$1,320,000 ended 31 December 2017 as compared to a net loss of HK\$7,724,000 in last year. Net profit increased whilst sales turnover for year 2017 decreased to HK\$445,911,000 representing a 28% decrease as compared to the same period in 2016. Total operating costs of the Group reduced by 16% at the same time through effective cost management & controls.

## PROSPECT

Hong Kong economy has grown in year 2017 and we see positive signs of continuous recovery. At the same time, the Hong Kong's government's efforts on smart city blue print offers new opportunities for the Group. The year ahead remain challenging as the mobility product mature bringing margin pressure. However, Technology and Internet of things (IoT) is transforming every aspect of business, home, life, city, office, etc present new opportunities for the Group.

The Directors are moving ahead cautiously with confidence. The Group will continue to adjust and expand our product mix; focusing on high margin products. We will also explore and identify new opportunities and avenues to increase the overall returns to shareholders.

## APPRECIATION

We would like to express our sincere appreciation to our dedicated staff for their contributions and hard work and to our customers, business partners and shareholders and directors for their support and confidence in SiS Mobile.

**LIM Kia Hong**  
*Chairman*

Hong Kong, 15 March 2018

# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW

For the financial year ended 31 December 2017, revenue of the Group amounted to HK\$445,911,000 (2016: HK\$615,997,000), representing a decrease of 28% compared to that of last year. This was mainly attributable to lower sales demand during the year. In light of the lowered sales, the Group tighten its distribution and administrative expenses continuously throughout the year 2017. The net profit attributable to owners of the Company was HK\$1,320,000 whereas a net loss of HK\$7,724,000 was recorded for the same period last year.

During the year, the Group's total operating expenditures for the year reduced from HK\$28,066,000 to HK\$23,679,000. Such improvement was mainly caused by the reduction in rental expense and lower equity-settled share option expense.

The carrying amount of inventory as at 31 December 2017 amounted to HK\$33,049,000, the more or less the inventory level at 31 December 2016. It was at a sufficient level to meet customers monthly demand. Trade receivable level was stable and healthy, no outstanding allowance for trade receivable at year end 2017.

## LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2017, the Group had total assets of HK\$136,707,000 which were financed by total equity of HK\$102,698,000 and total liabilities of HK\$34,009,000. The Group had current ratio of approximately 3.9 compared to that of approximately 3.7 at 31 December 2016.

As at 31 December 2017 the Group had HK\$70,953,000 (31 December 2016: HK\$73,510,000) bank balances and cash. The Group's working capital requirements were mainly financed by internal resources and bank borrowings. As at 31 December 2017 and 2016, the Group did not have any borrowings.

At the end of December 2017, the Group had net cash surplus of HK\$70,953,000 (31 December 2016: HK\$73,510,000).

## CHARGES ON GROUP ASSETS

There was no pledged asset as at 31 December 2017 (31 December 2016: Nil).

# MANAGEMENT DISCUSSION AND ANALYSIS

## NUMBER AND REMUNERATION OF EMPLOYEES, REMUNERATION POLICIES, BONUS AND SHARE OPTION SCHEMES

The number of staff of the Group as at 31 December 2017 was 38 (31 December 2016: 38) and the salaries and other benefits paid and payable to employees, excluding Directors' emoluments, amounted to HK\$11,782,000 (31 December 2016: HK\$12,162,000). In addition to the contributory provident fund and medical insurance, the Company adopts share option scheme and may grant shares to eligible employees of the Group. The Directors believe that the Company's share option schemes could create more incentives for directors and employees to work with commitment towards enhancing the value of the Company and its shareholders and therefore the Company can retain high caliber executives and employees. In 2015, 7,890,000 share options were granted to directors, employees and eligible persons. Fair value of the options determined at the date of grant was approximately HK\$7,418,000 and in which HK\$1,059,000 (2016: HK\$2,685,000) had been charged off during 2017 as equity-settled share option expense. The Group's remuneration policy is to relate performance with compensation. The Group's salary and discretionary bonus system is reviewed annually. There are no significant changes in staff remuneration policies from last year.

## ENVIRONMENTAL, SOCIAL AND CORPORATE RESPONSIBILITY

As a responsible organization, the Group is committed to maintain high environmental and social standards to ensure sustainable development of its business. The Group has complied with all relevant laws and regulations in relation to its business including employment, workplace conditions, health and safety and the environment. The Group understands a better future depends on everyone's participation and contribution. It has encouraged employees and other stakeholders to participate in environmental and social activities which benefit the community as a whole.

## RELATIONSHIP WITH KEY STAKEHOLDERS

The Group maintains strong relationship with its employees, has enhanced cooperation with its vendors and has provided high quality products and services to its customers and resellers so as to ensure sustainable development.

## CURRENCY RISK MANAGEMENT

Certain purchase of goods, other receivables and bank balances of the Group are denominated in United States Dollar (US\$), the currency other than the functional currencies of the relevant group entities. As Hong Kong Dollars are pegged to US\$, the management of the Group does not expect that there would be any material currency risk exposure between these two currencies. The Group currently does not have currency hedging policy. However, the management monitors the currency fluctuation exposure and will consider hedging significant currency risk exposure should the need arise.

## CONTINGENT LIABILITIES

At 31 December 2017, the Group did not have any contingent liabilities or guarantees (31 December 2016: Nil).

# CORPORATE GOVERNANCE REPORT

## CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining good standards of corporate governance to safeguard the interests of the shareholders and to enhance corporate value and responsibility. The Company has adopted the Corporate Governance Code (the “Code”) as set out in the Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (“Stock Exchange”) (the “Listing Rules”). During the year, the Company has complied with the code provisions under the Code.

## BOARD OF DIRECTORS

The Board is responsible for formulating business strategies, and monitoring the performance of the business of the Group. Other than the daily operational decisions which are delegated to the management of the Group, most of the decisions are taken by the Board. All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

The Board of the Company currently constituted by eight members, including three executive Directors, two non-executive Directors and three independent non-executive Directors. The composition of the Board is as follows:

### ***Executive Directors:***

Mr. Lim Kiah Meng  
Mr. Fong Po Kiu  
Ms. Wong Yi Ting

### ***Non-executive Directors:***

Mr. Lim Kia Hong (*Chairman*)  
Mr. Lim Hwee Hai

### ***Independent Non-executive Directors:***

Ms. Chu Chung Yi  
Ms. Ng See Wai, Rowena  
Ms. Doe Julianne Pearl

Biographical details of each Director and relationship between board members are set out on pages 20 to 21 of the annual report.

Each of the Non-Executive Director (including Independent Non-Executive Director (“INED”)) has entered into a service contract with the Company for a specific term range from two to three years and is subject to re-election by the Company at an annual general meeting upon retirement.

Each of the INED has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company is of the view that all INEDs meet the independence guidelines set out in Rule 3.13 of the Listing Rules and are independent in accordance with the terms of the guidelines. One of the INED possesses the appropriate professional accounting qualifications and financial management expertise.

# CORPORATE GOVERNANCE REPORT

The nomination, appointment and removal of Directors are considered by the Nomination Committee. The Nomination Committee shall make recommendations to the Board whenever they consider appropriate. During the year 2017, the Nomination Committee considered that the experience, expertise, leadership and qualification of the existing Directors are sufficient to maintain corporate governance of the Company and manage the operations of the Group.

The Board has established three Committees. The table below provides the membership information of these Committees on which certain Board members serve:

Director	Audit Committee	Nomination Committee	Remuneration Committee
Mr. Lim Kia Hong	–	C	M
Mr. Lim Kiah Meng	–	M	M
Ms. Chu Chung Yi	C	M	M
Ms. Ng See Wai Rowena	M	M	C
Ms. Doe Julianne Pearl	M	M	M

Notes:

C – Chairman of the relevant Committee

M – Member of the relevant Committee

## CHAIRMAN AND CHIEF EXECUTIVE

Mr. Lim Kia Hong is the Chairman of the Company while Mr. Lim Kiah Meng is the Chief Executive. The Chairman provides leadership and is responsible for the effective functioning and leadership of the Board. The Chief Executive focuses on the Company's business development and daily management and operations generally.

## AUDIT COMMITTEE

The Audit Committee was set up with written terms of reference with effect from 15 January 2015 and is comprised of all INEDs. Ms. Chu Chung Yi was appointed as the Chairlady.

The main duties of the Audit Committee include:

- to consider the appointment, reappointment and removal of the external auditors, the audit fee and terms of engagements, and any questions of resignation or dismissal of that auditors;
- to monitor integrity of half-yearly and annual financial statements before submission to the Board;
- to review the Company's financial controls, risk management and internal controls systems; and
- to review the Group's financial and accounting policies and practices.

The Audit Committee has met four times during the year and has reviewed the management accounts, half-year and annual financial results of the Group and its subsidiaries. Audit Committee had met with external auditors of the Company without the present of Executive Directors on reviewing the annual financial results of the Group.

# CORPORATE GOVERNANCE REPORT

## NOMINATION COMMITTEE

The Nomination Committee was set up with written terms of reference with effect from 15 January 2015 and is comprised of all INEDs, one non-executive Director and one executive Director, namely Messrs. Lim Kia Hong and Lim Kiah Meng respectively. Mr. Lim Kia Hong is the Chairman of the Nomination Committee.

The duties of the Nomination Committee shall be:

- review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;
- identify individuals suitably qualified to become board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;
- assess the independency of independent non-executive Directors; and
- make recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors, in particular the chairman and the chief executive.

During the year 2017, Nomination Committee held two meetings to review and discuss the composition of the Board of the Company, to assess the independency of independent non-executive Directors, and to recommend re-appointment of Directors.

## REMUNERATION COMMITTEE

The Remuneration Committee was set up on 15 January 2015 and is comprised of all INEDs, one non-executive Director and one executive Director, namely Messrs. Lim Kia Hong and Lim Kiah Meng respectively, with Ms. Ng See Wai Rowena as Chairlady.

The Committee is mainly responsible for making recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management, and reviewing and approving the compensation payable to executive Directors and senior management. During the year, the Remuneration Committee held a meeting, and the members had reviewed the remuneration policy and determined remuneration of Directors and senior management.

Pursuant to Code Provision B.1.5 of the Code, details of the annual remuneration of the directors and senior management by band for the year ended 31 December 2017 are as follows:

<b>Remuneration band</b>	<b>Number of individuals</b>
HK\$0 to HK\$1,000,000	6
HK\$1,000,001 to HK\$2,000,000	2

Details of the remuneration of directors and the five highest paid employees for the year ended 31 December 2017 are set out in note 11 to the consolidated financial statements.

# CORPORATE GOVERNANCE REPORT

## CORPORATE GOVERNANCE FUNCTIONS

The Board is collectively responsible for performing the corporate governance duties which have been formalised into the terms of reference of the Board, a summary of which are as follows:

- To develop and review the Company's policies and practices on corporate governance and make any changes it considers necessary to ensure their effectiveness;
- To review and monitor the training and continuous professional development of Directors and senior management;
- To review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- To develop, review and monitor the code of conduct and compliance manual (if any) applicable to Directors and employees; and
- To review the Company's compliance with the code and disclosure in the Corporate Governance Report.

During the year 2017, the Board performed its corporate governance duties and approved the Corporate Governance Report contained in this Annual Report.

## DIRECTORS' SECURITIES TRANSACTIONS

The Company adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as the code of conduct for Directors in their dealings in the securities of the Company. Having made specific enquiry of all Directors, the Directors of the Company have complied with the Model Code.

## DIRECTORS' AND AUDITORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for preparing the financial statements which give a true and fair view of the state of affairs of the Group. The statement of the external auditors of the Company about their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report on pages 33 and 36.

## AUDITORS' REMUNERATION

During the year ended 31 December 2017, the Group had engaged external auditors, Deloitte Touche Tohmatsu, to provide the following services.

	<b>Service fee</b> <i>HK\$'000</i>
Audit services	748
Tax advisory	12
	<hr/>
	760

# CORPORATE GOVERNANCE REPORT

## ATTENDANCE OF MEETINGS

The following table shows the attendance of each Director at general meeting, meetings of the Board and the above committees during the year 2017:

	General Meeting	Board	Audit Committee	Nomination Committee	Remuneration Committee
Number of meetings during the year	1	4	4	2	1
<b>Executive Directors</b>					
Lim Kiah Meng	1	4	N/A	2	1
Fong Po Kiu	1	4	N/A	N/A	N/A
Wong Yi Ting	1	4	N/A	N/A	N/A
<b>Non-Executive Directors</b>					
Lim Kia Hong	1	4	N/A	2	1
Lim Hwee Hai	1	4	N/A	N/A	N/A
<b>Independent Non-Executive Directors</b>					
Chu Chung Yi	1	4	4	2	1
Ng See Wai Rowena	1	4	4	2	1
Doe Julianne Pearl	1	4	4	2	1

## RISK MANAGEMENT AND INTERNAL CONTROLS

System of internal controls is defined as a system of internal controls procedures which is used to help the achievement of business objectives, and safeguard the Group's assets; to ensure proper maintenance of accounting records and compliance with relevant legislation and regulations.

The management of the Group would evaluate the risk management and internal controls system periodically and enhance the system when necessary. The Company has internal audit function. The internal auditors would review the risk management and internal controls system on an ongoing basis covering all major operations of the Group on a rotational basis, and reported directly to the Audit Committee and Board on a regular basis.

Through the internal control functions of the Group, two reviews were conducted during the year and reports were reviewed by Audit Committee. The Directors considered that the risk management and internal control systems are adequate and effective.

# CORPORATE GOVERNANCE REPORT

## DIRECTORS' TRAINING AND PROFESSIONAL DEVELOPMENT

The Company is responsible for arranging and funding suitable training for its directors. During the year 2017, the Company had organised a training regarding the latest developments in Listing Rules and other applicable regulatory requirement for the directors, to ensure compliance and enhance their awareness of good corporate governance practices. In addition, individual directors also participated in other courses relating to the roles, functions and duties of a listed company director or further enhancement of their professional development by way of attending training courses or via online aids or reading relevant materials. The Company Secretary reports from time to time the latest changes and development of the Listing Rules, corporate governance practices and other regulatory regime to the Directors with written materials. The Company has devised a training record to assist the Directors to record the training they have undertaken.

During the year, the Directors participated in continuous professional development activities as set out below:

	Attending trainings/ briefings/seminars
<b>Executive Directors</b>	
Lim Kiah Meng	✓
Fong Po Kiu	✓
Wong Yi Ting	✓
<b>Non-Executive Directors</b>	
Lim Kia Hong	✓
Lim Hwee Hai	✓
<b>Independent Non-Executive Directors</b>	
Chu Chung Yi	✓
Ng See Wai Rowena	✓
Doe Julianne Pearl	✓

## COMPANY SECRETARY

Ms. Wong Yi Ting has been appointed as company secretary of the Company since 16 December 2014. She is a Certified Public Accountant and a member of Hong Kong Institute of Chartered Secretaries. She has complied the relevant professional training requirements under the Rule 3.29 of the Listing Rules for the year ended 31 December 2017.

## NON-COMPETITION UNDERTAKING

The controlling shareholder of the Company entered into Deed of Non-Competition in favour of the Company on 24 December 2014 ("Deed of Non-Competition"). The controlling shareholder confirmed its compliance of all the undertakings provided under the Deed of Non-Competition. The independent directors of the Company have reviewed the status of compliance and enforcement of the Deed of Non-Competition and it is considered that the terms of the Deed of Non-Competition have been complied by the controlling shareholder.

# CORPORATE GOVERNANCE REPORT

## INVESTOR RELATIONS AND COMMUNICATION WITH SHAREHOLDERS

To enhance the communication with investors, or shareholders, the Company has established several communication channels, including (a) the annual and extraordinary general meetings which provide a forum for shareholders to communicate directly with the Board; (b) printed corporate documents mailing to shareholders; (c) announcement disseminating the latest activities of the Group on the web-sites of the Company and the Stock Exchange; (d) meeting with investment fund managers and investors; and (e) the Company's web-site providing an electronic means of communication.

During the year 2017, the Company has not made any changes to its Memorandum and Articles of Association ("Articles"). An up-to-date version of the Company's Articles is available on web-sites of the Company and the Stock Exchange. Shareholders may refer to the Company's Articles for further details of their rights.

## SHAREHOLDERS' RIGHTS

To safeguard shareholders' interests and rights, separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual directors, for shareholders' consideration and voting. Besides, pursuant to the Company's Articles, a special general meeting shall be convened on the written requisition of any one or more shareholder(s) holding at the date of the deposit of the requisition in aggregate not less than one-tenth of such of the paid up capital of the Company as at the date of the deposit carries the right of voting at general meetings of the Company. Such requisition must state the objects of the meeting and must be signed by the shareholders and deposited at the Company's office.

For avoidance of doubt, a general meeting other than an annual general meeting or a meeting for the passing of special resolutions shall be called by notice in writing of not less than fourteen days.

Shareholders may send written enquiries to the Company for putting forward any enquiries or proposals to the Board. Contact details are as follows:

6/F, Contempo Place, 81 Hung To Road, Kwun Tong, Kowloon, Hong Kong  
Fax: (852) 2138 3928  
Email: enquiry@sismobile.com.hk

All resolutions put forward at general meetings will be voted by poll pursuant to the Listing Rules and the poll voting results will be posted on the web-sites of the Company ([www.sismobile.com.hk](http://www.sismobile.com.hk)) and the Stock Exchange of Hong Kong ([www.hkexnews.hk](http://www.hkexnews.hk)) immediately after the relevant general meetings.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING

## ENVIRONMENTAL

Unless otherwise specified, the environmental data covers the Group's operation in Hong Kong.

During the year, the Group has made its best endeavours to protect the environment from its business activities and workplace. The Group also educates its employees on their awareness of promoting a green environment. The Group seeks to identify and manage environmental impacts attributable to its operation, in order to minimise these impacts if possible.

### Emissions

The Group is one of the leading mobile phones and related mobility products distributor in Hong Kong. Products are provided by renowned suppliers. The operations of the Group do not have significant impact to the environment. No generation on hazardous waste as we are not manufacturers and there is no vehicle owned or controlled by the Group for operations. Office, shops and warehouse are leased and deliver service is outsourced for cost effectiveness.

However, the Group take steps to monitor and manage the environmental effect of the operations. The Group aims to reduce the energy consumption and carbon emissions and seeks less harmful ways to the environment in the operations.

Emissions of greenhouse gases by the Group were mainly due to the consumption of purchased electricity.

Emission	FY2017	FY2016
Purchased electricity	50 tonnes	59 tonnes
Total greenhouse gas emission	50 tonnes	59 tonnes

Indirect emission is mainly from paper usage and air travel, amounted to 5.6 tonnes (2016: 6.7 tonnes).

Non-hazardous waste produced (paper waste, printer cartridges, tonner bottle) was 700kg (2016: 875 kg).

### Use of Resources

Due to the Group's business nature, the energy, power and water utilisation of the Group is relatively low. For year 2017, electricity consumption was 78,711 kWh, 15% lower than 92,732 kWh in 2016.

The reduction of electricity consumption was mainly caused by reducing of leased office area in 2017.

Water consumption was immaterial but it was increased slightly in 2017 because of higher usage for renovation during the year.

Finished goods were basically delivered to our resellers at original packaging. No material additional packaging materials were required.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING

Air conditioners, billboards, computers and office lights are switched off during non-business hours, to minimise light pollution and reduce energy consumption. By promotion of paperless workplace, paper usage has been reduced further by 20% to 700 kg in financial year 2017.

## The Environment and Natural Resources

To create a green workplace, we encourage reducing, reusing and recycling of materials to minimizing office wastage in daily operations. For energy saving and greenhouse emission reduction, air-conditioners filters are cleaned and maintained regularly, recycling bins are provided at our office with waste paper and used toner cartridges collected for recycling. The Group encourages its employees to handle documents electronically. When the use of paper is required, documents are required to use double-sided printing. In addition, we arranged conference calls or video conference instead of face-to-face meetings where possible.

## SOCIAL

### Employment and Labour Practices

#### *Employment, Remuneration and Benefits, Recruitment and promotion*

The Group is always complying with the Employment Ordinance and associated guidelines. Our full-time staffs are entitled to paternity and compassionate leaves, healthcare and mandatory provident fund. We apply equal opportunity and non-discrimination in recruitment, promotion and all other aspects of our employment practices. We encourage a healthy work-life balance among staffs. No change in number of staff when compared with year 2016, as at 31 December 2017, the Group had a total of 38 permanent staffs and all are located in Hong Kong.

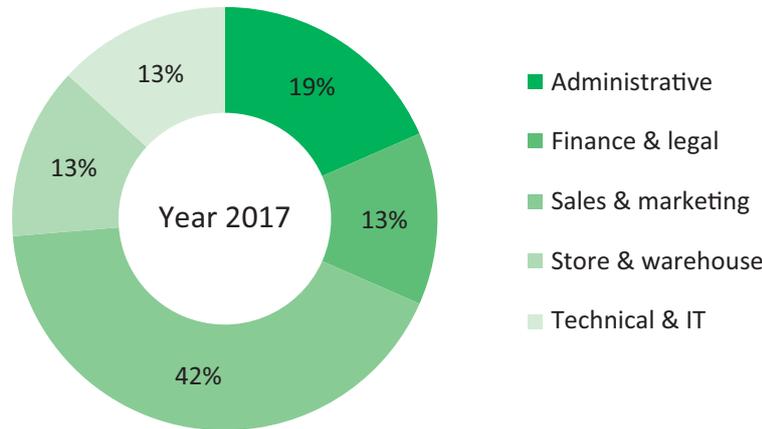
Workforce by gender and age group by end of 2017:

Age/Gender	Male	Female	Total
30 to 50	17	16	33
Over 50	3	2	5
<b>Total no. of staffs</b>	20	18	38

To attract, motivate and retain experience staffs, we reviewed their pay packages annually with prevailing market conditions to ensure they are competitive under volatile and severe market. To create incentives for directors and senior staffs to work with commitment toward enhancing the value of the Group and its shareholders, the Company adopted share option scheme and grant share options to eligible staffs of the Group in 2015.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING

Workforce by function:



## ***Diversity and Equal Opportunities***

The diversity of our employees provides us with a valuable mix of perspectives, skills, experience and knowledge for addressing contemporary business issues. At a senior management level, our board diversity policy in selection of candidates taking into account an extensive range of characteristics, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service.

## **Health and Safety**

The Group provided a safe and healthy environment in the work places for all staffs. The staff turnover rate was low and the Group did not encounter any lost days caused by injury. Air purifiers were placed in work place to improve air circulation.

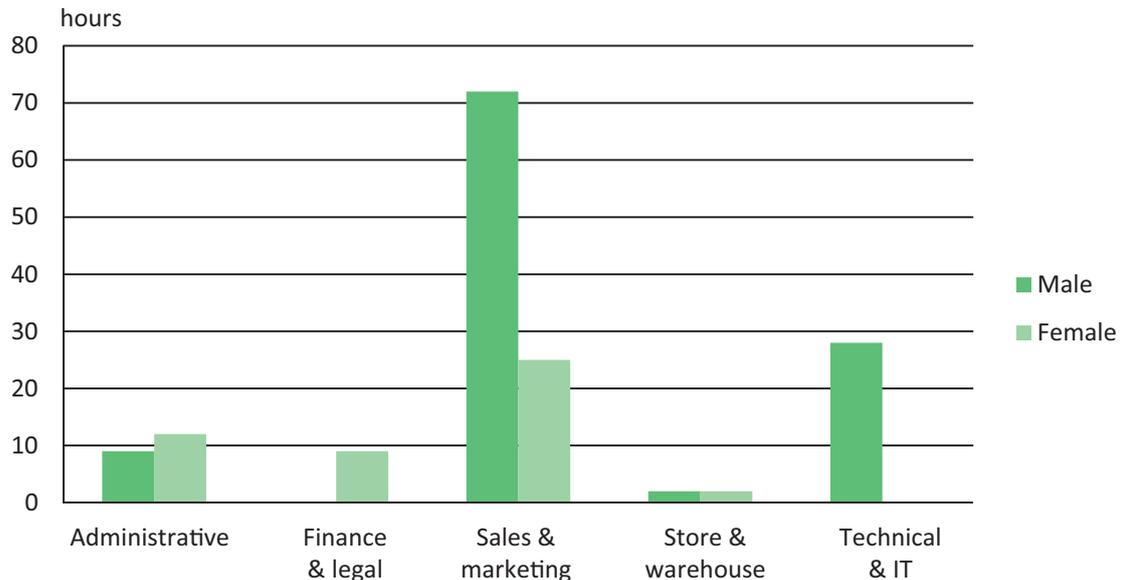
## **Development and Training**

As a distributor of renowned brands mobile phones and related mobility products in Hong Kong, our sales force and technical staffs possess broad knowledge of mobile phones and notebooks in order to provide the best services to our resellers. We worked closely with suppliers to keep our sales teams updating to the latest technology and features of new products before product launches. The Group understands training and development is one of the keys to success. We offer both internal and external training to our key staffs. In daily operations, the Group provides induction training for new employees. Experienced employees will act as mentors to guide the new comers on jobs.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING

During the year, total training hours offered in 2017 was 149 hours for 97% staffs (2016: 64%), average 4 hours per trained staff. Those training were focusing on product knowledge, accounting, regulatory compliance update and ethical behaviour. The Group also updates the latest information of the industry and laws and regulations which is essential to the Group's operation and their job responsibilities from time to time.

Training Hours by Gender and Function in 2017:



The Group also encourages and provides subsidies to employees to pursue educational or training opportunities that achieve personal growth and professional development.

## Labour Standards

The Group has complied with Hong Kong labour laws and government regulations. The Group does not employ staffs who are below 21 years of age. No employee is paid less than the minimum wage specified by the government regulations. Monthly salary payments and the Mandatory Provident Fund Scheme payment are made on time.

During recruitment process, verification of applicant's identity information is required and recruitment of child labor is strictly prohibited. Applicant is also required to provide document proofs of academic qualifications and working experience for verifications, applicant who is suspected to have false academic qualifications and working experience will not be employed. The Group enters employment contract with each of its employee in accordance with relevant laws and regulations in Hong Kong and also prohibits forced labor.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING

## Supply Chain Management

Sound supply chain management ensures the Group to sustain its business operations and development. As well as leveraging our extensive distribution network, we have maintained strong relationships with our suppliers. When selecting suppliers, the Group takes factors into account such as quality of products and functionality, price, reliability and anticipated market acceptance. The Group expects suppliers to observe the environmental, social, health and safety and governance considerations in their operation.

Currently we mainly procured mobile phones and notebooks of 5 internationally renowned brands from our suppliers. 84% (2016: 81%) finished goods were supplied domestically, the remaining was supplied from the PRC and Japan (2016: the PRC and USA).

## Product Responsibility

The marketing of mobile phones and related mobility products to general public are usually devised by suppliers and the Group is also providing marketing services to our suppliers. During holidays and festivals, we work with our suppliers to offer products at promotional prices through print and media advertising campaigns.

Suppliers of products provide warranty on the products they supply to the Group for distribution. Suppliers are responsible for providing or procuring the provision of in-warranty service to the end users. Generally the warranty period providing by suppliers are about one to two years. The Group also adopts the following quality control policies on the products to be sold:

- Inventory management team performs a series of inspections upon the receipt of the products in our warehouse regarding, among others, their appearance, packaging, specification and brand logo, etc. on a sampling basis; and
- If any defects are identified, the relevant product will be returned to the supplier for replacement.

End users safety is always in the top priority. The Group takes speedy action together with our supplier for any quality issues at all time.

During the year, we have not received any cases of infringement of intellectual property rights. We are also not aware of any suspected cases of infringement of intellectual property rights of the products we were distributed during 2017.

The routine work of the Group always involves the intellectual property rights of customers, suppliers and the Group, therefore protection of intellectual property rights is very important. Protective clauses were added to the contracts entered into with customers and suppliers to safeguard the intellectual property rights of all parties.

The Group is also committed to the Personal Data (Privacy) Ordinance. Customer's personal data shall be highly protected. Privacy policy and personal information collection statements in our websites demonstrate a commitment to safeguarding each customer's personal data privacy. Employees are committed not to disclose confidential information, including information related to suppliers and customers whether orally or in writing or in any other media which are not publicly known.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING

## Anti-Corruption

### Ethical and responsible conduct

In our Code of Conduct and Whistle-blowing Policy, which defines the Group's stance on conflicts of interest, intellectual property rights, privacy and confidentiality of information, bribery, corruption and non-competition. All employees are required to adhere.

In addition, seminars would be held to update members of staff on any changes to regulation and to refresh their knowledge on aspects of ethical practices when applicable.

During the year, there were no incidents of corruption reported within the Group.

### Community

In view of the work force and size of the Group, serving the community by way of cash and in-kind donations are considered most direct and effective.

In 2017, a total donation of HK\$10,000 was made to charitable organization in Hong Kong.

# DIRECTORS' AND SENIOR MANAGEMENT PROFILES

**Mr. LIM Kia Hong**, aged 61, is a non-executive Director and chairman of the Group, brother of Mr. Lim Kiah Meng and brother-in-law of Mr. Lim Hwee Hai. Mr. Lim is one of the co-founders of the Group and had joined SiS International Holdings Limited (“SiS International”) since 1983. Together with a team of committed management and staff, Mr. Lim is credited with the success of transforming the SiS International from a small privately-owned family business in Singapore to one of the leading distributors of I.T. products in the SiS International’s key market of Hong Kong, Singapore and Thailand and a publicly listed company on the Stock Exchange.

Mr. Lim is the chairman and an executive director of parent group, SiS International, whose shares are listed on the Main Board (Hong Kong Stock Code: 0529). Since 2004, Mr. Lim has also been a non-executive director of SiS Distribution (Thailand) Public Co., Ltd. (“SiS Thai”), a company whose shares are listed on the Stock Exchange of Thailand. In addition, Mr. Lim is a director of Information Technology Consultants Limited (“ITCL”) whose shares are listed on The Dhaka Stock Exchange (“DSE”) and The Chittagong Stock Exchanges (“CSE”) on 10 January 2016. He is responsible for the corporate strategic planning and development of the Group. Mr. Lim graduated from University of Washington, US with a bachelor’s degree in business administration in December 1981.

**Mr. LIM Kiah Meng**, aged 64, is an executive Director and managing director of the Company, brother of Mr. Lim Kia Hong and brother-in-law of Mr. Lim Hwee Hai. Mr. Lim is one of the cofounders of the Group and had joined SiS International in Hong Kong since 1987. He has thirty years’ experience in the information and communication technology industry (“ICT”), and is responsible for the Group’s operations.

Mr. Lim is also an executive director of SiS International. Since April 2013, Mr. Lim has also been a non-executive director of SiS Thai, a company whose shares are listed on the Stock Exchange of Thailand. He is a director of ITCL whose shares are listed on DSE and CSE. Mr. Lim obtained a master’s degree in international management from the American Graduate School of International Management, US in August 1980.

**Mr. FONG Po Kiu**, aged 49, is an executive Director and general manager of the Group. Mr. Fong is responsible for the general management and business operations and development of the Group. Mr. Fong has been working for Synergy Technologies (Asia) Limited since April 2004 and has over twenty years of working experience in the ICT industry in Hong Kong. Mr. Fong has been a full member of The Hong Kong Computer Society since June 2004. Mr. Fong is also a fellow member of both The Institute of Chartered Secretaries and Administrators, United Kingdom and The Hong Kong Institute of Company Secretaries since August 2001. Mr. Fong graduated from Hong Kong Polytechnic with professional diploma in company secretaryship and administration in November 1990.

**Ms. WONG Yi Ting**, aged 43, is an executive Director and the company secretary of the Company. Ms. Wong is responsible for the financial and accounting management of the Group. From September 1997 to April 2001, Ms. Wong worked for Deloitte Touche Tohmatsu. Since April 2001, Ms. Wong has been serving the finance department at SiS HK Limited. Ms. Wong has been an associate of Hong Kong Institute of Certified Public Accountants since April 2001 and a member of Hong Kong Institute of Chartered Secretaries since February 2008. Ms. Wong obtained a bachelor’s degree in accountancy from City University of Hong Kong in November 1997.

# DIRECTORS' AND SENIOR MANAGEMENT PROFILES

**Mr. LIM Hwee Hai**, aged 68, is a non-executive Director and the brother-in-law of Mr. Lim Kiah Meng and Mr. Lim Kia Hong. Mr. Lim is one of the co-founders of the Group and had joined the SiS International since 1983. He is an executive director of SiS International. He has over thirty years' experience in the ICT industry and is responsible for the operations of SiS International in Thailand and the Asia-Pacific region.

Since 2004, Mr. Lim has been a non-executive director of SiS Thai, a company whose shares are listed on the Stock Exchange of Thailand. Since 2013, Mr. Lim has also been an independent non-executive director of Valuemax Group Limited, a company whose shares are listed on the Stock Exchange of Singapore. Mr. Lim is also a director of ITCL whose shares are listed on DSE and CSE. Mr. Lim obtained a bachelor's degree in commerce from Nanyang University, Singapore in July 1973 and a master's degree in business administration from the National University of Singapore, Singapore in July 1998.

**Ms. CHU Chung Yi**, aged 51, is an independent non-executive Director of the Company. Ms. Chu worked for Deloitte Touche Tohmatsu from August 1991 to December 1994. From January 1995 to July 1996, Ms. Chu acted as an accounting manager in the finance and accounts department at Moulin Optical Manufactory Limited. From August 1996 to January 2005, Ms. Chu worked as the financial controller and company secretary of the SiS International. Ms. Chu has been an associate of the Chartered Association of Certified Accountants since November 1994, the Hong Kong Institute of Certified Public Accountants since January 1995, the Hong Kong Institute of Company Secretaries since April 1997, the Institute of Chartered Secretaries and Administration since April 1997 and a fellow of the Association of Chartered Certified Accountants since November 1999. Ms. Chu obtained a bachelor's degree in accountancy from City Polytechnic of Hong Kong in November 1991 and a master's degree in business administration from The Chinese University of Hong Kong in December 1999.

**Ms. NG See Wai Rowena**, aged 55, is an independent non-executive Director of the Company. Ms. Ng has over twenty years of experience in corporate finance and investment banking. From July 1999 to May 2001, Ms. Ng served as an executive director of Lai Fung Holdings Limited, a company listed in Hong Kong. From June 2001 to April 2004, Ms. Ng worked at BOCI Asia Limited where she served as a managing director of the corporate finance department. From May 2004 to January 2007, Ms Ng acted as a director in Cazenove Asia Limited, responsible for deal organization and transaction execution. From August 2011 to December 2013, Ms. Ng served as an executive director and deputy CEO of China Nickel Resources Holdings Co., Ltd., a company listed in Hong Kong. From February 2014 to February 2015, Ms. Ng was an independent non-executive director of GreaterChina Professional Services Ltd., accompany listed in Hong Kong. Since August 2015, Ms. Ng has been a managing director and the head of Financial Solution Specialists Team of BOCI Asia Limited. Ms. Ng has been an ordinary member of the Hong Kong Securities and Investment Institute since 1999. She obtained a bachelor's degree in science from the Victoria University of Manchester, U.K. in July 1984 and a master's degree in business administration from the University of Hull, U.K. in July 1998.

**Ms. DOE Julianne Pearl**, aged 55, is an independent non-executive Director of the Company. Ms. Doe has been a corporate partner at Dentons Hong Kong since January 2011. Ms. Doe has been a solicitor of the High Court of Hong Kong since September 1988. She obtained the bachelor's degree in laws and postgraduate certificate in laws from the University of Hong Kong in November 1984 and in July 1985, respectively. Ms. Doe also obtained the master's degree in laws from the University of Cambridge, U.K. in October 1986. Ms. Doe is engaged in corporate and commercial legal practice.

# DIRECTORS' REPORT

The directors present their report and the audited financial statements for the year ended 31 December 2017.

## PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activities of its subsidiaries are set out in note 29 to the consolidated financial statements.

## RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2017 are set out in the consolidated statement of profit or loss and other comprehensive income on page 37.

## BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2017 is set out in the sections “Chairman’s Statement” and “Management Discussion and Analysis” on pages 4 to 6 of this Annual Report.

## FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the past five financial years, as extracted from the audited consolidated financial statements, is set out on page 78. The summary does not form part of the audited consolidated financial statements.

## PROPERTY, PLANT AND EQUIPMENT

During the year, the Group spent HK\$1,127,000 (2016: HK\$5,000) on acquisition of property, plant and equipment. Details of the movements during the year in the property, plant and equipment of the Group are set out in note 13 to the consolidated financial statements.

## SHARE CAPITAL

Details of the share capital of the Company are set out in note 20 to the consolidated financial statements.

## DISTRIBUTABLE RESERVES OF THE COMPANY

The Company does not have reserves available for distribution to shareholders as at 31 December 2017.

# DIRECTORS' REPORT

## DIRECTORS

The directors of the Company during the year and up to the date of this report were:

***Executive directors:***

Mr. Lim Kiah Meng  
Mr. Fong Po Kiu  
Ms. Wong Yi Ting

***Non-executive directors:***

Mr. Lim Kia Hong (*Chairman*)  
Mr. Lim Hwee Hai

***Independent non-executive directors:***

Ms. Chu Chung Yi  
Ms. Ng See Wai Rowena  
Ms. Doe Julianne Pearl

In accordance with article 108(a) of the Company's Articles, Mr. Lim Hwee Hai, Ms. Wong Yi Ting and Ms. Chu Chung Yi retire from office and, being eligible, offer themselves for re-election.

Each of the Executive Directors, Non-Executive Directors and Independent Non-Executive Directors of the Company has entered into a service contract with the Company for a specific term. Such term is subject to re-election by the Company at an annual general meeting upon retirement. The Articles of the Company provide that any Director appointed by the Board, either to fill a casual vacancy in the Board or as an addition to the existing Board, shall hold office only until the next following annual general meeting of the Company and shall then be eligible for reelection.

## BIOGRAPHIES OF DIRECTORS

The biographical details of the Directors of the Group are disclosed in the section headed "Directors and Senior Management Profiles" on pages 20 to 21 of this annual report.

## DIRECTORS' SERVICE CONTRACTS

No director proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of Compensation (other than statutory compensation).

## PERMITTED INDEMNITY PROVISION

Pursuant to the Company's Articles of Association, the Directors, Managing Directors, alternate Directors, Auditors, Secretary and other officers for the time being of the Company and the trustees (if any) for the time being acting in relation to any of the affairs of the Company, and their respective executors or administrators, shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them, their or any of their executors or administrators, shall or may incur or sustain.

The Company has put in place appropriate insurance cover in respect of Directors' liability throughout the year.

# DIRECTORS' REPORT

## DIRECTORS' INTERESTS IN SHARES

At 31 December 2017, the interests of the Directors and their associates, in the shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (“SFO”), or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

### (i) Long positions in ordinary shares of HK\$0.10 each of the Company

Name of Director	Personal Interests	Family Interests	Joint Interests (Note 1)	Corporate interests (Notes 2 and 3)	Total number of issued ordinary shares held	Percentage of the issued share capital of the Company
Lim Kia Hong (Note 4)	1,846,754	161,280	–	203,607,467	205,615,501	73.43%
Lim Kiah Meng (Note 4)	1,729,024	144,000	170,880	203,607,467	205,651,371	73.45%
Lim Hwee Hai	1,065,984	1,145,330	–	–	2,211,314	0.79%

Notes:

- (1) Shares are jointly held by Mr. Lim Kai Meng and his spouse.
- (2) 146,442,667 shares are registered in the name of SiS International Holdings Ltd. It is owned as to approximately 50.5% by Gold Sceptre Limited.
- (3) Gold Sceptre Limited holds 44,915,200 shares and Kelderman Limited, Valley Tiger Limited and Swan River Limited each holds 4,083,200 shares in the issued share capital of the Company. Mr. Lim Kiah Meng and his spouse and Mr. Lim Kia Hong and his spouse together own 40.5% and 39.5%, respectively of the issued share capital of Summertown Limited which owns the entire issued share capital of each of the above-mentioned companies.
- (4) In addition to the interests disclosed above, Mr. Lim Kiah Meng and his sister are trustees of an estate and are holding 97,280 shares on behalf of three beneficiaries aged below 18. Out of these 97,280 shares, 64,000 shares and 33,280 shares are beneficially owned by the children of Mr. Lim Kiah Meng and Mr. Lim Kia Hong respectively, and are included in the family interests of Mr. Lim Kiah Meng and Mr. Lim Kia Hong as disclosed above.

### (ii) Share options

Directors of the Company and their associates had interest in share options under the Company's share option scheme, detail of which are set out in “Share Options” below.

# DIRECTORS' REPORT

## DIRECTORS' INTERESTS IN SHARES (CONTINUED)

### (iii) Long positions in the shares and underlying shares of associated corporation of the Company

Ordinary share of HK\$0.10 each of SiS International Holdings Limited ("SiS International"), which is listed on the Main Board of the Stock Exchange (Stock Code: 0529).

Name of Director	Personal Interests	Family Interests	Joint Interests (Note 1)	Corporate interests (Note 2)	Total number of issued ordinary shares held	Percentage of the issued share capital of SiS International
Lim Kia Hong (Note 3)	6,933,108	504,000	-	178,640,000	186,077,108	66.94%
Lim Kiah Meng (Note 3)	5,403,200	450,000	534,000	178,640,000	185,027,200	66.56%
Lim Hwee Hai	4,493,200	4,751,158	-	-	9,244,358	3.33%
Chu Chung Yi	1,662,000	-	-	-	1,662,000	0.60%

Notes:

- (1) 534,000 shares are jointly held by Mr. Lim Kiah Meng and his spouse.
- (2) Gold Sceptre Limited holds 140,360,000 shares and Kelderman Limited, Valley Tiger Limited and Swan River Limited each holds 12,760,000 shares in the issued share capital of the Company. Mr. Lim Kiah Meng and his spouse and Mr. Lim Kia Hong and his spouse together own 40.5% and 39.5%, respectively of the issued share capital of Summertown Limited which owns the entire issued share capital of each of the above-mentioned companies.
- (3) In addition to the interests disclosed above, Mr. Lim Kiah Meng and his sister are trustees of an estate and are holding 304,000 shares on behalf of three beneficiaries aged below 18. Out of these 304,000 shares, 200,000 shares and 104,000 shares are beneficially owned by the children of Mr. Lim Kiah Meng and Mr. Lim Kia Hong respectively, and are included in the family interest of Mr. Lim Kiah Meng and Mr. Lim Kia Hong as disclosed above.

# DIRECTORS' REPORT

## DIRECTORS' INTERESTS IN SHARES (CONTINUED)

### (iv) Share options of SiS International, an associated corporation of the Company

Date of grant	Vesting period	Exercisable period	Exercise price HK\$	No. of share option of SiS International
				Outstanding at 31 December 2016 and 2017
Lim Kia Hong				
26.06.2015	27.06.2015-31.12.2015	01.01.2016-26.06.2025	4.47	50,000
26.06.2015	27.06.2015-31.12.2016	01.01.2017-26.06.2025	4.47	50,000
26.06.2015	27.06.2015-31.12.2017	01.01.2018-26.06.2025	4.47	50,000
Lim Hwee Hai <i>(Note)</i>				
26.06.2015	27.06.2015-31.12.2015	01.01.2016-26.06.2025	4.47	100,000
26.06.2015	27.06.2015-31.12.2016	01.01.2017-26.06.2025	4.47	100,000
26.06.2015	27.06.2015-31.12.2017	01.01.2018-26.06.2025	4.47	100,000
Lim Kiah Meng				
26.06.2015	27.06.2015-31.12.2015	01.01.2016-26.06.2025	4.47	50,000
26.06.2015	27.06.2015-31.12.2016	01.01.2017-26.06.2025	4.47	50,000
26.06.2015	27.06.2015-31.12.2017	01.01.2018-26.06.2025	4.47	50,000
Wong Yi Ting				
26.06.2015	27.06.2015-31.12.2015	01.01.2016-26.06.2025	4.47	20,000
26.06.2015	27.06.2015-31.12.2016	01.01.2017-26.06.2025	4.47	20,000
26.06.2015	27.06.2015-31.12.2017	01.01.2018-26.06.2025	4.47	20,000
				660,000

*Note: Mr. Lim Hwee Hai interest in the share options of SiS International includes the deemed interest in his spouse under the SFO.*

# DIRECTORS' REPORT

## SHARE OPTIONS

On 16 December 2014 by written resolution, the Company adopted a share option scheme (“Scheme”) pursuant to which selected participants may be granted options to subscribe for shares as incentives or rewards for their service rendered to the Group and any entity in which any member of the Group holds any equity interest.

The purpose of the Scheme is to provide an incentive for any director, employee and qualified participant to work with commitment towards enhancing the value of the Company and its shares for the benefit of its shareholders, and to maintain or attract business relationship with the qualified participants whose contributions are or may be beneficial to the growth of the Group. Directors believe that Scheme adopted by the Company enables the Group to recruit and retain high caliber executives and employees.

The terms of the Scheme comply with the provisions of Chapter 17 of the Listing Rules.

The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at the date when the Scheme was adopted. The Company may seek approval by its shareholders in general meeting to refresh the limit on the number of shares to be issued upon exercise of all outstanding options granted and yet to be exercised to not exceeding such number of shares as shall represent 30% of the Shares in issue from time to time. The number of shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of the Shares of the Company in issue at any point in time, without prior approval from the Company’s shareholders. Options granted to substantial shareholders or independent non-executive Directors in excess of 0.1% of the Company’s share capital or with a value in excess of HK\$5 million must be approved in advance by the Company’s shareholders.

Options granted must be taken up within thirty business days from the offer letter together with a payment of HK\$100 as consideration of grant. Options may be exercised in a period of time as set out in the offer letter to each grantee. The exercise price is determined by the directors of the Company, and will not be less than the higher of the closing price of the Company’s shares on the date of grant, and the average closing price of the shares for the five business days immediately preceding the date of grant.

# DIRECTORS' REPORT

## SHARE OPTIONS (CONTINUED)

The following table discloses movements in Company's share options during the year:

Date of grant	Vesting period	Exercisable period	Exercise price HK\$	No. of share options
				Outstanding at 31 December 2016 and 2017
<b>Directors and their associates:</b>				
<b>Lim Kia Hong</b>				
25.06.2015	26.06.2015-31.12.2015	01.01.2016-30.06.2023	2.36	400,000
25.06.2015	26.06.2015-31.12.2016	01.01.2017-30.06.2023	2.36	400,000
25.06.2015	26.06.2015-31.12.2017	01.01.2018-30.06.2023	2.36	400,000
<b>Lim Hwee Hai (Note)</b>				
25.06.2015	26.06.2015-31.12.2015	01.01.2016-30.06.2023	2.36	600,000
25.06.2015	26.06.2015-31.12.2016	01.01.2017-30.06.2023	2.36	600,000
25.06.2015	26.06.2015-31.12.2017	01.01.2018-30.06.2023	2.36	600,000
<b>Lim Kiah Meng</b>				
25.06.2015	26.06.2015-31.12.2015	01.01.2016-30.06.2023	2.36	400,000
25.06.2015	26.06.2015-31.12.2016	01.01.2017-30.06.2023	2.36	400,000
25.06.2015	26.06.2015-31.12.2017	01.01.2018-30.06.2023	2.36	400,000
<b>Fong Po Kiu</b>				
25.06.2015	26.06.2015-31.12.2015	01.01.2016-30.06.2023	2.36	300,000
25.06.2015	26.06.2015-31.12.2016	01.01.2017-30.06.2023	2.36	300,000
25.06.2015	26.06.2015-31.12.2017	01.01.2018-30.06.2023	2.36	300,000
<b>Wong Yi Ting</b>				
25.06.2015	26.06.2015-31.12.2015	01.01.2016-30.06.2023	2.36	150,000
25.06.2015	26.06.2015-31.12.2016	01.01.2017-30.06.2023	2.36	150,000
25.06.2015	26.06.2015-31.12.2017	01.01.2018-30.06.2023	2.36	150,000
<b>Chu Chung Yi</b>				
25.06.2015	26.06.2015-31.12.2015	01.01.2016-30.06.2023	2.36	93,333
25.06.2015	26.06.2015-31.12.2016	01.01.2017-30.06.2023	2.36	93,333
25.06.2015	26.06.2015-31.12.2017	01.01.2018-30.06.2023	2.36	93,334
<b>Ng See Wai Rowena</b>				
25.06.2015	26.06.2015-31.12.2015	01.01.2016-30.06.2023	2.36	93,333
25.06.2015	26.06.2015-31.12.2016	01.01.2017-30.06.2023	2.36	93,333
25.06.2015	26.06.2015-31.12.2017	01.01.2018-30.06.2023	2.36	93,334
<b>Doe Julianne Pearl</b>				
25.06.2015	26.06.2015-31.12.2015	01.01.2016-30.06.2023	2.36	93,333
25.06.2015	26.06.2015-31.12.2016	01.01.2017-30.06.2023	2.36	93,333
25.06.2015	26.06.2015-31.12.2017	01.01.2018-30.06.2023	2.36	93,334
<b>Total directors and their associates</b>				<b>6,390,000</b>

Note: Mr. Lim Hwee Hai interest in the share options of the Company includes the deemed interest in his spouse under the SFO.

# DIRECTORS' REPORT

## SHARE OPTIONS (CONTINUED)

Date of grant	Vesting period	Exercisable period	Exercise price HK\$	No. of share options
				Outstanding at 31 December 2016 and 2017
<b>Employees and other qualified persons</b>				
25.06.2015	26.06.2015-31.12.2015	01.01.2016-30.06.2023	2.36	500,000
25.06.2015	26.06.2015-31.12.2016	01.01.2017-30.06.2023	2.36	500,000
25.06.2015	26.06.2015-31.12.2017	01.01.2018-30.06.2023	2.36	500,000
<b>Total employees and other qualified persons</b>				<b>1,500,000</b>
<b>Total number of share options</b>				<b>7,890,000</b>

Other than disclosed above, no share options were granted, exercised, forfeited or expired during the year.

## ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than the option holdings disclosed above, at no time during the year was the Company, its ultimate holding company, or any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

## DIRECTORS' INTEREST IN TRANSACTION, ARRANGEMENT OR CONTRACTS OF SIGNIFICANCE AND CONNECTED TRANSACTIONS

No transaction, arrangement and/or contracts of significance to which the Company, its ultimate holding company or any of its subsidiaries or fellow subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

## MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or in existence during the year ended 31 December 2017.

# DIRECTORS' REPORT

## SUBSTANTIAL SHAREHOLDERS

As at 31 December 2017, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that other than the interests disclosed above in respect of certain directors and the chief executive, the following shareholders had notified the Company of relevant interests and long positions in the issued share capital of the Company.

### Long positions in ordinary shares of HK\$0.10 each of the Company

Name of Shareholder	Corporate interests (Note)	Approximate % of issued share capital of the Company
Summertown Ltd	203,607,467	72.72%
Gold Sceptre Limited	191,357,867	68.34%
SiS International Holdings Limited	146,442,667	52.30%

*Note:*

146,442,667 shares are registered in the name of SiS International. SiS International is owned as to approximately 50.5% by Gold Sceptre Limited. Gold Sceptre Limited holds 44,915,200 shares and Kelderman Limited, Valley Tiger Limited and Swan River Limited each holds 4,083,200 shares in the issued share capital of the Company. Mr. Lim Kiah Meng and his spouse and Mr. Lim Kia Hong and his spouse together own 40.5% and 39.5%, respectively of the issued share capital of Summertown Limited which owns the entire issued share capital of each of the above-mentioned companies.

Other than as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 31 December 2017.

## MAJOR CUSTOMERS AND SUPPLIERS

The aggregate revenue attributable to the Group's five largest customers was approximately 34% by value of the Group's total goods sales during the year, with the largest customer accounted for 12%. The five largest suppliers of the Group comprised approximately 99% by value of the Group's total purchases during the year, with the largest supplier accounted for 67%.

At no time during the year did a director, an associate of a director or a shareholder (which to the knowledge of the directors owns more than 5% of the Company's issued share capital) has an interest in any of the Group's five largest customers and suppliers.

## EMOLUMENT POLICY AND DIRECTORS' REMUNERATION

The Company has established the Remuneration Committee in January 2015. The emoluments of the directors of the Company are reviewed and approved by the remuneration Committee, having regard to the Group's operating results, individual performance and comparable market trends.

The Company has adopted a share option scheme as an incentive to directors and eligible employees, details of the scheme is set out in heading of "Share Options" in this Report.

# DIRECTORS' REPORT

## CHARITABLE DONATIONS

During the year, the Group made charitable and other donations amounting to HK\$10,000.

## PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Memorandum and Articles of Association or the laws of Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

## CORPORATE GOVERNANCE

The Company has adopted the Corporate Governance Code (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"). During the year, the Company has complied with the code provision under the Code.

## MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as the code of conduct for Directors in their dealings in securities of the Company. Having made specific enquiry of all directors, all directors confirmed they have complied with the Model Code during the year.

## COMPLIANCE WITH LAWS AND REGULATION

The Company has complied with relevant laws and regulations that have significant impact on the Company including the laws in Cayman Islands, the Hong Kong Companies Ordinance, SFO and Listing Rules.

## USE OF PROCEEDS FROM INITIAL PUBLIC OFFERING

On 15 January 2015, the Company's shares were listed on the Main Board of the HKSE. Net proceeds from the global offering were approximately HK\$4.7 million. The Company intends to use the net proceeds in accordance with the proposed applications set out in the section headed "Future Plans and Use of Proceeds" contained in the prospectus of the Company dated 31 December 2014. The Company has used approximately HK\$0.4 million from such proceeds as working capital per proposed applications during 2015 and no movement since then.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year.

## SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31 December 2017.

# DIRECTORS' REPORT

## AUDITORS

A resolution will be submitted to the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board of  
**SiS Mobile Holdings Limited**

**LIM Kiah Meng**  
*Director*

Hong Kong, 15 March 2018



## TO THE MEMBERS OF SiS MOBILE HOLDINGS LIMITED

新龍移動集團有限公司

*(incorporated in Cayman Islands with limited liability)*

### OPINION

We have audited the consolidated financial statements of SiS Mobile Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as “the Group”) set out on pages 37 to 77, which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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 2017, 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 MATTER

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

# INDEPENDENT AUDITOR'S REPORT

## KEY AUDIT MATTER (CONTINUED)

### Key audit matter

### How our audit addressed the key audit matter

#### *Assessment of allowance on inventories*

We identified assessment of allowance on inventories as a key audit matter due to the use of judgements in identifying obsolete and slow moving inventories and determining the net realisable value ("NRV") which are based on the ageing, conditions and marketability of the inventories.

NRV represents the estimated selling price for inventories less all estimated costs necessary to make the sale. The Group carried out the inventory review at the end of the reporting period and made the necessary allowance on obsolete and slow moving items so as to write off or write down inventories to their NRVs. As disclosed in the consolidated statement of financial position and note 14, the carrying amount of inventories is HK\$33,049,000, net of allowance on obsolete and slow moving inventories of HK\$609,000 as at 31 December 2017.

Our procedures in relation to assessing the allowance on inventories included:

- Obtaining an understanding of how allowance on obsolete and slow moving inventories is estimated by the management;
- Testing the accuracy of the ageing of the inventories listed in the system generated report to the goods received notes on a sampling basis;
- Discussing with the management on the basis of determining the NRV and evaluating and assessing the condition and marketability of the inventories, on a sampling basis; and
- Assessing the sufficiency of allowance on obsolete and slow moving inventories made by management where the estimated NRV is lower than the cost with reference to the latest selling price, on a sampling basis.

## OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

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

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

# INDEPENDENT AUDITOR'S REPORT

## RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, 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 HKSAAs 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 HKSAAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

# INDEPENDENT AUDITOR'S REPORT

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

The engagement partner on the audit resulting in the independent auditor's report is Tan Wei Ming.

**Deloitte Touche Tohmatsu**  
Certified Public Accountants

Hong Kong  
15 March 2018

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2017

	NOTES	2017 HK\$'000	2016 HK\$'000
Revenue	6	445,911	615,997
Cost of sales		<u>(421,027)</u>	<u>(595,489)</u>
Gross profit		24,884	20,508
Other income		605	160
Other gains and losses	7	94	(369)
Selling and distribution expenses		(8,277)	(8,825)
Administrative expenses		(15,384)	(19,213)
Finance costs	8	<u>(18)</u>	<u>(28)</u>
Profit (loss) before tax	9	1,904	(7,767)
Income tax (expense) credit	10	<u>(584)</u>	<u>43</u>
Profit (loss) for the year		<u>1,320</u>	<u>(7,724)</u>
<b>Other comprehensive income</b>			
<i>Item that may be subsequently reclassified to profit or loss</i>			
Gain from changes in fair value of available-for-sale investments		<u>245</u>	<u>-</u>
Profit (loss) and total comprehensive income (expense) for the year attributable to owners of the Company		<u>1,565</u>	<u>(7,724)</u>
Earnings (loss) per share	12		
– Basic (HK cents)		<u>0.47</u>	<u>(2.76)</u>
– Diluted (HK cents)		<u>0.47</u>	<u>(2.76)</u>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2017

	NOTES	2017 HK\$'000	2016 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	13	975	20
Available-for-sale investments	17	1,954	–
		<u>2,929</u>	<u>20</u>
<b>Current assets</b>			
Inventories	14	33,049	33,192
Trade and other receivables, deposits and prepayments	15	29,776	28,878
Investment held-for-trading	16	–	99
Tax recoverable		–	2,042
Bank balances and cash	18	70,953	73,510
		<u>133,778</u>	<u>137,721</u>
<b>Current liabilities</b>			
Trade payables, other payables and accruals	19	33,425	37,667
Tax payable		584	–
		<u>34,009</u>	<u>37,667</u>
Net current assets		<u>99,769</u>	<u>100,054</u>
Total assets less current liabilities and net assets		<u>102,698</u>	<u>100,074</u>
<b>Capital and reserves</b>			
Share capital	20	28,000	28,000
Reserves		74,698	72,074
Equity attributable to owners of the Company and total equity		<u>102,698</u>	<u>100,074</u>

The consolidated financial statements on pages 37 to 77 were approved and authorised for issue by the Board of Directors on 15 March 2018 and are signed on its behalf by:

LIM KIA HONG  
DIRECTOR

LIM KIAH MENG  
DIRECTOR

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2017

	Attributable to the owners of the Company						Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Special reserve HK\$'000 (Note)	Share options reserve HK\$'000	Investments reserve HK\$'000	Retained profits HK\$'000	
At 1 January 2016	28,000	2,522	3,497	3,674	-	67,420	105,113
Loss and total comprehensive expense for the year	-	-	-	-	-	(7,724)	(7,724)
Recognition of equity-settled share option expense	-	-	-	2,685	-	-	2,685
At 31 December 2016	<b>28,000</b>	<b>2,522</b>	<b>3,497</b>	<b>6,359</b>	-	<b>59,696</b>	<b>100,074</b>
Profit for the year	-	-	-	-	-	1,320	1,320
Gain from changes in fair value of available-for-sale investments	-	-	-	-	245	-	245
Total comprehensive income for the year	-	-	-	-	245	1,320	1,565
Recognition of equity-settled share option expense	-	-	-	1,059	-	-	1,059
At 31 December 2017	<b>28,000</b>	<b>2,522</b>	<b>3,497</b>	<b>7,418</b>	<b>245</b>	<b>61,016</b>	<b>102,698</b>

*Note: The special reserve represents the contribution from SiS International Holdings Limited ("SiS International") in relation to the acquisition of Synergy Technologies (Asia) Limited and the difference between the nominal value of the shares of the Company issued pursuant to the Group Reorganisation as set out in section headed "History and Reorganisation" of the Company's prospectus dated 31 December 2014 and the aggregate share capital of the companies comprising the Group as at the date of the Group Reorganisation.*

# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2017

	2017 HK\$'000	2016 HK\$'000
<b>Operating activities</b>		
Profit (loss) before tax	1,904	(7,767)
Adjustments for:		
Depreciation of property, plant and equipment	172	90
(Reversal of allowance) allowance on obsolete and slow moving inventories	(2,237)	2,206
(Reversal of allowance) allowance for doubtful debts	(134)	744
Interest expense	18	28
Loss on disposal of property, plant and equipment	–	11
Equity-settled share-based payment	1,059	2,685
Operating cash flows before movements in working capital	782	(2,003)
Movements in working capital:		
Decrease in inventories	2,380	39,279
(Increase) decrease in trade and other receivables, deposits and prepayments	(764)	22,966
Decrease (increase) in investment held-for-trading	99	(99)
(Decrease) increase in trade payables, other payables and accruals	(4,242)	15,886
<b>Cash (used in) from operations</b>	(1,745)	76,029
Tax paid	–	(1,655)
Tax refunded	2,042	–
<b>Net cash from operating activities</b>	297	74,374
<b>Investing activities</b>		
Purchase of property, plant and equipment	(1,127)	(5)
Purchase of available-for-sale investments	(1,709)	–
Proceeds on disposal of property, plant and equipment	–	8
<b>Net cash (used in) from investing activities</b>	(2,836)	3
<b>Financing activities</b>		
Interest paid	(18)	(28)
New bank loans raised	12,699	8,000
Repayment of bank loans	(12,699)	(38,500)
<b>Net cash used in financing activities</b>	(18)	(30,528)
<b>Net (decrease) increase in cash and cash equivalents</b>	(2,557)	43,849
<b>Cash and cash equivalents at 1 January</b>	73,510	29,661
<b>Cash and cash equivalents at 31 December, represented by bank balances and cash</b>	70,953	73,510

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

## 1. GENERAL

The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 4 July 2014 and its shares are listed on The Stock Exchange of Hong Kong Limited (the “HKSE”). The addresses of the registered office and principal place of business of the Company are disclosed in the “Corporate Information” section of the annual report. The Company’s immediate holding company is SiS International, a company incorporated in Bermuda with its shares listed on the HKSE. SiS International is a subsidiary of Summertown Limited, a limited liability company incorporated in the British Virgin Islands (“BVI”). The directors of the Company and its subsidiaries (collectively referred to as the Group) consider that the Company’s ultimate holding company is Summertown Limited and its ultimate controlling shareholders are Mr. Lim Kiah Meng, Mr. Lim Kia Hong and their respective spouses. Mr. Lim Kiah Meng and Mr. Lim Kia Hong are also the directors of the Company.

The Company is an investment holding company. The principal activities of its principal subsidiaries are set out in note 29.

The consolidated financial statements are presented in Hong Kong Dollar (“HK\$”) which is also the functional currency of the Company.

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time in the current year:

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle

Except described below, the application of the amendments to HKFRSs in the current year has had no material impact on the Group’s performance and financial positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

### Amendments to HKAS 7 *Disclosure Initiative*

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (CONTINUED)

### Amendments to HKAS 7 *Disclosure Initiative* (Continued)

Specifically, the amendments require the changes from financing cash flows to be disclosed.

A reconciliation between the opening and closing balances of these items is provided in note 27. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. Apart from the additional disclosure in note 27, the application of these amendments has had no impact on the Group’s consolidated financial statements.

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial Instruments <sup>1</sup>
HKFRS 15	Revenue from Contracts with Customers and the related Amendments <sup>1</sup>
HKFRS 16	Leases <sup>2</sup>
HKFRS 17	Insurance Contracts <sup>4</sup>
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration <sup>1</sup>
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments <sup>2</sup>
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions <sup>1</sup>
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts <sup>1</sup>
Amendments to HKFRS 9	Prepayment Features with Negative Compensation <sup>2</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures <sup>2</sup>
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle <sup>1</sup>
Amendments to HKAS 40	Transfers of Investment Property <sup>1</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2018

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2019

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2021

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (CONTINUED)

### *HKFRS 9 Financial Instruments*

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9 which are relevant to the Group are:

- all recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income (“FVTOCI”). All other financial assets are measured at their fair value at subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held-for-trading) in other comprehensive income, with only dividend income generally recognised in profit or loss;
- in relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Based on the Group’s financial instruments and risk management policies as at 31 December 2017, the directors of the Company anticipate the following potential impact on initial application of HKRS 9:

### *Classification and measurement:*

- The Group has designated listed equity securities classified as available-for-sale investments carried at fair value as disclosed in note 17 as FVTOCI under HKFRS 9. The fair value gains or losses accumulated in the investments reserve amounting to HK\$245,000 as at 1 January 2018 will no longer be subsequently reclassified to profit or loss upon derecognition under HKFRS 9 and such investments are not subject to impairment, which is different from the current treatment.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (CONTINUED)

### HKFRS 9 *Financial Instruments* (Continued)

#### *Impairment*

In general, the directors of the Company anticipate that the application of the expected credit loss model of HKFRS 9 will result in earlier provision of credit losses which are not yet incurred in relation to the Group’s financial assets measured at amortised costs and other items that subject to the impairment provisions upon application of HKFRS 9 by the Group.

Based on the assessment by the directors of the Company, if the expected credit loss model were to be applied by the Group, the accumulated amount of impairment loss to be recognised by Group as at 1 January 2018 would be increased as compared to the accumulated amount recognised under HKAS 39 mainly attributable to expected credit losses provision on financial assets measured at amortised costs. Such further impairment and the related deferred tax recognised under expected credit loss model would reduce the opening retained profits at 1 January 2018.

### HKFRS 15 *Revenue from Contracts with Customers*

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when ‘control’ of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued Clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors of the Company anticipate that the application of HKFRS 15 in the future may result in more disclosures, however, the directors of the Company do not anticipate that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (CONTINUED)

### HKFRS 16 *Leases*

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 *Leases* and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

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

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2017, the Group has non-cancellable operating lease commitments of HK\$3,636,000 as disclosed in note 26. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases.

In addition, the Group currently considers refundable rental deposits paid of HK\$377,000 as rights under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost are considered as additional lease payments and adjustments to refundable rental deposits paid would be included in the carrying amount of right-of-use assets.

Furthermore, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above.

Other than those described above, the directors of the Company do not anticipate that the application of the new and amendments to HKFRSs will have a material impact on the results and/or the financial position of the Group.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

## 3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the HKSE (“Listing Rules”) and by the Hong Kong Companies Ordinance (“CO”).

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments that are measured at fair value at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange of goods and services.

Fair value is 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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are within the scope of HKAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

### Basis of consolidation

The consolidated financial statements incorporate the financial information of the entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group’s accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

### Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Operating lease payments when the Group is the lessee are recognised as an expense on a straight-line basis over the lease term.

### Property, plant and equipment

Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the profit or loss.

### Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

### Financial assets

Financial assets are classified as loans and receivables and financial assets at fair value through profit or loss ("FVTPL") and available-for-sale financial assets ("AFS financial assets"). The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Financial instruments (Continued)

#### *Financial assets (Continued)*

##### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables including trade and other receivables and bank balances are measured at amortised cost using the effective interest method, less any impairment losses (see accounting policy on impairment loss on financial assets below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

##### *Effective interest method*

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis.

##### *Financial assets at fair value through profit or loss*

Financial assets at FVTPL comprise investments held-for-trading.

A financial asset is classified as held-for-trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of a portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are stated at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial assets and is included in the “other income” line item in the consolidated statement of profit or loss.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Financial instruments (Continued)

#### Financial assets (Continued)

##### *AFS financial assets*

AFS financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at FVTPL.

Equity securities held by the Group that are classified as AFS financial assets are measured at fair value at the end of each reporting period. Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established. Other changes in the carrying amount of AFS financial assets are recognised in other comprehensive income and accumulated under the heading of "Investments reserve". When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the "Investments reserves" is reclassified to profit or loss.

##### *Impairment of financial assets*

Financial assets, other than those at FVTPL are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For AFS financial assets, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For financial assets carried at amortised cost, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Financial instruments (Continued)

#### *Financial assets (Continued)*

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

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period in which the impairment takes place.

Impairment losses on AFS equity investments will not be reversed through profit or loss. Any increase in fair value subsequent to impairment loss is recognised directly in other comprehensive income and accumulated in investments reserve.

#### **Financial liabilities and equity instruments**

Debt and equity instruments issued by a group entity are classified either as financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

##### *Equity instruments*

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

##### *Financial liabilities*

Financial liabilities (including trade and other payables) are subsequently measured at amortised cost using the effective interest method.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Financial instruments (Continued)

#### *Financial liabilities and equity instruments (Continued)*

##### *Effective interest basis*

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

##### *Derecognition*

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

##### *Impairment losses on assets*

At the end of each reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Impairment losses on assets (Continued)

If the recoverable amount of an asset other than financial assets is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

### Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of inventories are determined on a weighted average cost method. Net realisable value represents the estimated selling price for inventories less all estimated costs necessary to make the sale.

### Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (“foreign currencies”) are recognised at the rates of exchange prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items are recognised in profit or loss in the period in which they arise.

### Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

### Short-term and other long-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Short-term and other long-term employee benefits (Continued)

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities' carrying amounts resulting from service cost, interest and remeasurements are recognised in profit or loss except to the extent that another HKFRS requires or permits their inclusion in the cost of an asset.

### Retirement benefit costs

Payments to defined contribution retirement benefit plans and the Mandatory Provident Fund Schemes are recognised as an expense when employees have rendered service entitling them to the contributions.

### Share-based payment arrangements

#### *Equity-settled share-based payment transactions*

##### *Share options granted to employees*

Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 21.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share options reserve). For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained profits.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit (loss) differs from “profit (loss) before taxation” as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group’s liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on the temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

## 4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key source of estimation uncertainty at the end of the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets within the next financial year.

### Net realisable value of inventories

The cost of inventories is written down to net realisable value ("NRV") when the cost of inventories is not recoverable. The cost of inventories may not be recoverable if those inventories are damaged, if they have become wholly or partially obsolete, or if their selling prices have declined. When the net realisable value of an item of inventory is less than the carrying amount, the excess is written off immediately in the consolidated statement of profit or loss and other comprehensive income. The management's review and estimation of the NRV is primarily based on the ageing, conditions and marketability of the inventories. The Group carried out the inventory review at the end of the reporting period and made the necessary allowance on obsolete and slow moving items so as to write off or write down inventories to their NRVs. The carrying amount of inventories is HK\$33,049,000 (2016: HK\$33,192,000), net of allowance on obsolete and slow moving inventories of HK\$609,000 (2016: HK\$2,846,000) as at 31 December 2017.

## 5. SEGMENTAL REPORTING

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to segments and to assess their performance.

The Group is principally engaged in the sales and distribution of mobile phones and related products in Hong Kong. The executive directors of the Company, being the chief operating decision maker ("CODM") for the purposes of resource allocation and performance assessment focuses mainly on revenue analysis by brand. As no other discrete financial information other than the consolidated revenue and consolidated profit or the Group are provided to CODM, no segment information is presented other than entity-wide disclosures.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

## 5. SEGMENTAL REPORTING (CONTINUED)

### Major customer information

For the year ended 31 December 2017, revenue from customers contributed over 10% of the total revenue of the Group is from one customer with total amount of HK\$54,834,000, in relation to the sales and distribution of mobile phones and related products.

For the year ended 31 December 2016, no revenue from customers contributed over 10% of the total revenue of the Group.

### Geographic information

The Group's revenue is substantially generated from sales and distribution of mobile phones and related products to customers in Hong Kong. The Group's non-current assets are substantially situated in Hong Kong. Accordingly, no segment analysis based on geographical locations of the customers and assets is provided.

## 6. REVENUE

Revenue represents the net amount received and receivable for goods sold arising from the distribution and retail sales of mobile phones and related products.

## 7. OTHER GAINS AND LOSSES

	2017 HK\$'000	2016 HK\$'000
Exchange loss (gain), net	16	(346)
Loss (gain) from changes in fair value of investment held-for-trading	24	(40)
Loss on disposal of property, plant and equipment	–	11
(Reversal of allowance) allowance for doubtful debts	(134)	744
	<u>(94)</u>	<u>369</u>

## 8. FINANCE COSTS

	2017 HK\$'000	2016 HK\$'000
Interest on bank borrowings	<u>18</u>	<u>28</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

## 9. PROFIT (LOSS) BEFORE TAX

Profit (loss) before tax has been arrived at after charging (crediting):

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Auditor's remuneration	748	728
Directors' remuneration		
– Fees	960	960
– Salaries and other emoluments	2,911	2,911
– Contribution to retirement benefit	53	52
– Equity-settled share option expense	778	1,973
	<u>4,702</u>	5,896
Other staff costs		
– Salaries and other emoluments	11,067	10,979
– Contribution to retirement benefit	434	471
– Equity-settled share option expense	281	712
	<u>16,484</u>	18,058
Cost of inventories recognised as an expense (including reversal of allowance on obsolete and slow moving inventories of HK\$2,237,000 (2016: allowance on obsolete and slow moving inventories of HK\$2,206,000))	421,027	595,489
Depreciation of property, plant and equipment	172	90
Operating lease rentals in respect of rented premises	2,029	3,302

## 10. INCOME TAX EXPENSE (CREDIT)

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Hong Kong:		
Current	584	–
Overprovision in prior years	–	(43)
	<u>584</u>	(43)

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the current year.

No provision for Hong Kong Profits Tax has been made in the financial statements as the Group has no assessable profit for the year ended 31 December 2016.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

## 10. INCOME TAX EXPENSE (CREDIT) (CONTINUED)

Income tax expense (credit) can be reconciled to the profit (loss) before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Profit (loss) before tax	<u>1,904</u>	<u>(7,767)</u>
Tax at applicable statutory tax rate of 16.5%	314	(1,282)
Tax effects of income not taxable in determining taxable profit	–	(7)
Tax effects of expenses not deductible in determining taxable profit	179	444
Tax effects of deductible temporary differences not recognised	(159)	(29)
Tax effects of tax losses not recognised	336	880
Tax effect of utilisation of tax losses previously not recognised	(116)	(6)
Overprovision in prior years	–	(43)
Others	<u>30</u>	<u>–</u>
	<u>584</u>	<u>(43)</u>

The Group has unutilized and unrecognised tax losses of approximately HK\$17,211,000 (2016: HK\$15,878,000) and unrecognised deductible temporary differences of liabilities approximately HK\$552,000 (2016: Assets of approximately HK\$412,000) available to offset against future profits. No deferred tax assets have been recognised due to the unpredictability of future profit streams as at the end of the reporting period. Such tax losses may be carried forward indefinitely.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

## 11. DIRECTORS', CHIEF EXECUTIVE'S AND FIVE HIGHEST PAID INDIVIDUALS' EMOLUMENTS

### (a) Directors' emoluments

*For the year ended 31 December 2017*

Name of director	Notes	Directors' fees HK\$'000	Salaries and other benefits HK\$'000	Performance bonuses HK\$'000	Contributions to retirement benefit scheme HK\$'000	Equity-settled share option expense HK\$'000	Total HK\$'000
Fong Po Kiu	(a)	120	1,157	95	18	121	1,511
Lim Kiah Meng	(a)	120	1,200	100	18	161	1,599
Lim Kia Hong	(b)	120	-	-	-	161	281
Lim Hwee Hai	(b)	120	-	-	-	161	281
Wong Yi Ting	(a)	120	331	28	17	60	556
Chu Chung Yi	(c)	120	-	-	-	38	158
Doe Julianne Pearl	(c)	120	-	-	-	38	158
Ng See Wai Rowena	(c)	120	-	-	-	38	158
		<u>960</u>	<u>2,688</u>	<u>223</u>	<u>53</u>	<u>778</u>	<u>4,702</u>

Notes:

- (a) Executive Director
- (b) Non-executive Director
- (c) Independent Non-executive Director

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

## 11. DIRECTORS', CHIEF EXECUTIVE'S AND FIVE HIGHEST PAID INDIVIDUALS' EMOLUMENTS (CONTINUED)

### (a) Directors' emoluments (Continued)

For the year ended 31 December 2016

Name of director	Notes	Directors' fees HK\$'000	Salaries and other benefits HK\$'000	Performance bonuses HK\$'000	Contributions to retirement benefit scheme HK\$'000	Equity-settled share option expense HK\$'000	Total HK\$'000
Fong Po Kiu	(a)	120	1,169	91	18	307	1,705
Lim Kiah Meng	(a)	120	1,200	100	18	409	1,847
Lim Kia Hong	(b)	120	-	-	-	409	529
Lim Hwee Hai	(b)	120	-	-	-	409	529
Wong Yi Ting	(a)	120	324	27	16	154	641
Chu Chung Yi	(c)	120	-	-	-	95	215
Doe Julianne Pearl	(c)	120	-	-	-	95	215
Ng See Wai Rowena	(c)	120	-	-	-	95	215
		<u>960</u>	<u>2,693</u>	<u>218</u>	<u>52</u>	<u>1,973</u>	<u>5,896</u>

#### Notes:

- (a) Executive Director
- (b) Non-executive Director
- (c) Independent Non-executive Director

Mr Lim Kiah Meng is also the Chief Executive of the Company and his emoluments disclosed above include those for services rendered by him as the Chief Executive for both years.

The performance bonuses are determined based on the financial performance and resources of the Group and the performance of the individual directors for both years.

The emoluments of executive directors shown above were for their services in connection with the management of the affairs of the Company and the Group for both years.

The non-executive directors and independent non-executive director shown above were for their service in connection with the management of the affairs of the Company for both years.

There was no arrangement under which a director or the chief executive waived or agreed to waive any emoluments during the year ended 31 December 2016 and 2017.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

## 11. DIRECTORS', CHIEF EXECUTIVE'S AND FIVE HIGHEST PAID INDIVIDUALS' EMOLUMENTS (CONTINUED)

### (b) Five highest paid individuals

The five highest paid individuals included three (2016: three) directors of the Company whose emolument are included in the disclosure above. The emoluments of the remaining two (2016: two) individual for the year ended 31 December 2017 and 2016 are as follows:

	2017 HK\$'000	2016 HK\$'000
Salaries and other benefits	1,451	1,476
Performance bonuses (Note)	109	104
Contributions to retirement benefit scheme	36	36
Equity-settled share option expense	80	204
	<u>1,676</u>	<u>1,820</u>

*Note:* The performance bonuses are determined based on the financial performance and resources of the Group and the performance of the individual during the year.

Their emoluments were within the following bands:

	2017	2016
HK\$Nil to HK\$1,000,000	1	1
HK\$1,000,001 to HK\$1,500,000	1	1
	<u>2</u>	<u>2</u>

## 12. EARNINGS (LOSS) PER SHARE

The calculation of the basic and diluted earnings (loss) per share is based on the Group's profit attributable to owners of the Company of HK\$1,320,000 (2016: loss of HK\$7,724,000) and the weighted average number of ordinary shares of 280,000,000 (2016: 280,000,000).

The computation of the diluted earnings (loss) per share does not assume the exercise of the Company's share options as the exercise price of those share options is higher than the average market price of the Company's shares for both years.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

## 13. PROPERTY, PLANT AND EQUIPMENT

	Furniture and fittings <i>HK\$'000</i>	Office equipment <i>HK\$'000</i>	Office renovations <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>COST</b>				
At 1 January 2016	387	964	1,887	3,238
Additions	1	4	–	5
Disposal	(27)	(227)	(226)	(480)
At 31 December 2016	<b>361</b>	<b>741</b>	<b>1,661</b>	<b>2,763</b>
Additions	–	19	1,108	1,127
Written off	(312)	(441)	(1,530)	(2,283)
At 31 December 2017	<b>49</b>	<b>319</b>	<b>1,239</b>	<b>1,607</b>
<b>ACCUMULATED DEPRECIATION</b>				
At 1 January 2016	384	863	1,867	3,114
Charge for the year	4	66	20	90
Eliminated on disposal	(27)	(208)	(226)	(461)
At 31 December 2016	<b>361</b>	<b>721</b>	<b>1,661</b>	<b>2,743</b>
Charge for the year	–	14	158	172
Written off	(312)	(441)	(1,530)	(2,283)
At 31 December 2017	<b>49</b>	<b>294</b>	<b>289</b>	<b>632</b>
<b>CARRYING VALUES</b>				
At 31 December 2017	<b>–</b>	<b>25</b>	<b>950</b>	<b>975</b>
At 31 December 2016	–	20	–	20

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Furniture and fittings	2 – 4 years
Office equipment	3 – 4 years
Office renovations	Shorter of lease term or 4 years

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

## 14. INVENTORIES

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Finished goods	33,658	36,038
Allowance on obsolete and slow moving inventories	<u>(609)</u>	<u>(2,846)</u>
	<u>33,049</u>	<u>33,192</u>

During the year, reversal of allowance on obsolete and slow moving inventories of HK\$2,237,000 (2016: allowance on obsolete and slow moving inventories of HK\$2,206,000) has been recognised in the profit or loss. The reversal relates to an allowance no longer required on the subsequent sales of certain inventories which indicated that the circumstance that previously caused inventories to be written down below cost no longer exists.

## 15. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Trade receivables	16,874	16,550
Allowance for doubtful debts	<u>–</u>	<u>(744)</u>
	<u>16,874</u>	<u>15,806</u>
Other receivables	11,857	11,676
Deposits	496	998
Prepayments	<u>549</u>	<u>398</u>
	<u>12,902</u>	<u>13,072</u>
	<u>29,776</u>	<u>28,878</u>

Trade receivables comprise amounts receivable from the sales and distribution of mobile phones and related products in Hong Kong and are denominated in HK\$.

The Group maintains a defined credit policy. Before accepting any new customers, the Group assesses the potential customer's credit quality and defines credit limits by customers. Limits granted to customers are reviewed periodically. For sales of goods, the Group allows an average credit periods of 30 days to its trade customers. No interest is charged on overdue debts.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

## 15. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONTINUED)

The following is an aged analysis of trade receivables presented based on the invoice date at the end of each reporting period.

The aging of trade receivables is as follows:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Within 30 days	11,856	13,578
31 – 60 days	3,911	1,926
61 – 90 days	727	200
91 – 120 days	367	75
Over 120 days	13	27
Total	<u>16,874</u>	<u>15,806</u>

Included in the trade receivable balance are debts with total carrying amount of HK\$6,222,000 (2016: HK\$3,924,000) which are past due at the end of the reporting period for which the Group has not provided for impairment loss as the Group considers that the default risk is low after considering the creditworthiness and repayment history of the debtors and settlement after the end of each reporting period. No collateral is held over these receivables. Trade receivables which are neither overdue nor impaired are of good quality.

The aging of those trade receivables at the end of each reporting period which are past due but not impaired, aged from their respective due dates, are as follows:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Overdue:		
1 – 30 days	5,059	3,822
31 – 60 days	769	–
61 – 90 days	368	42
91 – 120 days	13	33
Over 120 days	13	27
Total	<u>6,222</u>	<u>3,924</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

## 15. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONTINUED)

Movement in the allowance for doubtful debts deducted from the trade receivable are as follows:

	<i>HK\$'000</i>
At 1 January 2016	–
Impairment losses recognised	744
At 31 December 2016	744
Reversal of impairment losses	(134)
Written off	(610)
At 31 December 2017	–

The allowance for doubtful debts is provided on individually impaired trade debtors which have either been in severe financial difficulties or defaulted payments.

## 16. INVESTMENT HELD-FOR-TRADING

	<b>2017</b> <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Equity securities Listed overseas, at fair value	–	99

The fair values are determined based on the quoted market bid prices available on the relevant exchange.

## 17. AVAILABLE-FOR-SALE INVESTMENTS

	<b>2017</b> <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Listed Investments:		
Equity securities listed overseas, at fair value	<b>958</b>	–
Equity securities listed in HK, at fair value	<b>996</b>	–
Total	<b>1,954</b>	–
Investment for reporting purpose:		
Non-Current Assets	<b>1,954</b>	–

The fair values are determined based on the quoted market bid prices available on the relevant exchange.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

## 18. BANK BALANCES AND CASH

Bank balances carry interest at market rates ranging from 0.001% to 0.01% (2016: 0.001% to 0.01%) per annum with an original maturity of three months or less for both years.

Bank balances that are denominated in United States Dollar ("US\$"), currency other than the functional currency of the Group, amounted to HK\$2,639,000 (2016: HK\$2,583,000).

## 19. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Trade payables	22,072	22,750
Advance received from customers	103	78
Accrued staff costs	3,281	2,796
Accruals	6,927	10,764
Others	1,042	1,279
	<u>33,425</u>	<u>37,667</u>

The average credit period on purchase of goods is 15 to 45 days. Trade payables that are denominated in US\$, currency other than the functional currency of the Group amounted to HK\$6,713,000 (2016: HK\$11,388,000).

The following is an aged analysis of the trade payables, based on the invoice date, at the end of each reporting period.

The aging of trade payables is as follows:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Within 30 days	15,753	16,576
31 to 90 days	144	43
91 to 120 days	-	1
Over 120 days	6,175	6,130
	<u>22,072</u>	<u>22,750</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

## 20. SHARE CAPITAL

	Number of ordinary shares of HK\$0.10 each	Nominal value HK\$'000
Authorised		
At 1 January 2016, 31 December 2016 and 2017	500,000,000	50,000
Issued and fully paid		
At 1 January 2016, 31 December 2016 and 2017	280,000,000	28,000

## 21. SHARE OPTION SCHEME

### Equity-settled share option scheme of the Company

Pursuant to the SiS Mobile Share Option Scheme adopted by the Company on 16 December 2014, the Company may grant options to qualified persons, including employees and directors of the Company, its subsidiaries and associates, and third parties with a view to maintain business relationship with such persons to subscribe for shares of the Company.

Share options were granted by the Company on 25 June 2015 to directors, certain employees and eligible persons of the Group. The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of shares of the Company in issue, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which option granted and may be granted to any individual in aggregate within any 12-month period is not permitted to exceed 1% of the Company's issued share capital, without prior approval from the Company's shareholders. HK\$100 is payable by each eligible participant to the Company on acceptance of an offer of options. The fair values of the options determined at the date of grant using the Binomial model was approximately HK\$7,418,000.

No options were granted by the Company during the year ended 31 December 2017.

The Group recognised an expense of HK\$1,059,000 (2016: HK\$2,685,000) for the year ended 31 December 2017 in relation to the share options granted by the Company.

Details of the share options are as follows:

No. of share options	Vesting period	Exercise period	Exercise price
2,630,000	25.6.2015 – 31.12.2015	1.1.2016 – 30.6.2023	HK\$2.36
2,630,000	25.6.2015 – 31.12.2016	1.1.2017 – 30.6.2023	HK\$2.36
2,630,000	25.6.2015 – 31.12.2017	1.1.2018 – 30.6.2023	HK\$2.36

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

## 21. SHARE-BASED PAYMENTS (CONTINUED)

### Equity-settled share option scheme of the Company (Continued)

	<b>Outstanding at 1 January 2016, 31 December 2016 and 2017</b>
Grantee	
Directors	6,390,000
Employees	1,500,000
	<hr/>
	7,890,000

No options were exercised, lapsed or forfeited during the year ended 31 December 2017 and 2016.

The following assumptions used to calculate the fair values of share options at the date of options granted were:

Grant date share price	HK\$2.17
Exercise price	HK\$2.36
Expected life	8 years
Expected volatility	54.75%
Dividend yield	0%
Risk-free interest rate	1.64%
Sub-optimal	1.80 to 1.83

The Binomial model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. Changes in variables and assumptions may result in changes in the fair value of the options.

## 22. DIVIDEND

No dividend or distribution has been declared or made by the Company since incorporation and up to the date of issue of these consolidated financial statements.

## 23. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged for both years.

The capital structure of the Group consists of equity attributable to owners of the Company, comprising issued capital, special reserve and retained profits.

The directors review the capital structure periodically. As part of this review, the directors assess budgets of its operations taking into account of the provision of funding. Based on the operating budgets, the directors consider the cost of capital and the risks associated with each class of capital and balance its overall capital structure through the issue of debts.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

## 24. FINANCIAL INSTRUMENTS, CAPITAL AND RISK MANAGEMENT POLICIES

### Categories of financial instruments

	2017 HK\$'000	2016 HK\$'000
Financial assets		
Loans and receivables:		
Trade and other receivables	28,731	27,482
Bank balances and cash	70,953	73,510
	<u>99,684</u>	<u>100,992</u>
FVTPL:		
Investment held-for-trading	-	99
	<u>1,954</u>	<u>-</u>
Available-for-sale investments		
Financial liabilities held at amortised cost:		
Trade and other payables	23,114	24,029

The Group is exposed to financial risks arising from its business activities and manages them through established risk management processes, proper monitoring and reporting to the management.

### Interest rate risk

The bank balances comprising short term bank deposits carry interests at floating rate, thus exposing the Group to cash flow interest rate risk. The Group currently does not have any policy to hedge against interest rate risk and will consider hedging exposure such should the needs arise.

### Sensitivity analysis

As the interest rates on bank deposits are minimal, no sensitivity analysis was prepared and reported to the management.

### Credit risk

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, the management of the Group has delegated certain staff for credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the management of the Group considers that the Group's credit risk is significantly reduced.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

## 24. FINANCIAL INSTRUMENTS, CAPITAL AND RISK MANAGEMENT POLICIES (CONTINUED)

### Interest rate risk

The Group has concentration of credit risk over its trade receivables of which 47% (2016: 41%) of the total trade receivables was due from the Group's 5 largest customers. The Group's concentration of credit risk by geographical location of customers are solely in Hong Kong which accounted for majority of the trade receivables for both years. The Group has concentration of credit risk on loans and receivable of which 71% (2016: 74%) are liquid funds deposited with several banks. The credit risk on liquid funds is limited because the counterparties are banks with high credit-standings.

### Foreign exchange risk

Certain purchase of goods, other payables, other receivables, available-for-sales investments and bank balances of the Group are denominated in US\$, the currency other than the functional currencies of the relevant group entities.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of each reporting period are as follows:

	2017 HK\$'000	2016 HK\$'000
Assets	4,448	7,596
Liabilities	7,512	11,388

The Group currently does not have currency hedging policy. However, the management monitors the currency fluctuation exposure and will consider hedging significant currency risk exposure should the need arise.

### Sensitivity analysis

As HK\$ are pegged to US\$, the management of the Group does not expect that there would be any material currency risk exposure between these two currencies. As such, no sensitivity analysis is performed.

### Price risk

The Group is exposed to equity price risk through its investment in listed equity securities. The management closely keeps watch of the price changes and takes appropriate action when necessary.

### Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risk at the end of the reporting period.

If the price of the respective listed equity securities classified as available-for-sale investments had been 10% (2016: nil) higher/lower, the Group's available-for-sale investments and investment reserve would increase/decrease by HK\$195,000 (2016: nil). However, any significant or prolonged decrease in the fair value of available-for-sale investments below the Group's cost requires recognising impairment loss in profit or loss. As such, the Group's post-tax profit for the year would decrease by the amount of impairment loss recognised.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

## 24. FINANCIAL INSTRUMENTS, CAPITAL AND RISK MANAGEMENT POLICIES (CONTINUED)

### Price risk (Continued)

### Sensitivity analysis (Continued)

For the year ended 31 December 2016, as the balance of investment in listed equity securities are minimal, no sensitivity analysis was prepared and reported to the management.

### Liquidity risk

The Group's exposure to liquidity risk is minimal and is managed by maintaining a level of cash and cash equivalents deemed adequate by the management to finance the Group's operation. In addition, any shortfall in the funding requirements of the Group's operations may be obtained from bank borrowings.

The following table details the Group's remaining contractual maturity for its financial liabilities with agreed repayment periods. The maturity dates of financial liabilities are based on the agreed repayment dates:

	Weighted average effective interest rate %	On demand or within 3 months HK\$'000	Total undiscounted cashflow HK\$'000	Total HK\$'000
<b>At 31 December 2017</b>				
<b>Financial liability</b>				
Non-interest bearing				
Trade and other payables	–	23,114	23,114	23,114
	Weighted average effective interest rate %	On demand or within 3 months HK\$'000	Total undiscounted cashflow HK\$'000	Total HK\$'000
<b>At 31 December 2016</b>				
<b>Financial liability</b>				
Non-interest bearing				
Trade and other payables	–	24,029	24,029	24,029

The above table has been drawn up based on the undiscounted cash flows of financial liability (including principal and interest cash flows) based on the earliest date on which the Group can be required to pay (including principal and interest cash flows).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

## 24. FINANCIAL INSTRUMENTS, CAPITAL AND RISK MANAGEMENT POLICIES (CONTINUED)

### Fair values

#### *Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis*

Some of the financial assets are measured at fair value at the end of each reporting period. The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

#### *Fair value measurements recognised in the consolidated statement of financial position*

##### At 31 December 2017

	Fair value hierarchy Level 1 HK\$'000
Listed securities classified as Available-for-sales investments	<u>1,954</u>

##### At 31 December 2016

	Fair value hierarchy Level 1 HK\$'000
Listed securities classified as Investment held-for-trading	<u>99</u>

The fair value of listed securities is determined with reference to quoted market bid price from relevant stock exchange.

There were no transfers between Levels 1, 2 and 3 during the year.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

## 24. FINANCIAL INSTRUMENTS, CAPITAL AND RISK MANAGEMENT POLICIES (CONTINUED)

### Fair values (Continued)

#### *Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis*

The carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate to their fair values which are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

## 25. RELATED PARTIES TRANSACTIONS

The directors are of the opinion that all the related party transactions have been established under terms as negotiated between the related parties.

### (a) Transactions with immediate holding company

The Group paid license fee to its immediate holding company of HK\$12,000 (2016: HK\$12,000) during the year.

### (b) Compensation of key management personnel

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group and of the Company either directly or indirectly.

The directors considered the key management personnel of the Group are the directors. The remuneration of members of key management personnel of the Group are disclosed in note 11.

## 26. OPERATING LEASE COMMITMENTS

At the end of each reporting period, the Group had commitments for future minimum lease payments under non- cancellable operating lease which fall due as follows:

	2017 HK\$'000	2016 HK\$'000
Within one year	1,605	1,132
In the second to fifth year inclusive	2,031	–
	<u>3,636</u>	<u>1,132</u>

Operating lease payments represents rental payable by the Group for its offices and shops. Leases are negotiated for an average term of three years and rentals are fixed throughout the lease period.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

## 27. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flow were, or future cashflows will be classified in the Group's consolidated statement of cash flows from financing activities.

	<b>Bank loans</b> <b>HK\$'000</b>
At 1 January 2017	–
New bank loans raised	12,699
Repayment to bank loans	(12,699)
Interest expense	18
Interest paid	(18)
At 31 December 2017	–

## 28. FINANCIAL POSITION OF THE COMPANY

Below is a summary of the financial position of the Company at the end of the reporting period:

	<b>2017</b> <b>HK\$'000</b>	2016 <i>HK\$'000</i> (restated)
Non-current assets		
Interest in unlisted subsidiaries*	<b>102,000</b>	102,000
Available-for-sale investments	<b>1,954</b>	–
	<b>103,954</b>	102,000
Current assets		
Other receivables and prepayments	<b>227</b>	222
Investment held-for-trading	–	99
Bank balances	<b>6,393</b>	10,160
	<b>6,620</b>	10,481
Current liabilities		
Payables and accruals	<b>(1,467)</b>	(1,671)
Net current assets	<b>5,153</b>	8,810
Net assets	<b>109,107</b>	110,810
Share capital	<b>28,000</b>	28,000
Share premium	<b>2,522</b>	2,522
Other reserves (Note below)*	<b>78,585</b>	80,288
Total equity	<b>109,107</b>	110,810

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

## 28. FINANCIAL POSITION OF THE COMPANY (CONTINUED)

\* The interest in unlisted subsidiaries and special reserve were restated to conform with their current year's presentation. The restatement relates to the contribution from SiS International in respect of the Group Reorganisation.

*Note: The movement in other reserves are presented below:*

	Accumulated losses HK\$'000	Special reserve* HK\$'000 (restated)	Share options reserve HK\$'000	Investment reserve HK\$'000	Total HK\$'000
At 1 January 2016	(32,856)	101,999	3,674	–	72,817
Profit and total comprehensive income for the year	4,786	–	–	–	4,786
Recognition of equity-settled share option expense	–	–	2,685	–	2,685
At 31 December 2016	<b>(28,070)</b>	<b>101,999</b>	<b>6,359</b>	–	<b>80,288</b>
Loss and total comprehensive expense for the year	<b>(3,007)</b>	–	–	–	<b>(3,007)</b>
Gain from changes in fair value of available-for-sales investments	–	–	–	245	245
Recognition of equity-settled share option expense	–	–	1,059	–	1,059
At 31 December 2017	<b>(31,077)</b>	<b>101,999</b>	<b>7,418</b>	<b>245</b>	<b>78,585</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

## 29. PARTICULAR OF SUBSIDIARIES

Details of the Company's principal subsidiaries at the end of the reporting period are as follows:

Name of subsidiary	Place of incorporation/ operation	Issued and fully paid ordinary share capital	Proportion of nominal value of issued capital		Principal activities
			2017 %	2016 %	
<b>Direct subsidiaries:</b>					
Synergy Technologies (Asia) Limited	Hong Kong	HK\$5,000,000	100	100	Distribution of mobile phone and related products
Qool International Limited	Hong Kong	HK\$1	100	100	Distribution of mobile phone products
<b>Indirect subsidiaries</b>					
Sun Well Limited	Hong Kong	HK\$1	100	100	Retail sales of mobile phone and related products

None of the subsidiaries had issued any debt securities at the end of the year.

The Directors are of the opinion that a complete list of the particulars of all subsidiaries of the Group will be of excessive length and therefore the above list contains only the particulars of subsidiaries which principally affect the results or assets of the Group.

# FINANCIAL SUMMARY

## RESULTS

	For the year ended 31 December				
	2013 <i>HK\$'000</i>	2014 <i>HK\$'000</i>	2015 <i>HK\$'000</i>	2016 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Revenue	1,274,845	1,412,068	832,452	615,997	<b>445,911</b>
Profit (loss) before taxation	38,196	(13,301)	2,979	(7,767)	<b>1,904</b>
Income tax (expense) credit	(4,705)	(2,474)	(2,338)	43	<b>(584)</b>
Profit (loss) for the year	33,491	(15,775)	641	(7,724)	<b>1,320</b>
Attributable to Owners of the Company	33,491	(15,775)	641	(7,724)	<b>1,320</b>

## ASSETS AND LIABILITIES

	At 31 December				
	2013 <i>HK\$'000</i>	2014 <i>HK\$'000</i>	2015 <i>HK\$'000</i>	2016 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Total assets	222,459	153,448	157,394	137,741	<b>136,707</b>
Total liabilities	(136,407)	(83,171)	(52,281)	(37,667)	<b>(34,009)</b>
Net assets	86,052	70,277	105,113	100,074	<b>102,698</b>
Attributable to Owners of the Company	86,052	70,277	105,113	100,074	<b>102,698</b>