



# SiS Mobile Holdings Limited

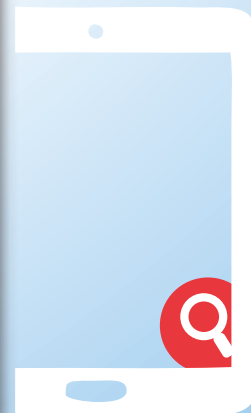
## 新龍移動集團有限公司\*

*(Incorporated in the Cayman Islands with limited liability)*

Stock Code: 1362

# 2018

## 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

## LEGAL ADVISOR

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.  
Standard Chartered Bank (Hong Kong) 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

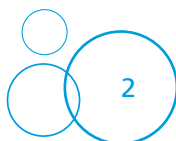
Tricor Investor Services Limited  
Level 22, Hopewell Centre  
183 Queen's Road East  
Hong Kong

## 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

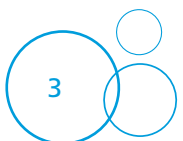
SiS Mobile Holdings Limited (“SiS Mobile”) is one of the leading distributors of mobile phones in Hong Kong. SiS Mobile Holdings Limited (“SiS Mobile”) is one of the leading distributors of mobile phones in Hong Kong with extensive distribution channels. Distribution customers are wholesale customers,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

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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'm delighted to present to our shareholders 2018 Annual Report of the Group. Revenue for period ending 31 December 2018 increased 6% as compared to the same period in 2017. Net Profit attributable to the owners of the Company for the year ended 31 December 2018 amounted to HK\$97,000.



## BUSINESS REVIEW

While we recorded positive growth in the first half of the year, the momentum did not continue in the second half of 2018. Demand for the high end smartphone handsets have slowed down due primarily to the consumers slowing down in upgrading and replacing new handsets. This, coupled with a full market penetration of smartphones in Hong Kong, resulted in challenging times for the smartphone vendors. Nevertheless, the Group has begun to identify and expand our product portfolio beyond smartphones distribution. We have begun to distribute gaming, laptop and other IT products. We believe that given time, we will build a balanced portfolio as we begin to diversify and transform.

## PROSPECT

5G promises to bring a new dimension with its speed to the industry and market. This is a quantum leap in technology. The onset of 5G promises new and vast opportunities for mobile vendors and smart IOT products. Smartphone vendors have begun to introduce foldable phones, new 5G handsets which will generate new demand usage and applications. We are today living in an era today where smartphones have become an integral part of our lives. We believe the demand for mobile and mobility products will recover in the near future.

Businesses have been affected by the uncertainties surrounding the trade disputes and tensions between China and USA, Brexit. We believe this will be settled and resolved with time. The Directors are moving ahead cautiously. The Group will seek area to improve, enhance operational efficiency and continue to explore business to maximize shareholders value.

## 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, 27 March 2019

# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW AND ANALYSIS

### Financial Review

For the financial year ended 31 December 2018, revenue of the Group amounted to HK\$472,535,000 (2017: HK\$445,911,000), representing an increase of 6% compared to that of last year. This was mainly attributable to higher sales demand during the year. However, gross profit ratio of smartphone products were more challenging, the net profit attributable to owners of the Company was HK\$97,000 whereas a net profit of HK\$1,320,000 was recorded for the same period last year.

During the year, the Group's total operating expenditures for the year was stable and maintain in low level at HK\$23,296,000 (2017: HK\$23,679,000).

The carrying amount of inventory as at 31 December 2018 amounted to HK\$50,005,000, representing an increase of 51% compared to that of last year. In view the improvement of the economy and the product mix, it was at a sufficient level to meet customers demand.

Doubtful debt of HK\$284,000 was provided for a customer on a conservative approach; trade receivable turnover day was 16 days, the trade receivable level was still stable and healthy.

### Significant Investments

List of significant listed securities as at 31 December 2018 and 2017

Stock Code	Stock Name	As at 31.12.2018		Fair Value Gain/ (Loss) credited/ (charged) to Investment Reserve during 2018 HK\$'000
		# of share	Fair Value HK\$'000	
FEYE: US	Fire Eye Inc.	10,000	1,265	(232)
NTNX.US	Nutanix Inc.	11,480	3,724	(931)
1299.HK	AIA Group Limited	25,000	1,625	(164)
939.HK	China Construction Bank, Inc.	300,000	1,938	(496)
6823.HK	HKT Limited	100,000	1,128	132
5.HK	HSBC Holdings plc	35,821	2,321	(523)
11.HK	Hang Seng Bank Limited	15,000	2,637	(320)
			14,638	(2,534)

# MANAGEMENT DISCUSSION AND ANALYSIS

Stock Code	Stock Name	As at 31.12.2017		Fair Value
		# of share	Fair Value HK\$'000	Gain credited to Investment Reserve during 2017 HK\$'000
NTNX.US	Nutanix Inc.	3,480	958	205
6823.HK	HKT Limited	100,000	996	40
			<u>1,954</u>	<u>245</u>

These investments are not held for trading, instead, they are held for long-term strategic purposes. The Group has intention of holding these investments for long-term purposes and realising their performance potential in the long run. During the year 2018, the Group received HK\$329,000 (2017: Nil) dividend income from those investments.

## Liquidity and Financial Resources

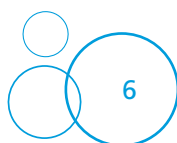
As at 31 December 2018, the Group had total assets of HK\$135,498,000 which were financed by total equity of HK\$100,261,000 and total liabilities of HK\$35,237,000. The Group had current ratio of approximately 3.4 compared to that of approximately 3.9 at 31 December 2017.

As at 31 December 2018 the Group had HK\$14,925,000 (31 December 2017: HK\$70,953,000) bank balances and cash. The Group's working capital requirements were mainly financed by internal resources and bank borrowings. As at 31 December 2018 and 2017, the Group did not have any borrowings.

At the end of December 2018, the Group had net cash surplus of HK\$14,925,000 (31 December 2017: HK\$70,953,000).

## Charges on Group Assets

There was no pledged asset as at 31 December 2018 (31 December 2017: 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 2018 was 40 (31 December 2017: 38) and the salaries and other benefits paid and payable to employees, excluding Directors' emoluments, amounted to HK\$11,850,000 (31 December 2017: HK\$11,782,000). 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 has been fully charged off during in previous year 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.

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 2018, the Group did not have any contingent liabilities or guarantees (31 December 2017: 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

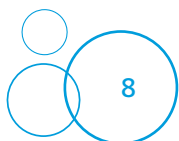
### ***Independent Non-executive Directors:***

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 21 to 22 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

## DIRECTORS NOMINATION POLICY

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.

The Company consolidated its nomination procedures and selection criteria of directors into the nomination policy of the Company (the “Directors Nomination Policy”), which was approved and adopted by the Company, and was effective on 1 January 2019. The summary of the Nomination Policy is as follows:

When considering a candidate nominated for directorship or a director’s proposed re-appointment, the Board will take into account the following factors as a reference:

- the candidate’s character and honesty;
- whether the qualification, skills, experience, industry knowledge of the candidate meet the business needs or are in line with the long term development of the Company;
- effect on the board’s composition and diversity in all its aspects, including but not limited to gender, age (18 years or above), cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service, and the compliance with the board diversity policy of the Company;
- commitment of the candidate to devote sufficient time to effectively discharge his/her duties. In this regard, the number and nature of offices held by the candidate in public companies or organizations, and other executive appointments or significant commitments will be considered;
- the requirement of appointing independence non-executive directors to the board under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the independence of a candidate pursuant to Rule 3.13 of the Listing Rules;
- any potential/actual conflicts of interest that may arise if the candidate is selected;
- for the appointment or re-appointment of independent non-executive directors, the independence of the candidate and his/her immediate family from the Company; and
- in the case of a proposed re-appointment of an independent non-executive director, the number of years he/she has already served.

the above factors are for reference only, and not meant to be exhaustive and decisive.

Subject to the provisions in the Company’s Articles of Association, if the Board recognizes the need to appoint an additional director, the following procedures should be adopted:

- the Board shall call a meeting and invite nominations of candidates from the Nomination Committee of the Company for consideration by the Board prior to its meeting;
- the Board may use any process it deems appropriate to assess the suitability of and the potential contribution to the Board by the candidates based on (but not limited to) the criteria set out above, which may include personal interviews, background checks, presentations or written submissions by the candidates and third party references;
- the Board shall hold a physical meeting to consider the matter and avoid the making of decisions by written resolutions unless it is impractical that a physical meeting be held;
- the Board shall provide to the Shareholders for its consideration with all the information required, including information set out in Rule 13.51 (2) of the Listing Rules in relation to the candidates;

# CORPORATE GOVERNANCE REPORT

In order to provide information of the candidates nominated by the Board to stand for election at a general meeting, and to invite nominations from shareholders, a circular accompanying the notice of the relevant general meeting will be sent to shareholders of the Company. The circular will set out the lodgment period for shareholders to make the nominations. The names, brief biographies (including qualifications and relevant experience), independence, proposed remuneration and any other information, as required pursuant to the applicable laws, rules and regulations, of the proposed candidates will be included in the circular or notice to shareholders of the Company.

## BOARD DIVERSITY

The Company recognizes and embraces the benefits of having a diverse Board, and sees diversity at Board level as an essential element in maintaining a competitive advantage. A truly diverse Board will include and make good use of differences in the talents, skills, regional and industry experience, background, gender and other qualities of the members of the Board. These differences will be considered in determining the optimum composition of the Board and when possible should be balanced appropriately. All appointments of the members of the Board are made on merit, in the content of the talents, skills and experience the Board as a whole requires to be effective.

The Company considers that the current composition of the Board is characterised by diversity after taking into account its own business model and specific needs, and professional background and skills of the Directors.

## BOARD COMMITTEES

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

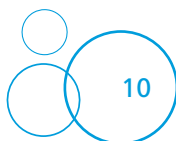
Notes:

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.



# CORPORATE GOVERNANCE REPORT

## 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.

## 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.

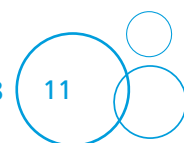
The duties of the Nomination Committee shall be:

- 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 2018, 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. 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.

## 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.



# CORPORATE GOVERNANCE REPORT

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 2018 are as follows:

<b>Remuneration band</b>	<b>Number of</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 2018 are set out in note 11 to the consolidated financial statements.

## CORPORATE GOVERNANCE FUNCTIONS

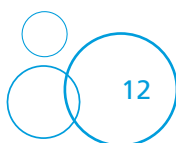
The Board is collectively responsible for performing the corporate governance duties which have been formalised into the terms of reference of the Board, a summary of which are as follows:

- 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.

The Board performed its corporate governance duties. The Board has reviewed the code of corporate governance of the Company for adoption of amendments to the Listing Rules, approval of the Dividend Policy, Directors Nomination Policy, Board Diversity Policy and the procedures for shareholders to propose a person for election as director (which has been disclosed in the Company's website). Corporate Governance Report contained in this Annual Report has approved by the Board.

## 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.



# CORPORATE GOVERNANCE REPORT

## 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 34 to 37.

## AUDITORS' REMUNERATION

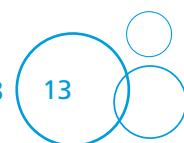
During the year ended 31 December 2018, the Group had engaged external auditors, Deloitte Touche Tohmatsu, to provide the following services.

	<b>Service fee</b> <i>HK\$'000</i>
Audit services	753
Tax advisory	12
	765

## 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 2018:

	<b>General Meeting</b>	<b>Board</b>	<b>Audit Committee</b>	<b>Nomination Committee</b>	<b>Remuneration Committee</b>
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



# CORPORATE GOVERNANCE REPORT

## 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.

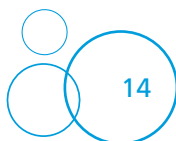
Through the internal control functions of the Group, two reviews were conducted during the year and reports were reviewed by Audit Committee. The Directors considered that the risk management and internal control systems are adequate and effective.

## DIRECTORS' TRAINING AND PROFESSIONAL DEVELOPMENT

The Company is responsible for arranging and funding suitable training for its directors. During the year 2018, 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:

	<b>Attending trainings/ briefings/seminars</b>
<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	✓



# CORPORATE GOVERNANCE REPORT

## 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 2018.

## 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.

## 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 2018, 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 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	FY2018	FY2017
Purchased electricity	39 tonnes	50 tonnes
Total greenhouse gas emission	39 tonnes	50 tonnes

Indirect emission is mainly from paper usage and air travel, amounted to 6.4 tonnes (2017: 5.6 tonnes).

Non-hazardous waste produced (paper waste, printer cartridges, tonner bottle) was 880kg (2017: 700 kg).

### Use of Resources

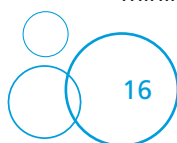
Due to the Group's business nature, the energy, power and water utilisation of the Group is relatively low. For year 2018, electricity consumption was 62,331 kWh, 21% lower than 78,711 kWh in 2017.

The reduction of electricity consumption was mainly caused by reducing of leased office area in 2018.

Water consumption was immaterial but it was decreased further in 2018.

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

Air conditioners, billboards, computers and office lights are switched off during non-business hours, to minimise light pollution and reduce energy consumption.



# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING

## 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.

The Producer Responsibility Scheme (PRS) on waste electrical and electronic equipment (WEEE), also known as WPRS, aims to promote recycling and proper disposal of WEEE generated in Hong Kong. With effect from 1 August 2018, our products, including mobile phones, tables, monitors and laptops are covered in the “Regulated Electrical Equipment” or REE. As a distributor or reseller, when we sell REE and if requested by customers, we should arrange for the customer a free removal service to dispose of the same class of equipment abandoned by the customer in accordance with the endorsed plan. We must also provide recycling labels to customers purchasing REE, and a receipt containing the prescribed wording on the recycling levies. We have removal service plan endorsed by the Environmental Protection Department for selling REE. During the period, the Group has complied relevant statutory requirement when selling REE.

## SOCIAL

### Employment and Labour Practices

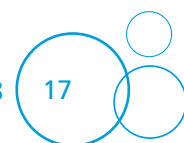
#### *Employment, Remuneration and Benefits, Recruitment and promotion*

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. Number of staff was increased by 5% when compared with last year. As at 31 December 2018, the Group had a total of 40 permanent staffs and all are located in Hong Kong.

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.

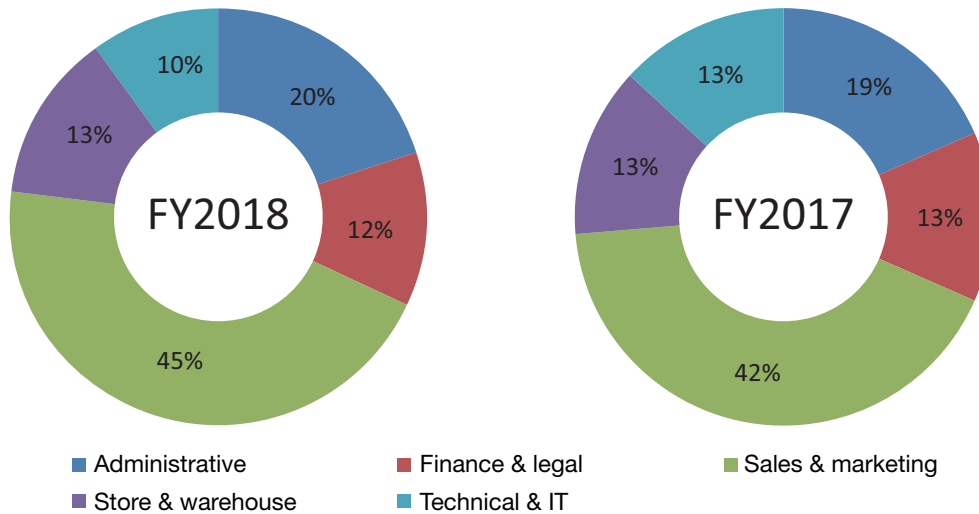
Workforce by gender and age group:

Age/Gender	Male	Female	Total
30 to 50	15	18	33
Over 50	5	2	7
<b>Total no. of staffs</b>	<b>20</b>	<b>20</b>	<b>40</b>



# 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.

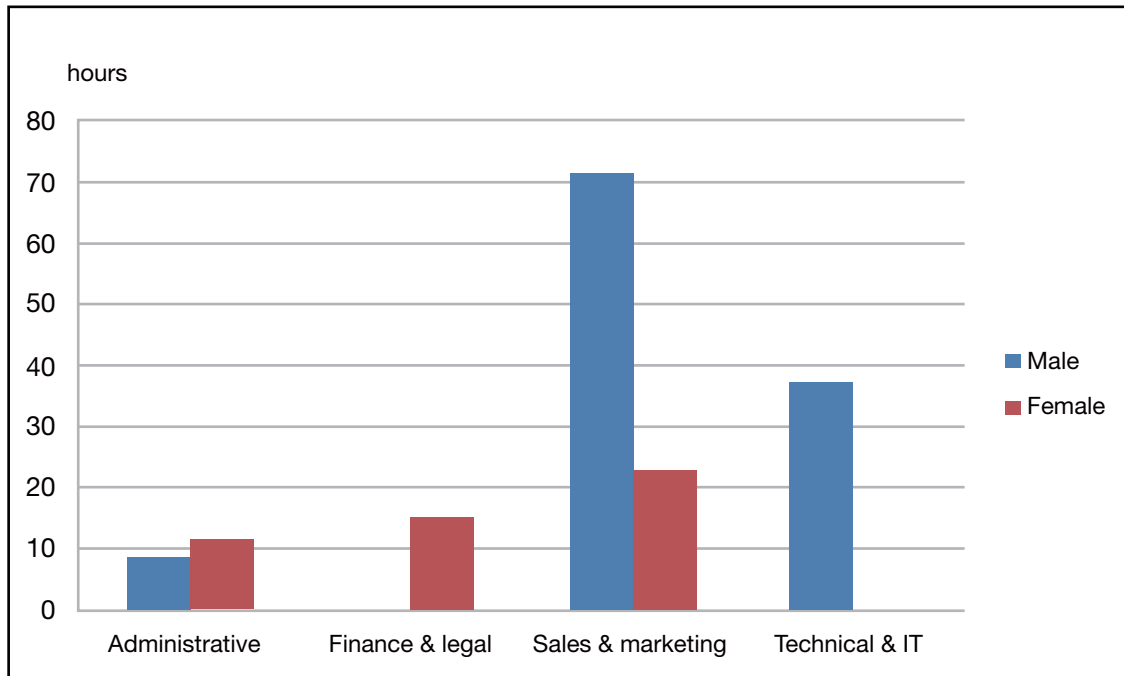
## Development and Training

As a distributor of renowned brands mobile phones and related products in Hong Kong, our sales force and technical staffs processes broad knowledge of mobile phones 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.

During the year, total training hours offered in 2018 was 165 hours for 68% staffs (2017: 97%), average 6 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.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING

Training Hours by Gender and Function in 2018:



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.

## Supply chain management

Sound supply chain management ensures the Group to sustain its business operations and development. As well as leveraging our extensive network of mobile phones distribution, 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 of 5 internationally renowned brands from our suppliers. 90% (2017: 83%) finished goods were supplied domestically, the remaining was supplied from the PRC (2017: USA and the PRC).

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING

## Product responsibility

The marketing of mobile phones and related 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 2018.

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.

## 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.

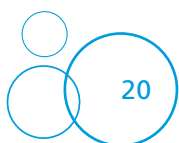
In addition, seminars would be held to update members of staff on any changes to regulation and to refresh their knowledge on aspects of ethical practices when applicable.

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 2018, a total donation of HK\$10,000 was made to charitable organization in Hong Kong.



# DIRECTORS' AND SENIOR MANAGEMENT PROFILES

## Directors Profile (SiS Mobile Holdings Ltd)

**Mr. LIM Kia Hong**, aged 62, is a non-executive Director and chairman of the Group. He is the 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 most dynamic business groups involving in distribution, ventures, investments and real estate businesses. Mr Lim is involved in all phases of SiS Group's developments and is instrumental in bringing SiS Mobile to be listed on the Hong Kong Stock Exchange.

Mr. Lim is the chairman and CEO of parent group, SiS International, whose shares are listed on the Main Board (Hong Kong Stock Code: 00529). He is also a non-executive director of SiS Distribution (Thailand) Public Co., Ltd. ("SiS Thai"), a public listed company on the Thailand Stock Exchange. In addition, Mr. Lim is a director of Information Technology Consultants Limited ("ITCL") whose is listed on The Dhaka Stock Exchange ("DSE") and The Chittagong Stock Exchanges ("CSE"). Mr. Lim graduated from University of Washington, US with a bachelor's degree in business administration and is responsible in planning and development of SiS Group.

**Mr. LIM Kiah Meng**, aged 65, 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 50, is an executive Director and Chief Operating Officer 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 44, 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 69, 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. He is also a director of ITCL whose shares are listed on DSE and CSE. Mr. Lim was an independent non-executive director of Valuemax Group Limited, a company whose shares are listed on the Stock Exchange of Singapore, from September 2013 to May 2018. 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 52, 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 56, 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 56, 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 2018.

## PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activities of its subsidiaries are set out in note 30 to the consolidated financial statements.

## RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2018 are set out in the consolidated statement of profit or loss and other comprehensive income on page 38.

## BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2018 is set out in the sections “Chairman’s Statement” and “Management Discussion and Analysis” on pages 4 to 7 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 89. The summary does not form part of the audited consolidated financial statements.

## PROPERTY, PLANT AND EQUIPMENT

During the year, the Group spent HK\$74,000 (2017: HK\$1,127,000) 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 21 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 2018.

Directors do not recommended payment of dividend for the year ended 31 December 2018 (2017: Nil).



# DIRECTORS' REPORT

## DIVIDEND POLICY

The Board of the Company may declare and distribute dividends to the shareholders of the Company, provided that the Company records a profit and that the declaration and distribution of dividends do not affect the normal operations of the Company and its subsidiaries (the “Group”). The Board may, subject to the Articles of Association of the Company, make recommendation to the shareholders on the distribution of final dividends and may from time to time pay to the shareholders interim dividends based on the financial position of the Company. The Company’s ability to declare dividends will depend on, among others, the operating results and earnings, capital requirements, general financial condition, prevailing economic environment and other factors of the Company which the Board then consider relevant, and the interest of the shareholders and the Company as a whole.

## 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 Kia Hong, Mr. Fong Po Kiu and Ms. Ng See Wai Rowena 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 21 to 22 of this annual report.

# DIRECTORS' 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' INTERESTS IN SHARES

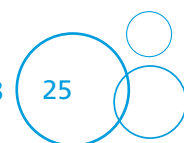
At 31 December 2018, the interests of the Directors and their associates, in the shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO"), or as otherwise notified to the Company 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	1,846,754	128,000	-	203,607,467	205,582,221	73.42%
Lim Kiah Meng	1,729,024	80,000	170,880	203,607,467	205,587,371	73.42%
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.



# DIRECTORS' REPORT

## DIRECTORS' INTERESTS IN SHARES (CONTINUED)

### (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.

### (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	6,933,108	400,000	-	178,640,000	185,973,108	66.90%
Lim Kiah Meng	5,403,200	250,000	534,000	178,640,000	184,827,200	66.49%
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.

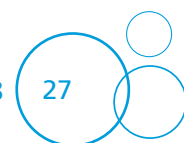
# DIRECTORS' REPORT

## 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	Outstanding at 31 December 2017 and 2018
<b>Lim Kia Hong</b>				
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
<b>Lim Hwee Hai (Note)</b>				
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
<b>Lim Kiah Meng</b>				
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
<b>Wong Yi Ting</b>				
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

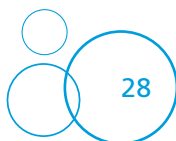
On 16 December 2014 by written resolution, the Company adopted a share option scheme (“Scheme”) pursuant to which selected participants may be granted options to subscribe for shares as incentives or rewards for their service rendered to the Group and any entity in which any member of the Group holds 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 2017 and 2018
<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 2017 and 2018
<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 2018.

# DIRECTORS' REPORT

## SUBSTANTIAL SHAREHOLDERS

As at 31 December 2018, 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%

#### Notes:

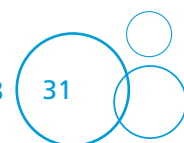
146,442,667 shares are registered in the name of SiS International. SiS International is owned as to approximately 50.5% by Gold Sceptre Limited. Gold Sceptre Limited holds 44,915,200 shares and Kelderman Limited, Valley Tiger Limited and Swan River Limited each holds 4,083,200 shares in the issued share 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 2018.

## MAJOR CUSTOMERS AND SUPPLIERS

The aggregate revenue attributable to the Group's five largest customers was approximately 42% by value of the Group's total goods sales during the year, with the largest customer accounted for 19%. The five largest suppliers of the Group comprised approximately 96% by value of the Group's total purchases during the year, with the largest supplier accounted for 65%.

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.





# DIRECTORS' REPORT

## 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.

## 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

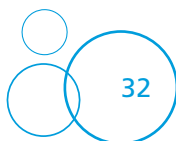
The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as the code of conduct for Directors in their dealings in securities of the Company. Having made specific enquiry of all directors, all directors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



# DIRECTORS' REPORT

## **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 2018.

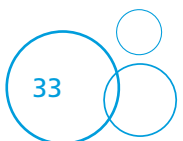
## **AUDITORS**

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, 27 March 2019



# INDEPENDENT AUDITOR'S REPORT

# Deloitte.

# 德勤

## 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 38 to 88, which comprise the consolidated statement of financial position as at 31 December 2018, 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.

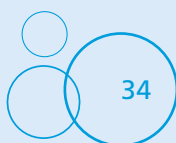
In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting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

### BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSA”) 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\$50,005,000, net of allowance on obsolete and slow moving inventories of HK\$540,000 as at 31 December 2018.

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

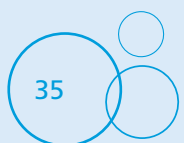
- Obtaining an understanding of how allowance on obsolete and slow moving inventories is estimated by the management;
- Testing the accuracy of the ageing of the inventories listed in the system generated report to the goods received notes on a sampling basis;
- Discussing with the management on the basis of determining the NRV and evaluate and assess 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.

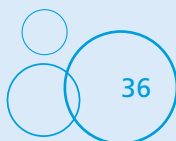
Those charged with governance are responsible for overseeing the Group's financial reporting process.

## 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 HKSA's 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 HKSA's, 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.

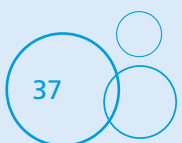
We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

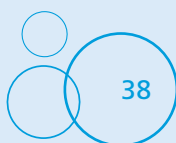
Hong Kong  
27 March 2019



# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

	NOTES	2018 HK\$'000	2017 HK\$'000
Revenue	6	472,535	445,911
Cost of sales		(448,937)	(421,027)
Gross profit		23,598	24,884
Other income		347	605
Other gains and losses	7	(564)	94
Selling and distribution expenses		(9,189)	(8,277)
Administrative expenses		(14,067)	(15,384)
Finance costs	8	(40)	(18)
Profit before tax	9	85	1,904
Income tax credit (expense)	10	12	(584)
Profit for the year		97	1,320
<b>Other comprehensive income</b>			
<i>Item that will not be subsequently reclassified to profit or loss</i>			
Loss from changes in fair value of equity instruments at fair value through other comprehensive income		(2,534)	–
<i>Item that may be subsequently reclassified to profit or loss</i>			
Gain from changes in fair value of available-for-sale investments		–	245
(Loss) profit and total comprehensive (expense) income for the year attributable to owners of the Company		(2,437)	1,565
Earnings per share	12		
– Basic (HK cents)		0.03	0.47
– Diluted (HK cents)		0.03	0.47



# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

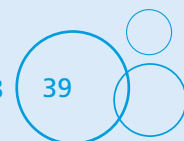
AT 31 DECEMBER 2018

	NOTES	2018 HK\$'000	2017 HK\$'000
<b>Non-current Assets</b>			
Property, plant and equipment	13	649	975
Available-for-sale investments	16	–	1,954
Equity instruments at fair value through other comprehensive income	17	14,638	–
		<u>15,287</u>	<u>2,929</u>
<b>Current Assets</b>			
Inventories	14	50,005	33,049
Trade and other receivables, deposits and prepayments	15	55,281	29,776
Bank balances and cash	18	14,925	70,953
		<u>120,211</u>	<u>133,778</u>
<b>Current Liabilities</b>			
Trade payables, other payables and accruals	19	33,627	33,425
Contract liabilities	20	1,607	–
Tax payable		3	584
		<u>35,237</u>	<u>34,009</u>
<b>Net Current Assets</b>		<u>84,974</u>	<u>99,769</u>
<b>Total Assets less Current Liabilities and Net Assets</b>		<u>100,261</u>	<u>102,698</u>
<b>Capital and Reserves</b>			
Share capital	21	28,000	28,000
Reserves		72,261	74,698
Equity attributable to owners of the Company and total equity		<u>100,261</u>	<u>102,698</u>

The consolidated financial statements on pages 38 to 88 were approved and authorised for issue by the board of directors on 27 March 2019 and are signed on its behalf by:

LIM KIA HONG  
DIRECTOR

LIM KIAH MENG  
DIRECTOR



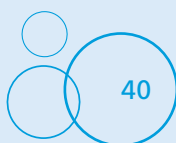


# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

	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 2017	28,000	2,522	3,497	6,359	-	59,696	100,074
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-based payment	-	-	-	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>
Profit for the year	-	-	-	-	-	97	97
Loss from changes in fair value of equity instruments at fair value through other comprehensive income	-	-	-	-	(2,534)	-	(2,534)
Loss and total comprehensive income for the year	-	-	-	-	(2,534)	97	(2,437)
At 31 December 2018	<b>28,000</b>	<b>2,522</b>	<b>3,497</b>	<b>7,418</b>	<b>(2,289)</b>	<b>61,113</b>	<b>100,261</b>

*Note: The special reserve represents the contribution from SiS International Holdings Limited 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 2018

	2018 HK\$'000	2017 HK\$'000
<b>OPERATING ACTIVITIES</b>		
Profit before tax	85	1,904
Adjustments for:		
Depreciation of property, plant and equipment	400	172
Reversal of allowance on obsolete and slow moving inventories	(69)	(2,237)
Allowance (reversal of allowance) for doubtful debts	284	(134)
Interest expense	40	18
Equity-settled share-based payment	-	1,059
Operating cash flows before movements in working capital	740	782
Movements in working capital:		
(Increase) decrease in inventories	(16,887)	2,380
Increase in trade and other receivables, deposits and prepayments	(25,789)	(764)
Decrease in investment held-for-trading	-	99
Increase (decrease) in trade payables, other payables and accruals	305	(4,242)
Increase in contract liabilities	1,504	-
<b>CASH USED IN OPERATIONS</b>	(40,127)	(1,745)
Tax paid	(569)	-
Tax refunded	-	2,042
<b>NET CASH (USED IN) FROM OPERATING ACTIVITIES</b>	(40,696)	297
<b>INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(74)	(1,127)
Purchase of available-for-sale investments	-	(1,709)
Purchase of equity instruments at fair value through other comprehensive income	(15,218)	-
<b>CASH USED IN INVESTING ACTIVITIES</b>	(15,292)	(2,836)
<b>FINANCING ACTIVITIES</b>		
Interest paid	(40)	(18)
New bank loans raised	6,214	12,699
Repayment of bank loans	(6,214)	(12,699)
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	(40)	(18)
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(56,028)	(2,557)
<b>CASH AND CASH EQUIVALENTS AT 1 JANUARY</b>	70,953	73,510
<b>CASH AND CASH EQUIVALENTS AT 31 DECEMBER,</b> represented by bank balances and cash	14,925	70,953

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

## 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 Holdings Limited (“SiS”), a company incorporated in Bermuda with its shares listed on the HKSE. SiS 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 30.

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 AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

### New and amendments to HKFRSs that are mandatorily effective for the current year

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

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK (IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

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

**New and amendments to HKFRSs that are mandatorily effective for the current year (Continued)**

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

The Group has applied HKFRS 15 for the first time in the current year. HKFRS 15 superseded HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the Standard retrospectively only to contracts that are not completed at 1 January 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 *Revenue* and HKAS 11 *Construction Contracts* and the related interpretations.

The Group recognised revenue from the sales and distribution of mobile phones and related products which arise from contracts with customers.

Information about the Group’s accounting policies and the performance obligations resulting from the application of HKFRS 15 are disclosed in notes 3 and 6 respectively.

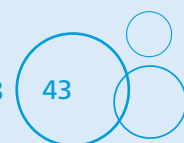
### **Summary of effects arising from initial application of HKFRS 15**

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2018. Line items that were not affected by the changes have not been included.

	<i>Note</i>	Carrying amounts previously reported at 31 December 2017 <i>HK\$'000</i>	Reclassification <i>HK\$'000</i>	Carrying amounts under HKFRS 15 at 1 January 2018 <i>HK\$'000</i>
<b>Current Liabilities</b>				
Trade payables, other payables and accruals	<i>(a)</i>	33,425	(103)	<b>33,322</b>
Contract liabilities	<i>(a)</i>	–	103	<b>103</b>

*Note:*

- (a) As at 1 January 2018, advances from customers of HK\$103,000 previously included in trade payables, other payables and accruals were reclassified to contract liabilities.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

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

New and amendments to HKFRSs that are mandatorily effective for the current year  
(Continued)

*HKFRS 15 Revenue from Contracts with Customers (Continued)*

*Summary of effects arising from initial application of HKFRS 15 (Continued)*

The following tables summarise the impacts of applying HKFRS 15 on the Group’s consolidated statement of financial position as at 31 December 2018 and statement of cash flows for the year then ended. There is no material impact to the Group’s consolidated statement of profit or loss and other comprehensive income. Line items that were not affected by the changes have not been included.

### Impact on the consolidated statement of financial position

	As reported <i>HK’000</i>	Adjustments <i>HK’000</i>	Amounts without application of HKFRS 15 <i>HK’000</i>
<b>Current Liabilities</b>			
Trade payables, other payables and accruals	33,627	1,607	35,234
Contract liabilities	1,607	(1,607)	–
	<u>          </u>	<u>          </u>	<u>          </u>

### Impact on the consolidated statement of cash flows

	As reported <i>HK’000</i>	Adjustments <i>HK’000</i>	Amounts without application of HKFRS 15 <i>HK’000</i>
<b>Operating activities</b>			
Increase in trade payables, other payables and accruals	305	1,504	1,809
Increase in contract liabilities	1,504	(1,504)	–
	<u>          </u>	<u>          </u>	<u>          </u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

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

**New and amendments to HKFRSs that are mandatorily effective for the current year (Continued)**

### **HKFRS 9 Financial Instruments**

In the current year, the Group has applied HKFRS 9 *Financial Instruments* and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities; 2) expected credit losses (“ECL”) for financial assets and other items and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between the carrying amounts, if any, as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 *Financial Instruments: Recognition and Measurement*.

Accounting policies resulting from application of HKFRS 9 are disclosed in note 3.

### **Summary of effects arising from initial application of HKFRS 9**

The table below illustrates the classification and measurement of financial assets under HKFRS 9 and HKAS 39 at the date of initial application, 1 January 2018.

	<i>Note</i>	<b>Available- for-sale investments HK\$’000</b>	<b>Equity instruments at fair value through other comprehensive income HK\$’000</b>
<b>Closing balance at 31 December 2017</b>			
– HKAS 39		1,954	–
<b>Effect arising from initial application of HKFRS 9:</b>			
<b>Reclassification</b>			
From available-for-sale investments	(a)	(1,954)	1,954
<b>Opening balance at 1 January 2018</b>		–	1,954

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

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

**New and amendments to HKFRSs that are mandatorily effective for the current year (Continued)**

**HKFRS 9 Financial Instruments (Continued)**

**Summary of effects arising from initial application of HKFRS 9 (Continued)**

*Note:*

- (a) Available-for-sale (“AFS”) investments

From AFS equity investments to fair value through other comprehensive income (“FVTOCI”)

The Group elected to present in other comprehensive income (“OCI”) for the fair value changes of all its equity investments previously classified as available-for-sale. These investments are not held for trading and not expected to be sold in the foreseeable future. At the date of initial application of HKFRS 9, HK\$1,954,000 were reclassified from available-for-sale investments to equity instruments at FVTOCI. The fair value gain of HK\$245,000 relating to those investments previously carried at fair value continues to accumulate in investments reserve.

### Impairment under ECL model

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables. Trade receivables have been assessed collectively using appropriate groupings and individually for credit impaired balances.

ECL for other financial assets at amortised cost mainly comprise of other receivables, deposits and bank balances which are assessed on 12-month ECL (“12m ECL”) basis as there had been no significant increase in credit risk since initial recognition.

The directors of the Company considers that the measurement of ECL has no material impact to the Group’s retained profits as at 1 January 2018.

### Impacts on opening consolidated statement of financial position arising from the application of all new standards

As a result of the changes in the entity’s accounting policies above, the opening consolidated statement of financial position had to be restated. The following table shows the adjustments recognised for each individual line item affected. Line items that were not affected by the changes have not been included.

	31 December 2017 HK\$’000 (Audited)	HKFRS 15 HK\$’000	HKFRS 9 HK\$’000	1 January 2018 HK\$’000 (Restated)
<b>Non-current Assets</b>				
Available-for-sale investments	1,954	–	(1,954)	–
Equity instruments at FVTOCI	–	–	1,954	1,954
<b>Current Liabilities</b>				
Trade payables, other payables and accruals	33,425	(103)	–	33,322
Contract liabilities	–	103	–	103

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

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

### Impacts on opening consolidated statement of financial position arising from the application of all new standards (Continued)

*Note:* For the purposes of reporting cash flows from operating and investing activities under indirect method for the year ended 31 December 2018, movements in working capital have been computed based on opening statement of financial position as at 1 January 2018 as disclosed above.

### New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 16	Leases <sup>1</sup>
HKFRS 17	Insurance Contracts <sup>2</sup>
HK (IFRIC) – Int 23	Uncertainty over Income Tax Treatments <sup>1</sup>
Amendments to HKFRS 3	Definition of a Business <sup>4</sup>
Amendments to HKFRS 9	Prepayment Features with Negative Compensation <sup>1</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 1 and HKAS 8	Definition of Material <sup>5</sup>
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement <sup>1</sup>
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures <sup>1</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle <sup>1</sup>

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

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2021.

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

<sup>4</sup> Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2020.

Except for the new and amendments to HKFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

### 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. In addition, HKFRS 16 requires sales and leaseback transactions to be determined based on the requirements of HKFRS 15 as to whether the transfer of the relevant asset should be accounted as a sale. HKFRS 16 also includes requirements relating to subleases and lease modifications.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

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

### New and amendments to HKFRSs in issue but not yet effective (Continued)

#### HKFRS 16 Leases (Continued)

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.

Other than certain requirements which are also applicable to lessor, 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 2018, the Group has non-cancellable operating lease commitments of HK\$2,032,000 as disclosed in note 27. 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. Adjustments to refundable rental deposits paid would be considered as additional lease payments and included in the carrying amount of right-of-use assets. Adjustments to refundable rental deposits received would be considered as advance lease payments.

The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The Group intends to elect the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK (IFRIC)-Int 4 Determining whether an Arrangement contains a lease and HK (IFRIC)-Int 4. Therefore, the Group will not previously identified as containing a lease applying HKAS 17 and HK (IFRIC)-Int 4. Therefore, the Group will not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application. Furthermore, the Group intends to elect the modified retrospective approach for the application of HKFRS 16 as lessee and will recognise the cumulative effect of initial application to opening retained profits without restating comparative information.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

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

**New and amendments to HKFRSs in issue but not yet effective (Continued)**

### ***Amendments to HKAS 1 and HKAS 8 Definition of Material***

The amendments provide refinements to the definition of material by including additional guidance and explanations in making materiality judgements. The amendments also align the definition across all HKFRSs and will be mandatorily effective for the Group’s annual period beginning on 1 January 2020. The application of the amendments is not expected to have significant impact on the financial position and performance of the Group but may affect the presentation and disclosures in the consolidated financial statements.

## 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.

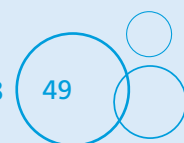
Historical cost is generally based on the fair value of the consideration given in exchange of goods and services.

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*.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 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.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interest having a deficit balance.

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.

### Revenue from contracts with customers (upon application of HKFRS 15 in accordance with transitions in note 2)

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good (or a bundle of goods) that is distinct or a series of distinct goods that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Revenue from contracts with customers (upon application of HKFRS 15 in accordance with transitions in note 2) (Continued)

Revenue from sales of mobile phones and related products is recognised at a point in time when the customer obtains control of the distinct good upon delivery. Transportation and other related activities that occur before control of the related goods are considered as fulfilment activities.

A contract liability represents the Group's obligation to transfer goods to a customer for which the Group has received consideration (or an amount of consideration) from the customer.

### Revenue recognition (prior to 1 January 2018)

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.

### 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.

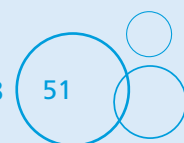
Operating lease payments when the Group is the lessee are recognised as an expense on a straight-line basis over the lease term.

### 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.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15 since 1 January 2018. 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 (“FVTPL”)) 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 FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (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 financial asset or financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

### Financial assets

#### *Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in note 2)*

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Financial instruments (Continued)

#### Financial assets (Continued)

#### *Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in note 2) (Continued)*

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income (“OCI”) if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 *Business Combinations* applies.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

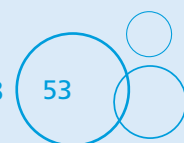
#### (a) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset is no longer credit-impaired, interest income is recognised by applying the interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

#### (b) Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains or losses arising from changes in fair value recognised in OCI and accumulated in the investments reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to retained profits.

Dividends from these investments are recognised in profit or loss when the Group’s right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the “other income” line item in profit or loss.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Financial instruments (Continued)

#### *Financial assets (Continued)*

#### *Impairment of financial assets (upon application of HKFRS 9 with transitions in accordance with note 2)*

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade and other receivables, deposits and bank balances). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12m ECL represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables. The ECL on trade receivables are assessed collectively using appropriate groupings and individually for credit impaired balances.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial application, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(a) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Financial instruments (Continued)

#### Financial assets (Continued)

#### *Impairment of financial assets (upon application of HKFRS 9 with transitions in accordance with note 2) (Continued)*

##### (a) Significant increase in credit risk (Continued)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

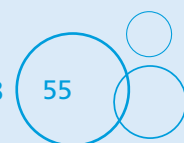
Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

##### (b) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full.

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.





# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Financial instruments (Continued)

#### Financial assets (Continued)

#### *Impairment of financial assets (upon application of HKFRS 9 with transitions in accordance with note 2) (Continued)*

##### (c) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

##### (d) Write-off policy

The Group writes off a financial asset when there is information including that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over one year past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Financial instruments (Continued)

#### Financial assets (Continued)

#### *Impairment of financial assets (upon application of HKFRS 9 with transitions in accordance with note 2) (Continued)*

(e) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

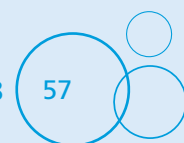
Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- nature of financial instruments (i.e. the Group's trade receivables are assessed as a separate group);
- past due status and repayment history; and
- nature, size and reputation of debtors.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on the amortised cost of the financial asset.

The Group recognised an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables, where the corresponding adjustment is recognised through a loss allowance account.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Financial instruments (Continued)

#### *Classification and subsequent measurement of financial assets (before application of HKFRS 9 on 1 January 2018)*

Financial assets are classified as loans and receivables and AFS financial assets. The classification depends on the natures and purposes of the financial assets and is determined at the time of initial recognition.

#### (a) 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.

#### (b) AFS financial assets (before application of HKFRS 9 on 1 January 2018)

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 OCI 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 reserve" is reclassified to profit or loss.

#### *Impairment of financial assets (before application of HKFRS 9 on 1 January 2018)*

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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Financial instruments (Continued)

#### *Classification and subsequent measurement of financial assets (before application of HKFRS 9 on 1 January 2018) (Continued)*

#### *Impairment of financial assets (before application of HKFRS 9 on 1 January 2018) (Continued)*

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.

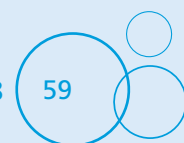
For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

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.

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 OCI and accumulated in investments reserve.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Financial instruments (Continued)

#### *Classification and subsequent measurement of financial assets (before application of HKFRS 9 on 1 January 2018) (Continued)*

##### *Derecognition of financial assets*

The Group derecognises a financial assets only when the contractual rights to the cash flows from the assets expire.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI upon application of HKFRS 9, the cumulative gain or loss previously accumulated in the investments reserve is not reclassified to profit or loss, but is transferred to retained profits.

On derecognition of an AFS financial asset, the cumulative gain or loss previously accumulated in the investments reserve is reclassified to profit or loss.

### *Financial liabilities and equity instruments*

#### *Classification as debt or equity*

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 Company 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.

#### *Derecognition of financial liabilities*

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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 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.

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.

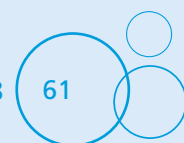
### Inventories

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.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### **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.

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 22.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Share-based payment arrangements (Continued)

#### *Equity-settled share-based payment transactions (Continued)*

#### *Share options granted to employees (Continued)*

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 share options reserve.

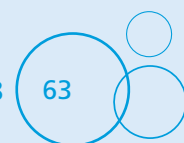
When share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be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

### 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 differs from "profit before tax" 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.





# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Taxation (Continued)

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.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised in profit or loss.

## 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

## 4. KEY SOURCES OF ESTIMATION UNCERTAINTY

### 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\$50,005,000 (2017: HK\$33,049,000), net of allowance on obsolete and slow moving inventories of HK\$540,000 (2017: HK\$609,000) as at 31 December 2018.

### Provision of ECL for trade receivables

The Group assesses trade receivables collectively using appropriate groupings and trade receivables which are credit impaired are assessed for ECL individually. The default rates are based on internal credit ratings as groupings of various debtors that have similar loss patterns, taking into consideration forward-looking information that is reasonable and supportable without undue costs or effort. At every reporting date, the default rates are reassessed and changes in the forward-looking information are considered.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group’s trade receivables are disclosed in notes 25 and 15, respectively.

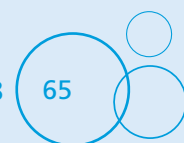
## 5. SEGMENTAL REPORTING

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.

### Major customer information

For the year ended 31 December 2018, revenue from customers contributed over 10% of the total revenue of the Group is from one customer with total amount of HK\$92,029,000 (2017: HK\$54,384,000), in relation to the sales and distribution of mobile phones and related products.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

## 5. SEGMENTAL REPORTING (CONTINUED)

### *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 sales and distribution of mobile phones and related products.

The Group's major revenue stream is distribution of mobile phones and related products in Hong Kong. The Group and its customers act as principal as the Group and the customers control the specified goods before it is transferred. The performance obligation is satisfied and the control of goods is transferred to the Group's customers upon delivery of the goods. Transportation and other related activities that occur before the control of the related goods are considered as fulfilment activities. The Group allows credit period from 0 day to 90 days to its trade customers. Sales return and warranty on defect items are borne by the suppliers. Rebate to customers are recorded on monthly basis.

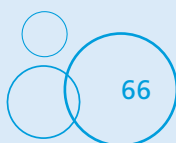
All income from the distribution of mobile phones and related products are for period of one year or less. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

## 7. OTHER GAINS AND LOSSES

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Exchange loss, net	280	16
Loss from changes in fair value of investment held-for-trading	–	24
Allowance (reversal of allowance) for doubtful debts	284	(134)
	<u>564</u>	<u>(94)</u>

## 8. FINANCE COSTS

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Interest on bank loans	<u>40</u>	<u>18</u>



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

## 9. PROFIT BEFORE TAX

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

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Auditor's remuneration	753	748
Directors' remuneration		
– Fees	960	960
– Salaries and other emoluments	3,028	2,911
– Contribution to retirement benefit	42	53
– Equity-settled share-based payment	–	778
	<u>4,030</u>	<u>4,702</u>
Other staff costs		
– Salaries and other emoluments	11,384	11,067
– Contribution to retirement benefit	466	434
– Equity-settled share-based payment	–	281
	<u>15,880</u>	<u>16,484</u>
Cost of inventories recognised as an expense (including reversal of allowance on obsolete and slow moving inventories of HK\$69,000 (2017: HK\$2,237,000))	448,937	421,027
Depreciation of property, plant and equipment	400	172
Operating lease rentals in respect of rented premises	1,605	2,029
Dividend income from equity instruments at FVTOCI	(329)	–

## 10. INCOME TAX (CREDIT) EXPENSE

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Hong Kong:		
Current	18	584
Overprovision in prior year	(30)	–
	<u>(12)</u>	<u>584</u>

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

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

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Accordingly, starting from the current year, the Hong Kong profits tax is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2 million for the qualified entity.

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

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Profit before tax	<u>85</u>	<u>1,904</u>
Tax at applicable statutory tax rate of 16.5%	14	314
Tax effects of expenses not deductible in determining taxable profit	-	179
Tax effects of two-tiered profits tax regime	(17)	-
Overprovision in prior year	(30)	-
Tax effects of deductible temporary differences not recognised	47	(159)
Tax effects of tax losses not recognised	272	336
Tax effect of utilisation of tax losses previously not recognised	(298)	(116)
Others	<u>-</u>	<u>30</u>
	<u>(12)</u>	<u>584</u>

The Group has unutilised and unrecognised tax losses of approximately HK\$17,055,000 (2017: HK\$17,211,000) and unrecognised deductible temporary differences of approximately HK\$837,000 (2017: assets of approximately HK\$552,000) 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 2018

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

### (a) Directors' emoluments

For the year ended 31 December 2018

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	Total HK\$'000
Fong Po Kiu	(a)	120	1,250	116	18	1,504
Lim Kiah Meng	(a)	120	1,200	100	8	1,428
Lim Kia Hong	(b)	120	-	-	-	120
Lim Hwee Hai	(b)	120	-	-	-	120
Wong Yi Ting	(a)	120	334	28	16	498
Chu Chung Yi	(c)	120	-	-	-	120
Doe Julianne Pearl	(c)	120	-	-	-	120
Ng See Wai Rowena	(c)	120	-	-	-	120
		<b>960</b>	<b>2,784</b>	<b>244</b>	<b>42</b>	<b>4,030</b>

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
		<b>960</b>	<b>2,688</b>	<b>223</b>	<b>53</b>	<b>778</b>	<b>4,702</b>

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 2018

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

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

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 years ended 31 December 2017 and 2018.

### (b) Five highest paid individuals

The five highest paid individuals included two (2017: three) directors of the Company whose emolument are included in the disclosure above. The emoluments of the remaining three (2017: two) individual for the years ended 31 December 2018 and 2017 are as follows:

	2018 HK\$'000	2017 HK\$'000
Salaries and other benefits	2,125	1,451
Performance bonuses ( <i>Note</i> )	125	109
Contributions to retirement benefit scheme	52	36
Equity-settled share-based payment	—	80
	<b>2,302</b>	<b>1,676</b>

*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:

	2018	2017
HK\$Nil to HK\$1,000,000	2	1
HK\$1,000,001 to HK\$1,500,000	1	1
	<b>3</b>	<b>2</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

## 12. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the Group's profit attributable to owners of the Company of HK\$97,000 (2017: HK\$1,320,000) and the weighted average number of ordinary shares of 280,000,000 (2017: 280,000,000).

The computation of the diluted earnings 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.

## 13. PROPERTY, PLANT AND EQUIPMENT

	Furniture and fittings HK\$'000	Office equipment HK\$'000	Office renovations HK\$'000	Total HK\$'000
<b>COST</b>				
At 1 January 2017	361	741	1,661	2,763
Additions	–	19	1,108	1,127
Written off	(312)	(441)	(1,530)	(2,283)
<b>At 31 December 2017</b>	<b>49</b>	<b>319</b>	<b>1,239</b>	<b>1,607</b>
<b>Additions</b>	<b>–</b>	<b>74</b>	<b>–</b>	<b>74</b>
<b>Written off</b>	<b>–</b>	<b>(67)</b>	<b>–</b>	<b>(67)</b>
<b>At 31 December 2018</b>	<b>49</b>	<b>326</b>	<b>1,239</b>	<b>1,614</b>
<b>ACCUMULATED DEPRECIATION</b>				
At 1 January 2017	361	721	1,661	2,743
Charge for the year	–	14	158	172
Written off	(312)	(441)	(1,530)	(2,283)
<b>At 31 December 2017</b>	<b>49</b>	<b>294</b>	<b>289</b>	<b>632</b>
<b>Charge for the year</b>	<b>–</b>	<b>20</b>	<b>380</b>	<b>400</b>
<b>Written off</b>	<b>–</b>	<b>(67)</b>	<b>–</b>	<b>(67)</b>
<b>At 31 December 2018</b>	<b>49</b>	<b>247</b>	<b>669</b>	<b>965</b>
<b>CARRYING VALUES</b>				
<b>At 31 December 2018</b>	<b>–</b>	<b>79</b>	<b>570</b>	<b>649</b>
At 31 December 2017	–	25	950	975

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 2018

## 14. INVENTORIES

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Finished goods	50,545	33,658
Allowance on obsolete and slow moving inventories	(540)	(609)
	<u>50,005</u>	<u>33,049</u>

During the year, reversal of allowance on obsolete and slow moving inventories of HK\$69,000 (2017: HK\$2,237,000) 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

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Trade receivables	25,075	16,874
Allowance for credit losses	(284)	–
	<u>24,791</u>	<u>16,874</u>
Other receivables	16,817	11,857
Deposits	11,496	496
Prepayments	2,177	549
	<u>30,490</u>	<u>12,902</u>
	<u>55,281</u>	<u>29,776</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\$.

Included in deposits, HK\$10,938,000 (2017: Nil) represents refundable deposits paid to a supplier for purchase of goods.

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 credit period from 0 day to 90 days to its trade customers. No interest is charged on overdue debts.

The following is an aged analysis of trade receivables, net of allowance for credit losses, presented based on the invoice date at the end of each reporting period.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

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

The aging of trade receivables is as follows:

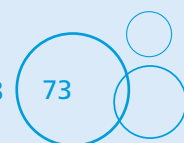
	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Within 30 days	14,818	11,856
31 – 60 days	7,725	3,911
61 – 90 days	2,208	727
91 – 120 days	40	367
Over 120 days	–	13
Total	<u>24,791</u>	<u>16,874</u>

As at 31 December 2018, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK\$10,488,000 which are past due as at the reporting date. The Group does not hold any collateral over these balances.

As at 31 December 2017, included in the trade receivables balance are debts with total carrying amount of HK\$6,222,000 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>
Overdue:	
1 – 30 days	5,059
31 – 60 days	769
61 – 90 days	368
91 – 120 days	13
Over 120 days	<u>13</u>
Total	<u>6,222</u>



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

## 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 2017	744
Reversal of impairment losses	(134)
Written off	(610)
	<hr/>
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.

Details of impairment assessment of trade and other receivables for the year ended 31 December 2018 are set out in note 25.

## 16. AVAILABLE-FOR-SALE INVESTMENTS

	2017 <i>HK\$000</i>
Listed investments:	
Equity securities listed overseas, at fair value	958
Equity securities listed in HK, at fair value	996
	<hr/>
Total	1,954
	<hr/>
Investment for reporting purpose:	
Non-current assets	1,954
	<hr/>

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

## 17. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2018 HK\$'000
Listed investments:	
– Equity securities listed overseas	4,989
– Equity securities listed in Hong Kong	9,649
Total	<u>14,638</u>

*Note:* The above listed equity investments represent ordinary shares of entities listed in overseas and Hong Kong. These investments are not held for trading; instead, they are held for long-term purposes. The directors of the Company have elected to designate these investments in equity instruments as at FVTOCI as they believe that recognising short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's intention of holding these investments for long-term purposes and realising their performance potential in the long run.

## 18. BANK BALANCES AND CASH

Bank balances carry interest at market rates ranging from 0.001% to 0.01% (2017: 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\$2,312,000 (2017: HK\$2,639,000).

## 19. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

	2018 HK\$'000	2017 HK\$'000
Trade payables	23,612	22,072
Advance received from customers	–	103
Accrued staff costs	3,114	3,281
Accruals	5,828	6,927
Others	1,073	1,042
	<u>33,627</u>	<u>33,425</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\$8,827,000 (2017: HK\$6,713,000).

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

## 19. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS (CONTINUED)

The aging of trade payables is as follows:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Within 30 days	15,353	15,753
31 to 90 days	1,976	144
91 to 120 days	–	–
Over 120 days	6,283	6,175
	<u>23,612</u>	<u>22,072</u>

## 20. CONTRACT LIABILITIES

	31.12.2018 <i>HK\$'000</i>	1.1.2018* <i>HK\$'000</i>
Sales and distribution of mobile phones and related products	<u>1,607</u>	<u>103</u>

\* The amounts in this column are after the adjustments from the application of HKFRS 15.

The following table shows how much of the revenue recognised in the current year relates to carried-forward contract liabilities.

	Sales and distribution of mobile phones and related products <i>HK\$'000</i>
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	<u>103</u>

The Group receives deposits from certain customers when they issues purchase order. This results in contract liabilities being recognised until the control of the mobile phones and related products is passed to the customers.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

## 21. SHARE CAPITAL

	Number of ordinary shares of HK\$0.10 each	Nominal value HK\$'000
Authorised		
At 1 January 2017, 31 December 2017 and 31 December 2018	<u>500,000,000</u>	<u>50,000</u>
Issued and fully paid		
At 1 January 2017, 31 December 2017 and 2018	<u>280,000,000</u>	<u>28,000</u>

## 22. SHARE-BASED PAYMENTS

### 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 2018.

The Group recognised an expense of HK\$nil (2017: HK\$1,059,000) for the year ended 31 December 2018 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 2018

## 22. SHARE-BASED PAYMENTS (CONTINUED)

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

	<b>Outstanding at 1 January 2017, 31 December 2017 and 2018</b>
Grantee	
Directors	6,390,000
Employees	1,500,000
	<u>7,890,000</u>

No options were exercised, granted, lapsed or forfeited during the years ended 31 December 2018 and 2017.

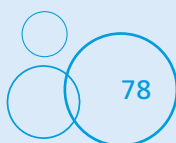
The following assumptions used to calculate the fair values of share options at the date of options granted were:

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.

## 23. 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.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

## 24. 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 Group, comprising issued capital, special reserve and retained profits.

The directors of the Company 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 of the Company 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.

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

### a. Categories of financial instruments

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
<b>Financial assets</b>		
Amortised cost:		
Trade and other receivables	41,608	28,731
Deposits	10,938	–
Bank balances and cash	14,925	70,953
	<u>67,471</u>	<u>99,684</u>
Available-for-sale investments	–	1,954
Equity instruments at FVTOCI	14,638	–
	<u>14,638</u>	<u>–</u>
<b>Financial liabilities held at amortised cost</b>		
Trade and other payables	24,685	23,114
	<u>24,685</u>	<u>23,114</u>

### b. Financial risk management objective and policies

The Group's major financial instruments include trade and other receivables, trade and other payables, equity instruments at FVTOCI and bank balances and cash. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (foreign currency risk, interest rate risk and price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

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

### b. Financial risk management objective and policies (Continued)

#### *Market risk*

#### *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.

#### *Foreign exchange risk*

Certain purchase of goods, other payables, other receivables, 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:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Assets	2,758	4,448
Liabilities	8,827	7,512

The management considers that for the monetary assets and liabilities dominated in United States dollars, the currency risk exposure is limited as Hong Kong dollars is pegged to United States dollars.

#### *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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

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

### b. Financial risk management objective and policies (Continued)

#### *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 equity instruments at FVTOCI (2017: available-for-sale investments) had been 10% (2017: 10%) higher/lower, the Group's equity instruments at FVTOCI (2017: available-for-sale investments) and investments reserve would increase/decrease by HK\$1,464,000 (2017: HK\$195,000).

#### *Credit risk and impairment assessment*

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.

#### *Trade receivables arising from contracts with customers*

In order to minimise the credit risk, the management of the Group has delegated certain staffs responsible for determination of credit limits and credit approvals. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In addition, the Group performs impairment assessment under ECL model upon application of HKFRS 9 (2017: incurred loss model) that trade receivables are assessed collectively using appropriate groupings and individually for credit impaired balances.

The Group has concentration of credit risk over its trade receivables of which 56% (2017: 47%) 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.

#### *Other receivables/bank balances*

The credit risks on bank balances are limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Other receivables are considered low risk as these debtors are all reputable and have a strong capacity to meet its contractual cash flow obligation the near term with no history of default in payment. Thus, no loss allowance for other receivables was recognised.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

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

### b. Financial risk management objective and policies (Continued)

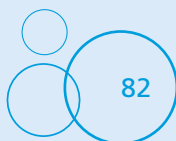
#### Credit risk and impairment assessment (Continued)

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables	Other financial assets
Low risk	The counterparty has a low risk of default with good repayment history	Lifetime ECL-not credit-impaired	12-month ECL
Watch list	Debtor frequently repays after due dates but usually in full	Lifetime ECL-not credit-impaired	12-month ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL-not credit-impaired	Lifetime ECL-not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL-credit-impaired	Lifetime ECL-credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

The tables below detail the credit risk exposures of the Group's financial assets, which are subject to ECL assessment:

2018	Notes	External Credit rating	Internal credit rating	12-month or lifetime ECL	Gross carrying amount HK\$'000
Trade receivables	15	N/A	Low risk (Note a)	Lifetime ECL	23,744
			Watch list (Note a)	Lifetime ECL	1,047
			Loss	Lifetime ECL credit-impaired	284
Other receivables	15	N/A	Low risk (Note b)	12-month ECL	16,817
Deposits	15	N/A	Low risk (Note c)	12-month ECL	10,938
Bank balances	18	AA- (Note d)	N/A	12-month ECL	14,925



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

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

### b. Financial risk management objective and policies (Continued)

#### *Credit risk and impairment assessment (Continued)*

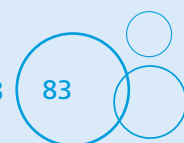
Notes:

- a. The Group determined the expected credit losses on the trade receivables collectively using grouping of various debtors that have similar repayment and loss patterns. Estimated loss rates are based on internal credit ratings, computed with reference to historical credit loss experience. Debtors that are large scale and/or with long business relationship with good repayment history are considered as low risk and a minimal default rate is assigned, while debtors which usually settle one to three months after due dates are considered as watch list and a low default rate is assigned.
- b. Other receivables amounted to HK\$\$16,817,000 are not past due or with no fixed repayment terms. The amount mainly represents rebate receivables due from suppliers. It has a low risk of default since the counterparties are subsidiaries of high-credit rating companies.
- c. For deposits, the amount is past due but the counterparty has a low risk of default since the counterparty is a wholly-subsiary of a high-credit rating company listed in Japan.
- d. For bank balances, the ECL is assessed by reference to probability of default, loss given default by credit rating grades published by international credit rating agencies.

Based on the ECL assessment, except for credit-impaired, no credit loss allowance was recognised for the financial assets (including trade and other receivables, deposits and bank balances) since the ECL amount is not significant.

	<b>Credit impaired 2018</b> <i>HK\$'000</i>
As at 31 December 2017 under HKAS 39 and as at 1 January 2018	–
Credit-impaired as defaulted	<u>(284)</u>
At 31 December 2018	<u>(284)</u>

The Group impaired a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery when the debtor has been placed under liquidation.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

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

### b. Financial risk management objective and policies (Continued)

#### 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 2018</b>				
<b>Financial liabilities</b>				
Non-interest bearing				
Trade and other payables	–	24,685	24,685	24,685
	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 liabilities</b>				
Non-interest bearing				
Trade and other payables	–	23,114	23,114	23,114

The above table has been drawn up based on the undiscounted cash flows of financial liabilities (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 2018

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

### b. Financial risk management objective and policies (Continued)

#### *Fair values*

*Fair values of the Group's financial assets and financial liabilities that are measured at fair values 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 2018**

	Fair value hierarchy Level 1 HK\$'000
Listed securities classified as Equity instruments at FVTOCI	<u>14,638</u>

##### **At 31 December 2017**

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

The fair values of listed securities are determined with reference to quoted market bid prices from relevant stock exchanges.

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

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.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

## 26. RELATED PARTIES TRANSACTIONS

The directors of the Company 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 (2017: 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 of the Company 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.

## 27. OPERATING LEASE COMMITMENTS

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

	2018 HK\$'000	2017 HK\$'000
Within one year	1,370	1,605
In the second to fifth years inclusive	662	2,031
	<u>2,032</u>	<u>3,636</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 periods.

## 28. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities. 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.

	Bank loans HK\$'000
At 1 January 2017	–
Financing cash flows	(18)
Interest expenses	18
	<u>–</u>
At 31 December 2017 and 1 January 2018	–
Financing cash flows	(40)
Interest expenses	40
	<u>–</u>
At 31 December 2018	<u>–</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

## 29. FINANCIAL POSITION OF THE COMPANY

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

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
<b>Non-current Assets</b>		
Interest in unlisted subsidiaries	102,000	102,000
Available-for-sale investments*	–	1,954
Equity instruments at fair value through other comprehensive income*	<u>14,638</u>	<u>–</u>
	<u>116,638</u>	<u>103,954</u>
<b>Current Assets</b>		
Other receivables and prepayments	225	227
Bank balances	<u>664</u>	<u>6,393</u>
	889	6,620
<b>Current Liabilities</b>		
Payables and accruals	1,450	1,467
Amount due to subsidiaries	<u>11,122</u>	<u>–</u>
	<u>12,572</u>	<u>1,467</u>
<b>Net current (liabilities) assets</b>	<u>(11,683)</u>	<u>5,153</u>
<b>Net Assets</b>	<u>104,955</u>	<u>109,107</u>
<b>Capital and Reserves</b>		
Share capital	28,000	28,000
Share premium	2,522	2,522
Other reserves (Note below)	<u>74,433</u>	<u>78,585</u>
Total Equity	<u>104,955</u>	<u>109,107</u>

\* On initial adoption of HKFRS 9 as at 1 January 2018, available-for-sale investments have been reclassified as equity instruments at FVTOCI. Except for the above, the application of the new and amendments to HKFRSs in the current year has had no material impact on the Company's financial position for the current and prior years.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

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

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

	Accumulated losses HK\$'000	Special reserve HK\$'000	Share options reserve HK\$'000	Investments reserve HK\$'000	Total HK\$'000
At 1 January 2017	(28,070)	101,999	6,359	–	80,288
Loss and total comprehensive expense for the year	(3,007)	–	–	–	(3,007)
Gain from changes in fair value of available-for-sale investments	–	–	–	245	245
Recognition of equity-settled share-based payment	–	–	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>
Loss and total comprehensive expense for the year	(1,618)	–	–	–	(1,618)
Loss from changes in fair value of equity instruments at FVTOCI	–	–	–	(2,534)	(2,534)
At 31 December 2018	<b>(32,695)</b>	<b>101,999</b>	<b>7,418</b>	<b>(2,289)</b>	<b>74,433</b>

## 30. PARTICULARS 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
			2018 %	2017 %	
<b>Direct subsidiaries:</b>					
Synergy Technologies (Asia) Limited	Hong Kong	HK\$5,000,000	100	100	Distribution of mobile phones and related products
Qool International Limited	Hong Kong	HK\$1	100	100	Distribution of mobile phones and related products
<b>Indirect subsidiary:</b>					
Sun Well Limited	Hong Kong	HK\$1	100	100	Sales of mobile phone and related products

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

The directors of the Company 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				
	2014 HK\$'000	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2018 HK\$'000
Revenue	1,412,068	832,452	615,997	445,911	<b>472,535</b>
Profit (loss) before taxation	(13,301)	2,979	(7,767)	1,904	<b>85</b>
Income tax (expense) credit	(2,474)	(2,338)	43	(584)	<b>12</b>
Profit (loss) for the year	(15,775)	641	(7,724)	1,320	<b>97</b>
Attributable to Owners of the Company	(15,775)	641	(7,724)	1,320	<b>97</b>

## ASSETS AND LIABILITIES

	At 31 December				
	2014 HK\$'000	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2018 HK\$'000
Total assets	153,448	157,394	137,741	136,707	<b>135,498</b>
Total liabilities	(83,171)	(52,281)	(37,667)	(34,009)	<b>(35,237)</b>
Net assets	70,277	105,113	100,074	102,698	<b>100,261</b>
Attributable to Owners of the Company	70,277	105,113	100,074	102,698	<b>102,261</b>

