



**2015**  
*ANNUAL REPORT*



**Hi-Level Technology Holdings Limited**  
**揚宇科技控股有限公司**

STOCK CODE : 8113

## **CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

**GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.**

**Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.**

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*This report, for which the directors (the “**Directors**”) of Hi-Level Technology Holdings Limited (the “**Company**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “**GEM Listing Rules**”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.*

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# Corporate Information

## DIRECTORS

### *Executive Directors*

Mr. Yim Yuk Lun, Stanley JP (*Chairman*)  
Mr. Chang Wei Hua (*Chief Executive Officer*)  
Mr. Wei Wei  
Mr. Tong Sze Chung

### *Non-Executive Director*

Mr. Lau Ping Cheung

### *Independent Non-Executive Directors*

Mr. Shea Chun Lok, Quadrant  
Mr. Fung Cheuk Nang, Clement  
Mr. Tsoi Chi Ho, Peter

## AUDIT COMMITTEE

Mr. Shea Chun Lok, Quadrant (*Chairman*)  
Mr. Fung Cheuk Nang, Clement  
Mr. Tsoi Chi Ho, Peter

## NOMINATION COMMITTEE

Mr. Shea Chun Lok, Quadrant (*Chairman*)  
Mr. Fung Cheuk Nang, Clement  
Mr. Tong Sze Chung

## REMUNERATION COMMITTEE

Mr. Shea Chun Lok, Quadrant (*Chairman*)  
Mr. Fung Cheuk Nang, Clement  
Mr. Tong Sze Chung

## COMPANY SECRETARY

Mr. Tong Sze Chung

## REGISTERED OFFICE

89 Nexus Way, Camana Bay  
Grand Cayman KY1-9007  
Cayman Islands

## PRINCIPAL OFFICE

Room 614, 6/F., Tower B  
Hunghom Commercial Centre  
37 Ma Tau Wai Road, Hung Hom  
Kowloon, Hong Kong

## HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

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

## PRINCIPAL BANKER

Hang Seng Bank Limited

## AUDITOR

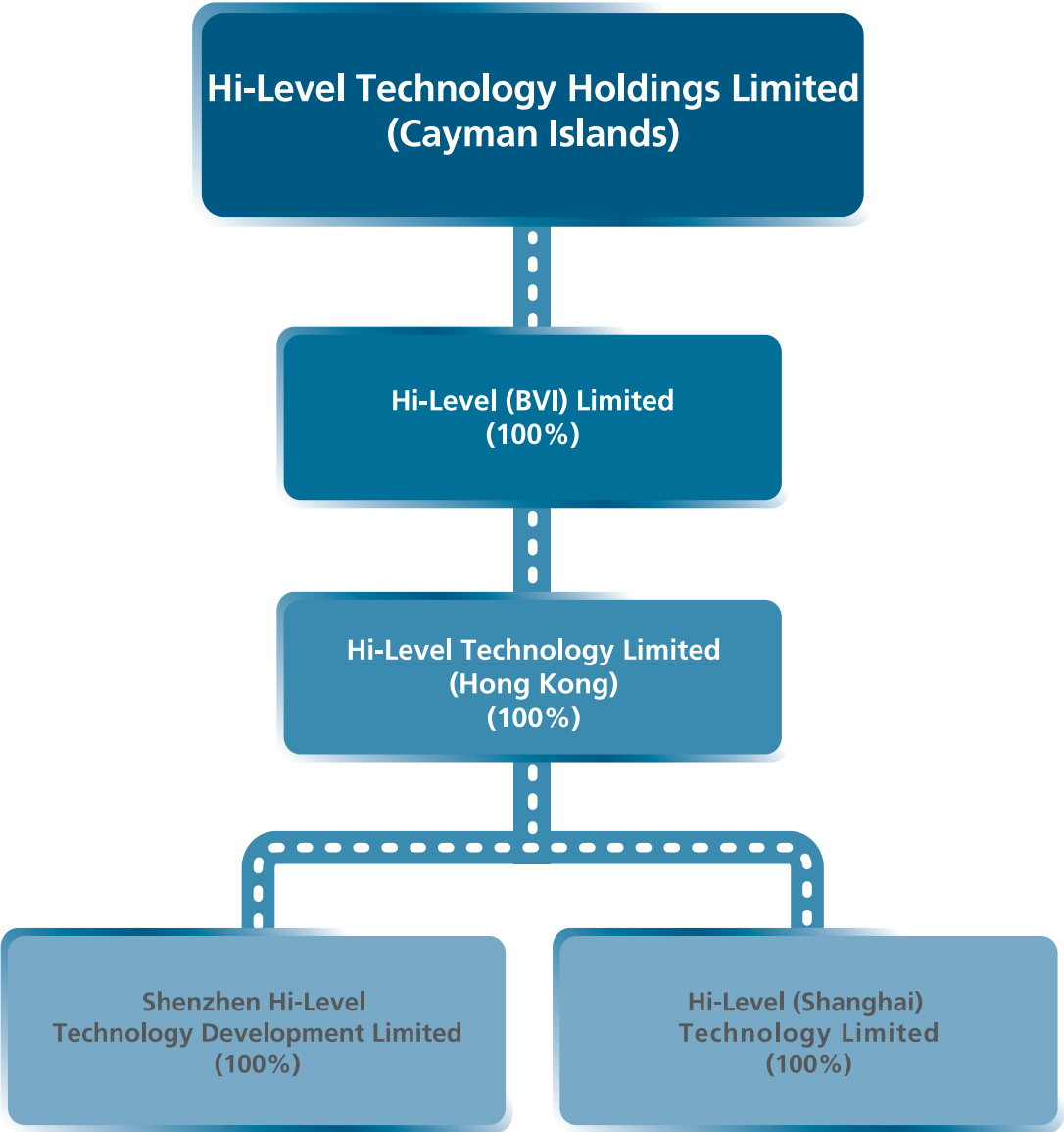
Deloitte Touche Tohmatsu  
Certified Public Accountants  
35/F., One Pacific Place  
88 Queensway, Hong Kong

## WEBSITE

<http://www.hi-levelhk.com>

## STOCK CODE

The Stock Exchange of Hong Kong Limited: 8113



## Financial Highlights

	2015 HK\$'000	2014 HK\$'000	Change
Revenue	<b>1,309,764</b>	962,876	+36%
Profit attributable to owners of the Company before listing expenses	<b>23,126</b>	20,032	+15%
Listing expenses	<b>(10,643)</b>	—	N/A
Profit attributable to owners of the Company	<b>12,483</b>	20,032	-38%
Proposed final dividend per share ( <i>HK cent</i> )	<b>1.00</b>	—	N/A

## TO OUR SHAREHOLDERS

On behalf of the Board, I am pleased to present the annual results of Hi-Level Technology Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31 December 2015.

2015 was definitely a remarkable year for the development of our Group. Our successful listing on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited on 7 January 2016 symbolised our reaching of a new milestone. The spin-off allowed two groups to create a more defined business focus, more efficient resource allocation and separate fund raising platforms to fund the respective business growth and expansion.

## FINANCIAL REVIEW

### REVENUE

For the year ended 31 December 2015, the Group achieved sales revenue of HK\$1,309,764,000 increased approximately 36.0% from HK\$962,876,000 recorded last year. The increase was primarily attributable from our increased sales to our electronic learning aid ("ELA"), multi-media player and set-top box customers.

### GROSS PROFIT

Gross profit was HK\$57,105,000 increased 22.6% from HK\$46,588,000 recorded last year. Gross profit margin was 4.4%, declined from 4.8% recorded last year.

### PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The profit attributable to owners of the Company for the year ended 31 December 2015 was HK\$12,483,000 decreased by approximately 37.7% as compared with HK\$20,032,000 recorded last year, mainly due to listing expenses incurred in the year ended 31 December 2015 of approximately HK\$10,643,000. Excluding the effect of the listing expenses, the profit attributable to owners of the Company increased by approximately 15.4% to approximately HK\$23,126,000 for the year ended 31 December 2015.

### ADMINISTRATIVE AND DISTRIBUTION COSTS

The Group's operating costs for the reporting period were HK\$27,707,000 (2014: HK\$20,555,000), representing an increase of approximately 34.8% compared to the corresponding period in 2014. This was mainly attributable to the increase in operating expenses such as transportation and logistics charge incurred during the year under review.

### DIVIDENDS

The Board has recommended a final dividend of HK1 cent per share for the year ended 31 December 2015 subject to approval by the shareholders at the forthcoming annual general meeting. A special dividend in respect of the year ended 31 December 2015 of HK\$1.60 per share, or in aggregation of HK\$40,000,000, was declared by Hi-Level Hong Kong to its then shareholders conditionally upon listing of the shares of the Company. Subsequent to the reporting period, it was paid by Hi-Level Hong Kong to its then shareholders upon listing of the shares of the Company on 7 January 2016.

# Chairman's Statement

## BUSINESS REVIEW

The Group is an independent design house (IDH), primarily engaged in the sale of electronic components (mainly integrated circuit ("IC") and panels) for consumer electronic such as ELA, mobile internet device ("MID"), set-top box, multi-media player and video image device together with the provision of IDH services to original brand manufacturers and original design manufacturers.

### *ELA*

According to the research report of China Insights Consultancy Limited, the ELA market in China has been growing at a compound annual growth rate of approximately 10.5% from 2014 to 2019, which is a market with stable growth. By working with the top three branded ELA customers, namely BBK Education Electronics Co., Ltd. (步步高教育電子有限公司), Zhongshan Readboy Electronics Co., Ltd. (中山市讀書郎電子有限公司) and Shenzhen Century Noah Education Electronics Co., Ltd. (深圳市世紀諾亞舟教育電子有限公司), the Company recorded major growth of revenue under this product category by providing them both the Innolux panel and Rockchip IC solutions during the year under review.

### *MID*

Although the sales of MID products showed sign of saturation in 2015, the Company successfully promoted Rockchip 3G/4G turnkey solutions to those MID manufacturers in second half of 2015 and received positive responses.

### *Set-Top Box*

During the year under review, the next generation of set-top box, the digital OTT box, became more popular for home entertainment along with the popularity of digital televisions. We are benefited by delivering more Sunplus IC solutions to those branded customers for China and overseas markets.

### *Multi-Media Player*

During the year under review, we recorded satisfactory growth in the multi-media player segment. We successfully promoted our reliable industrial grade Sunplus multimedia IC solutions to those car infotainment system manufacturers as well as high end Cirrus Logic digital decoding IC to those manufacturer of hi-resolution Digital Audio Players ("DAP").

### *Video Image Device*

In 2015, video image devices grew rapidly with diversification of different products, such as sport cam, hunting cam, drone cam, car video recorder. The Company has many years of experience in developing video image ICs for the different demands from customers, such as upgrading of video specifications, increase in image transmission over WiFi, enhancing night camera effect and functions, etc. As a result, the sales of the Company's iCatch, IC solution for the those products increased substantially during the year under review.



## OUTLOOK

In 2016, the overall global economic environment is not optimistic, the Company is still positive in our business developments. We have more than a decade of experience in the development of consumer electronic products and successfully captured the trend and pulse of product developments in past years. In December 2015, one of the subsidiaries of the Group has successfully applied for the status of Hi-Tech Enterprise in the PRC as recognition of our design house capability.

In 2016, we will allocate more resources on our focus products, such as ELA, wearable device, drone, hi-resolution DAP and the virtual reality ("VR") headset products.

- ***ELA***

With implementation of the 2-child policy in China, educational product is expected to enter a rapid growth trend in the next few years. We will continue to work more closely with the leading ELA customers. As a good start in 2016, we have received orders from all top 4 ELA branded customers in China which covered more than 50% market share for this product.

- ***Wearable device***

This product is currently concentrated on the development of smart healthcare bracelets and smart watches, application in other products is yet to develop. The Company started to develop smart watches for kids and expected our customer to commence commercial production in the first half of 2016.

- ***Drone***

This product presented overwhelming developments in all aspects in 2015. The Company will continue to focus on the application of video image IC products and started to invest in the development of Flight Control System to pursue the next phase of growth in 2016.

- ***Hi-resolution DAP***

Using smartphone as music player is no longer satisfy consumers pursuing for good audio experience and more and more people are buying high end DAP devices. Also the earphone of the next generation high end smartphone will adopt new specifications on audio function, it is predicted that there will be large demand our Cirrus Logic digital audio decoders solutions.

- ***VR headset***

The Company has also stepped into the high potential VR headset market by co-operating with our key suppliers and one of our ELA customers to capture the development of this market in the PRC.

# Chairman's Statement

## APPRECIATION

On behalf of the Board of Directors, I would like to thank all our employees for their contribution and commitments. I also wish to extend my sincere gratitude to our shareholders, customers, suppliers and other business partners for their long-term supports and dedication.

**Yim Yuk Lun, Stanley JP**

*Chairman*

Hong Kong, 21 March 2016

# Management Discussion and Analysis

## LIQUIDITY AND FINANCIAL RESOURCES

As of 31 December 2015, the Group's current ratio was 137% (2014: 139%). The Group was in net cash position and maintained sufficient working capital with bank balances and cash of HK\$54,443,000 (2014: HK\$53,429,000) and bank borrowings of HK\$50,865,000 (2014: HK\$27,941,000) as at 31 December 2015. The Group's operations are financed principally by available cash and bank balance generated from its business operations and bank borrowings.

The Group recorded debtors turnover of approximately 30 days for the year under review (2014: 27 days) based on the amount of the average of beginning and ending debtors divided by revenue for the respective year, multiplied by 365 days.

The Group recorded inventory turnover and average payable year of 19 days and 40 days respectively for the year under review (2014: approximately 24 days and 43 days respectively) based on the amount of inventory and creditors as at 31 December 2015, divided by cost of sales for the respective year and multiplied by 365 days.

## FOREIGN EXCHANGE RISK MANAGEMENT

The Group derives its turnover, makes purchases and incurs expenses denominated mainly in Renminbi, US\$ and HK\$. Currently, the Group has not entered into agreements or purchased instruments to hedge the Group's exchange rate risks. The management considers that the foreign exchange risk with respect to US\$ is not significant as HK\$ is pegged to US\$ and transactions denominated in US\$ are mainly carried out by entities with the same functional currency. The exchange rate of Renminbi is subject to the rules and regulations of foreign exchange control promulgated by the PRC government. The Group manages foreign currency risk by closely monitoring the movement of the foreign currency rates.

## EMPLOYEE AND REMUNERATION POLICY

As 31 December 2015, the Group employed approximately 90 employees in the Greater China region. We ensures that their remuneration packages are comprehensive and competitive. Employees are remunerated with a fixed monthly income plus annual performance related bonuses.

Other than medical insurance and provident fund schemes, we also offer share options to our key employees as a long-term incentive who are identified as essential to our Group's operations and future development.

# Directors and Senior Management Profiles

## DIRECTORS

### *Executive Directors*

**Mr. Yim Yuk Lun, Stanley JP (嚴玉麟)**, aged 56, was appointed as a chairman and executive Director of the Company on 1 October 2015. He is responsible for the formulation of corporate strategies and the overall direction for our Group's management team. Mr. Yim is the founder, executive Director and chairman and managing director of S.A.S. Dragon Holdings Limited (stock code: 1184), a company listed on the Main Board of the Stock Exchange since 25 May 1993. Mr. Yim has been an independent director of Innolux Corporation (stock code: 3481), a company listed on the Taiwan Stock Exchange, since 1 July 2013. He is currently the vice chairman of the Hong Kong Electronic Industries Association, a member of Hong Kong Professionals and Senior Executives Association, a member of Yan Chai Hospital Advisory Board, the chairman of School Management Committee of Yan Chai Hospital Yim Tsui Yuk Shan Kindergarten, a member of the Chinese People's Political Consultative Conference Shanghai Committee, a member of the Chinese People's Political Consultative Conference Yunfu Committee, the chairman of Fight Crime Committee of Tsuen Wan District and a member of Tsuen Wan District Junior Police Call Honorary President Council.

**Mr. Chang Wei Hua (張偉華)**, age 51, was appointed as an executive Director and chief executive officer of the Company on 1 October 2015. He was appointed as general manager of Hi-Level Technology Limited in 2000 and was appointed as a managing director of Hi-Level Technology Limited in 2003. He graduated from Tunghnan University in Taiwan with a Bachelor's degree in Electronics Engineering in June 1985.

Mr. Chang has over 15 years of experience in corporate management and business development. He has also over 25 years of extensive experience in sales, marketing and undertaking R & D projects within electronics field.

**Mr. Wei Wei (魏衛)**, aged 46, was appointed as an executive Director of the Company on 1 October 2015. He is the founder of Hi-Level Technology Limited. He was appointed as Director and executive vice president of Hi-Level Technology Limited in 2000. He graduated from Huazhong University of Science and Technology in Wuhan, Hubei with a Bachelor's degree in Electronics Engineering in July 1991.

Mr. Wei is responsible for the operations of our Group in the PRC. He has over 20 years of management experience within the electronics field in sales, marketing and undertaking R & D projects.

**Mr. Tong Sze Chung (唐思聰)**, aged 47, was appointed as an executive Director on 1 October 2015 and he is also a financial controller and company secretary of the Company. He is a member of the Remuneration Committee and Nomination Committee. Mr. Tong joined Hi-Level Technology Limited as the financial controller on 1 January 2013. He obtained a Bachelor's degree of Business Administration from the Open University of Hong Kong. He is an associate member of the Hong Kong Institute of Certified Public Accountants. Mr. Tong has been appointed as an independent non-executive director of Kong Shum Union Property Management (Holding) Limited (stock code: 8181), a company listed on the GEM of the Stock Exchange, from September 2013 to February 2015.

Mr. Tong is responsible for the accounting and financial management of Hi-Level group's operations. He has over 15 years in accounting and financial management.

# Directors and Senior Management Profiles

## *Non-Executive Director*

**Mr. Lau Ping Cheung (劉秉璋)**, aged 45, was appointed as a non-executive Director of the Company on 1 October 2015. Mr. Lau joined S.A.S. Electronic Company Limited, a wholly owned subsidiary of S.A.S. Dragon Holdings Limited (stock code: 1184), a company listed on the Main Board of the Stock Exchange in 2002 and is currently the sales vice president of S.A.S. Electronic Company Limited. Mr. Lau was appointed as an executive director of S.A.S. Dragon Holdings Limited in 2011. He graduated from the University of Hong Kong with a Bachelor's degree of Engineering in November 1993 and got his Master's degree in Engineering Business Management jointly awarded by The Hong Kong Polytechnic University and The University of Warwick in November 2004. He has over 20 years of experience in electronic field on sales, marketing and R&D project development.

## *Independent Non-Executive Directors*

**Mr. Shea Chun Lok, Quadrant (佘俊樂)**, aged 49, was appointed as an independent non-executive Director of the Company on 21 December 2015. He is a chairman of our Audit Committee, Nomination Committee and Remuneration Committee. Mr. Shea graduated from Monash University of Australia with a Bachelor's degree in Business and later completed a post graduate program of Public Finance (Taxation) and obtained a Master degree in Economics, majoring in finance, from Jinan University of China. He is also a fellow member of CPA Australia, a member of Hong Kong Institute of Certified Public Accountants, the Taxation Institute of Hong Kong, Chartered Institute of Management Accountants of United Kingdom and Institute of Singapore Chartered Accountant and a Chartered Global Management Accountant. Mr. Shea is a Certified Tax Adviser of Hong Kong and China Tax Committee member of the Taxation Institute of Hong Kong and has obtained a Certificate of Pass in Practice Training Examination for Hong Kong Certified Tax Advisers serving in Shenzhen-Hong Kong Modern Service Industry Cooperation Zone, Qianhai, Shenzhen jointly issued by Shenzhen Municipal Office of the State Administration of Taxation and Shenzhen Local Taxation Bureau. Mr. Shea has substantial experience in accounting and finance in listed companies. He was the group financial controller of S.A.S. Dragon Holdings Limited (stock code: 1184) from May 1999 to Jun 2005, a company listed on the Main Board of the Stock Exchange. Mr. Shea is currently the chief financial officer and company secretary of China City Construction Group Holdings Limited (stock code: 711), a company listed on the Main Board of the Stock Exchange. Mr. Shea has also been appointed as an independent non-executive director of Beijing Enterprises Water Group Limited (stock code: 371) since 2002, a company listed on the Main Board of the Stock Exchange.

**Mr. Fung Cheuk Nang, Clement (馮卓能)**, aged 39, was appointed as an independent non-executive Director of the Company on 21 December 2015. He is a member of Audit Committee, Remuneration Committee and Nomination Committee. He has extensive management experience in development and manufacturing of consumer products. Mr. Fung is also a director of Smarhome Technology Limited and Smarhome Products Limited, both of which are privately-owned consumer electronics companies in Hong Kong. He was an executive director of New Chinese Medicine Holdings Limited (stock code: 8085), a listed company of GEM Board of the Stock Exchange, from July 2005 to October 2007, and also served as a non-executive director of China Financial International Investments Limited (stock code: 0721), a listed company of Main Board of the Stock Exchange, from February 2008 to May 2011.

## Directors and Senior Management Profiles

**Mr. Tsoi Chi Ho, Peter (蔡子豪)**, aged 29, was appointed as an independent non-executive Director of the Company on 21 December 2015. He is a member of the Audit Committee. Mr. Tsoi graduated from the York University of Canada with a Bachelor's degree in Business Administration Studies in June 2009 and obtained his Master's degree in E-Commerce from the Hong Kong Polytechnic University in November 2010. Mr. Tsoi has been the marketing director of an international trading company in South Africa since 2010 and is mainly responsible for coordinating sales and sourcing electronic products from China to South Africa. He has substantial experience in marketing and trading of electronic products as well as extensive knowledge on the electronic industry of South Africa.

### SENIOR MANAGEMENT

**Mr. Li Xiao Ming (李曉鳴)**, aged 51, was appointed as director of Shenzhen Hi-Level Technology Development Limited in 2003 and Video Innovation Tech Limited in 2011, both of which are subsidiaries of Hi-Level Technology Limited. He joined Hi-Level Technology Limited in May 2002 and is currently as the marketing director. He graduated from Chongqing University in 1984 with a Bachelor's degree in Electronics Engineering. He has more than 30 years of management experience within the electronics field in product development. Mr. Li Xiao Ming is also an indirect shareholder of the Company.

**Mr. Huang Yung Hsing (黃永興)**, aged 50, was appointed as a supervisor of Hi-Level (Shanghai) Technology Limited in August 2007 and was appointed as a director of Hi-Level (Shanghai) Technology Limited in December 2015. He joined Hi-Level Technology Limited as the engineering director in 2002. He graduated from Tungnan University in 1985 with a Bachelor's degree in Electronics Engineering. He has more than 20 years of experience within the electronics fields of engineering and R & D projects development. Mr. Huang Yung Hsing is also a shareholder of the Company.

**Mr. Huang Huang Chi (黃煌旗)**, aged 43, joined the Company in 2005 and is currently the sales director of Shenzhen Hi-Level Technology Development Limited. He graduated from Hwa Hsia University of Technology in 1994 and has 15 years of management experience in sales and marketing. Mr. Huang Huang Chi is also an indirect shareholder of the Company.

# Corporate Governance Report

The Company recognizes the importance of corporate transparency and accountability. The Company is committed in achieving a high standard of corporate governance and leading the Group to attain better results and improve its corporate image with effective corporate governance procedures.

The Company's corporate governance practices are based on the principles of the Corporate Governance Code (the "CG Code") as set out in Appendix 15 to the GEM Listing Rules. The Company has listed on the GEM since 7 January 2016 (the "Listing Date"), that is, after the financial year ended 31 December 2015. Since the Listing Date and up to the date of this Corporate Governance Report, the Company had complied with the applicable code provisions (the "Code Provisions") set out in the CG Code, except for the deviations from the CG Code provisions A.1.8. which is explained in the relevant paragraph below.

## BOARD OF DIRECTORS

The Board is responsible for the formulation of corporate strategies, the setting of appropriate strategic policies and internal control and the oversight of the operation and financial performance of the Group. The Board are individually and collectively accountable to the shareholders of the Company (the "Shareholders") for the success and sustainable development of the Group.

Day-to-day management of the Group is delegated to the executive directors or senior management. Executive directors and senior management meet regularly to review the performance of the businesses of the Group as a whole, co-ordinate overall resources and make financial and operational decisions. The Board also gives clear directions as to their powers of management including circumstances where management should report back, and will review the delegation arrangements on a periodic basis to ensure that they remain appropriate to the needs of the Group.

## BOARD COMPOSITION

The Board comprises eight Directors and their respective roles are set out as follows:

### *Executive Directors:*

Mr. Yim Yuk Lun, Stanley JP (Chairman)	(appointed on 1 October 2015)
Mr. Chang Wei Hua (Chief Executive Officer)	(appointed on 1 October 2015)
Mr. Wei Wei	(appointed on 1 October 2015)
Mr. Tong Sze Chung	(appointed on 1 October 2015)

### *Non-executive Director:*

Mr. Lau Ping Cheung	(appointed on 1 October 2015)
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### *Independent non-executive Directors:*

Mr. Shea Chun Lok, Quadrant	(appointed on 21 December 2015)
Mr. Fung Cheuk Nang, Clement	(appointed on 21 December 2015)
Mr. Tsoi Chi Ho, Peter	(appointed on 21 December 2015)

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

# Corporate Governance Report

Details of remuneration paid to members of key management (including all Directors and senior management as disclosed in section headed "Directors and Senior Management Profiles" of this report) for the year ended 31 December 2015 fell within the following bands:

	<b>Number of individual 2015</b>
HK\$1,000,001 to HK\$1,500,000	1
Exceeding HK\$1,500,000	N/A

Under the CG Code provision A.1.8, an issuer should arrange appropriate insurance cover in respect of legal action against its Directors. With regular and timely communications among the Directors and the management of the Group, the management of the Group believes that all potential claims and legal actions against the Directors can be handled effectively and the possibility of actual litigation against the Directors is low. The Company will consider to make such an arrangement as and when it thinks necessary.

## ***Chairman and Chief Executive Officer***

The roles of the Chairman and the Chief Executive Officer are separate and are not performed by the same individual. Mr. Yim Yuk Lun, Stanley *JP* holds the position of the Chairman of the Group and is responsible for the formulation of corporate strategies and the overall direction for the Group's management team.

Mr. Chang Wei Hua holds the position of the Chief Executive Officer of the Group and is responsible for day-to-day management of the Group's business.

## ***Director's Appointments, Re-election and Removal***

Mr. Yim Yuk Lun, Stanley *JP*, the Chairman of the Company and Mr. Lau Ping Cheung, the non-executive Director of the Company have entered into a letter of appointment and all other executive Directors have entered into a service contract with the Company commencing from 1 October 2015 for an initial term of one year, during which either party may terminate the service agreement by giving the other not less than three months written notice.

Each of the independent non-executive Directors has entered into a letter of appointment for a term of one year commencing from 21 December 2015 and termination by not less than three months' notice in writing served by the independent non-executive Director or the Company.

All the Directors, including non-executive and independent non-executive Directors, are subject to retirement by rotation and eligible for re-election in accordance with the Company's articles of association. At each annual general meeting, not less than one third of the Directors then in office shall retire and every Director is subject to retirement by rotation at least once every three years.



# Corporate Governance Report

## ***Confirmation of Independence***

Each of the independent non-executive Directors had made a confirmation of independence by reference to Rule 5.09 of the GEM Listing Rules and the Board is satisfied that all the independent non-executive Directors were independent and met the independent guidelines set out in Rule 5.09 of the GEM Listing Rules since the date of their respective appointments, up to the date of this annual report.

## ***Number of Meetings and Directors' Attendance***

The Board meets regularly for considering, reviewing and/or approving matters relating to, among others, the financial and operating performance, as well as, the overall strategies and policies of the Company. Additional meetings are held when significant events or important issues are required to be discussed and resolved.

Three Board meetings were held (before the Listing Date) during the Year. The individual attendance record of the Board meeting are set out as follows:

	<b>Number of Board Meetings attended/ eligible to attend</b>
<i>Executive Directors:</i>	
Mr. Yim Yuk Lun, Stanley <i>JP</i>	2/3
Mr. Chang Wei Hua	3/3
Mr. Wei Wei	2/3
Mr. Tong Sze Chung	3/3
<i>Non-executive Director:</i>	
Mr. Lau Ping Cheung	2/3
<i>Independent non-executive Directors:</i>	
Mr. Shea Chun Lok, Quadrant	1/3
Mr. Fung Cheuk Nang, Clement	1/3
Mr. Tsoi Chi Ho, Peter	1/3

From the Listing Date and up to the date of this annual report, no general meeting was held.

# Corporate Governance Report

## BOARD COMMITTEES

### *Audit committee*

The Board established the audit committee on 23 December 2015 with written terms of reference which are of no less exacting terms than those set out in the CG Code.

The audit committee comprises three independent non-executive Directors, namely Mr. Shea Chun Lok, Quadrant, Mr. Fung Cheuk Nang, Clement and Mr. Tsoi Chi Ho, Peter. Mr. Shea Chun Lok, Quadrant is the chairman of the audit committee.

The primary duties of the audit committee are to review and supervise the financial reporting process, risk management and internal control system of the Company, nominate and monitor external auditors, meet with external auditor regularly and provide advice and comments to the Board.

The audit committee had reviewed the Group's consolidated financial statements for the Year.

No audit committee meeting was held during the Year. From the Listing Date and up to the date of this annual report, one audit committee meeting was held to review and discuss with the management of the Company and the external auditors the accounting principles and practices adopted by the Group, as well as internal controls and other financial reporting matters. The attendance records of individual committee members are set out below:

	<b>Number of Meetings attended/ eligible to attend</b>
<i>Independent non-executive Directors:</i>	
Mr. Shea Chun Lok, Quadrant	1/1
Mr. Fung Cheuk Nang, Clement	1/1
Mr. Tsoi Chi Ho, Peter	1/1

### *Remuneration committee*

The Board established the remuneration committee on 23 December 2015 with written terms of reference which are of no less exacting terms than those set out in the CG Code.

The remuneration committee comprises one executive Director namely Mr. Tong Sze Chung and two independent non-executive Directors, namely Mr. Shea Chun Lok, Quadrant and Mr. Fung Cheuk Nang, Clement. Mr. Shea Chun Lok, Quadrant is the chairman of the remuneration committee.

The primary duties of the remuneration committee are to make recommendations to the Board on the overall remuneration policy and structure relating to all Directors and senior management of the Group, review and recommend the management's remuneration proposals by reference to the corporate goals and objectives.

# Corporate Governance Report

No remuneration committee meeting was held during the Year. From the Listing Date and up to the date of this annual report, one remuneration committee meeting was held to review and discuss with the management of the Company the remuneration policy and structure of the Directors and senior management of the Group.

	<b>Number of Meetings attended/ eligible to attend</b>
Mr. Shea Chun Lok, Quadrant	1/1
Mr. Fung Cheuk Nang, Clement	1/1
Mr. Tong Sze Chung	1/1

## ***Nomination committee***

The Board established the Nomination Committee on 23 December 2015 with written terms of reference which are of no less exacting terms than those set out in the CG Code.

The nomination committee comprises one executive Director namely Mr. Tong Sze Chung and two independent non-executive Directors, namely Mr. Shea Chun Lok, Quadrant and Mr. Fung Cheuk Nang, Clement. Mr. Shea Chun Lok, Quadrant is the chairman of the nomination committee.

The primary function of the nomination committee is to make recommendations to the Board regarding appointment of Directors and candidates to fill vacancies on the Board.

The Board adopted the board diversity policy in accordance with the requirement as set out in the CG Code. The Board recognizes the benefits of having a diverse Board and considers a number of factors which include but are not limited to skills, knowledge, gender, experience, age, cultural and educational background, or professional experience as to its composition. The nomination committee regularly monitors and reviews the implementation of the Board diversity policy.

No nomination committee meeting was held during the Year. From the Listing Date and up to the date of this annual report, one nomination committee meeting was held to review and discuss the composition of the Board of the Company and to assess the independency of independent non-executive Directors. The attendance records of individual committee members are set out below:

	<b>Number of Meetings attended/ eligible to attend</b>
Mr. Shea Chun Lok, Quadrant	1/1
Mr. Fung Cheuk Nang, Clement	1/1
Mr. Tong Sze Chung	1/1

# Corporate Governance Report

## CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the functions specified in Code Provision D.3.1 of the CG Code, which include reviewing the Company's corporate governance policies and practices, the continuous professional development of the Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements (including the GEM Listing Rules) and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

## DIRECTORS' CONTINUOUS TRAINING AND PROFESSIONAL DEVELOPMENT

Pursuant to Code Provision A.6.5 of the CG Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. Each Director received induction on the first occasion of his appointment, so as to ensure that he/she has appropriate understanding of the business and operations of the Group and that he is sufficiently aware of his/her responsibilities and obligations under the GEM Listing Rules and other relevant legal and regulatory requirements.

During the Year, all Directors participated in the continuous professional developments regarding the duties and responsibility of the Directors under the relevant legal and regulatory requirement which included reading materials in relation to legal or regulatory update and/or attending training course provided by the legal advisors.

## SECURITIES TRANSACTIONS BY DIRECTORS

The Company had adopted Rules 5.48 to 5.67 of the GEM Listing Rules as its own code of conduct (the "Code of Conduct") regarding securities transactions by the Directors. All Directors, after specific enquiries by the Company, confirmed to the Company their compliance with the Code of Conduct since the Listing Date and up to the date of this annual report.

## AUDITOR'S REMUNERATION

The remuneration paid/payable to the auditor of the Company during the Year is set out as follows:

<b>Services rendered in 2015</b>	<b>HK\$'000</b>
Statutory audit services	1,000
Non-audit services	
— as reporting accountant for the Company's listing on GEM by way of placing	2,300
— review internal control	290
— non-audit and tax related service	70

## **DIRECTORS' RESPONSIBILITY STATEMENT**

The Directors acknowledge their responsibility to prepare financial statements for each half and full financial year which give a true and fair view of the state of affairs of the Group.

## **INTERNAL CONTROLS**

The Board has overall responsibility for the internal control system of the Group. The Board has developed its systems of internal control and risk management and is also responsible for reviewing and maintaining an adequate internal control system to safeguard the interests of the Shareholders and the assets of the Group. During the Year, the Board had conducted a review of the effectiveness of the internal control system which covered all material controls, including financial, operational and compliance controls and risk managements functions of the Group.

## **PROCEDURES FOR SHAREHOLDERS TO CONVENE AN EXTRAORDINARY GENERAL MEETING AND PROCEDURES FOR SHAREHOLDERS TO PUT FORWARD PROPOSALS AT SHAREHOLDERS' MEETINGS**

According to article 10.9 of the Company's articles of association, one or more Shareholders (the "Requisitionists"), holding not less than 10% of the total voting rights of the Company can convene an extraordinary general meeting (the "EGM") by depositing a requisition (the "Written Requisition") in writing to the Directors or the Company Secretary for the purpose of requiring the convening of the EGM. The Written Requisition must state the purposes of the meeting and not more than 1,000 words and must be signed by the Requisitionists. The Written Requisition shall be deposited to the Company's principal place of business at Room 614, 6/F., Tower B, Hunghom Commercial Centre, 37 Ma Tau Wai Road, Hunghom, Kowloon, Hong Kong and marked for the attention of the Board of Directors/Company Secretary. The Written Requisition will be verified with the Company's Hong Kong Share Registrar in Hong Kong and upon their confirmation that the Written Requisition is proper and in order, the Board will convene an EGM by serving sufficient notice in accordance with the statutory requirements to all the Shareholders.

If the Board does not within 21 days from the date of deposit of the Written Requisition proceed duly to convene the meeting to be held, the Requisitionists may convene the general meeting in the same manner within three months after the end of that period and all reasonable expenses incurred by the Requisitionists as a result of the failure of the Board in convening the meeting shall be reimbursed to them by the Company.

Shareholders may also use this same method to put forward proposals for the general meeting.

# Corporate Governance Report

## COMMUNICATION WITH SHAREHOLDERS

To foster effective communications with its shareholders, the Company provides extensive information in its annual report and press release. Also the Group disseminates information relating to its business electronically through its website at <http://www.hi-levelhk.com>. The Company regards the annual general meeting as an important event as it provides an important opportunity for direct communications between the Board and the Shareholders.

All Directors and senior management will make an effort to attend. All Shareholders will be given at least 20 clear business days' notice of the annual general meeting and are encouraged to attend the annual general meeting and other Shareholders' meetings.

The directors present their annual report and the audited consolidated financial statements of Hi-Level Technology Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2015.

## **CORPORATE REORGANISATION**

The Company was incorporated with limited liability in the Cayman Islands on 18 September 2015.

The companies now comprising the Group underwent a reorganisation ("Reorganisation") to rationalise the structure of the Group in preparation for the initial public offering of the shares of the Company on Growth Enterprise Market of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "GEM"). Pursuant to the Reorganisation, the Company became the holding company of the subsidiaries now comprising the Group. Details of the Reorganisation are set out in the Company's prospectus dated 31 December 2015.

The shares of the Company were listed on the GEM of the Stock Exchange by way of placing with effect from 7 January 2016.

## **PRINCIPAL ACTIVITIES**

The Company acts as an investment holding company and the activities of its principal subsidiaries are set out in Note 33 to the consolidated financial statements.

## **RESULT AND APPROPRIATIONS**

The results of the Group for the year ended 31 December 2015 are set out in the consolidated statement of profit or loss and other comprehensive income on page 32.

A final dividend in respect of the year ended 31 December 2014 of HK\$0.24 per share amounting to HK\$6,000,000 in aggregate was paid by Hi-Level Technology Limited to its then shareholders during the year.

A special dividend in respect of the year ended 31 December 2015 of HK\$1.60 per share amounting to HK\$40,000,000 in aggregate was declared and paid by Hi-Level Technology Limited to its then shareholders conditionally upon listing of the shares of Hi-Level Technology Holdings Limited on 7 January 2016.

The directors recommend the payment of a final dividend of HK1 cent per share to the shareholders on the register of members on 27 May 2016.

# Directors' Report

## **BUSINESS REVIEW**

Business review of the Group for the year ended 31 December 2015 has been stated in the Chairman's Statement on page 5 to 8 of this report.

## **MAJOR CUSTOMERS AND SUPPLIERS**

The aggregate purchases attributable to the Group's largest supplier and five largest suppliers taken together accounted for 25.5% and 76.1%, respectively, of the Group's total purchases for the year.

The aggregate sales attributable to the Group's largest customer and five largest customers taken together accounted for 18.6% and 33.4%, respectively, of the Group's total sales for the year.

## **PROPERTY, PLANT AND EQUIPMENT**

Details of movements in the property, plant and equipment of the Group during the year are set out in Note 14 to the consolidated financial statements.

## **SHARE CAPITAL**

Details of movements during the year in the share capital of the Company are set out in note 24 to the consolidated financial statements.

## **ANALYSIS OF KEY FINANCIAL PERFORMANCE INDICATORS**

For details of the key financial performance indicators to the performance the Group's business, please refer to "Management Discussion and Analysis" on page 9 of this report.

## **ENVIRONMENTAL PROTECTION**

The Group is committed to acting in an environmentally responsible manner. Recycling and use of eco-friendly stationery, plus a series of measures to save paper and energy, resulted in more efficient use of resources, as well as reduction of waste.

## **COMPLIANCE WITH REGULATIONS**

There was no material breach of or non-compliance with the applicable laws and regulations such as the Hong Kong Companies Ordinance (Cap. 622), Listing Rules, and other applicable local laws and regulations in various jurisdictions.



## RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

Remuneration packages are generally structured with reference to prevailing market terms and individual qualifications. Salaries and wages are normally reviewed on an annual basis based on performance appraisals and other relevant factors. Apart from salary payments, there are other staff benefits including mandatory provident fund, medical insurance and performance related bonus. Share options may also be granted to eligible employees of the Group.

Relationship is the fundamentals of business. The Group fully understand this principal and thus maintain close relationship with the customers to fulfil their immediate and long-term need.

The Group encompasses working relationships with suppliers to meet our customer's needs in an effective and efficient manner. The Group work closely and well-communicated to suppliers before the commencement of a project.

## PRINCIPAL RISK AND UNCERTAINTIES FACING THE COMPANY

The following lists out the principal risks and uncertainties facing the company in achieving business objectives and the Group's approach to tackle them:

### *Impact of local and international regulations*

The business operation of the Group is also subject to government policy, relevant regulations and guidelines established by the regulatory authorities. Failure to comply with the rules and requirements may lead to penalties, amendments or suspension of the business operation by the authorities. The Group closely monitors changes in government policies, regulations and markets as well as conducting studies to assess the impact of such changes.

### *Unable to adapt quickly to market changes*

The consumer electronics market is characterised by its fast changing nature and the Group need to be adaptive and quick to respond to such market changes. In the event the Group unable to adapt to such changes and/or unable to respond to such changes by providing timely solutions to our customers, our business and financial results would be adversely affected.

### *Foreign exchange risk*

Our functional currency is USD and our reporting currency is HKD, but our business transactions are denominated in various currencies, including USD, HKD and RMB, which expose us to foreign exchange risk. We are exposed to foreign currency risk through sales and purchases that are denominated in a currency other than the functional currency of the operations to which they relate or the reporting currency of the Group. Any significant changes in the exchange rates between our functional currency, reporting currency and the other currencies may result in losses for us and could adversely affect our business, results of operations and financial condition.

# Directors' Report

## DIRECTORS

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

### *Executive Directors*

Yim Yuk Lun, Stanley <i>JP</i>	(appointed on 1 October 2015)
Chang Wei Hua	(appointed on 1 October 2015)
Wei Wei	(appointed on 1 October 2015)
Tong Sze Chung	(appointed on 1 October 2015)

### *Non-Executive Director*

Lau Ping Cheung	(appointed on 1 October 2015)
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### *Independent Non-Executive Directors*

Shea Chun Lok, Quadrant	(appointed on 21 December 2015)
Fung Cheuk Nang, Clement	(appointed on 21 December 2015)
Tsoi Chi Ho, Peter	(appointed on 21 December 2015)

In accordance with Articles 14.4 to 14.6 of the Company's Articles of Association, all directors, including non-executive and independent non-executive directors, are subject to retirement by rotation and eligible for re-election. At each annual general meeting, not less than one third of the Directors then in office shall retire and every Director is subject to retirement by rotation at least once every three years.

## DIRECTORS' SERVICE CONTRACTS

Mr. Yim Yuk Lun, Stanley *JP*, the Chairman of the Company and Mr. Lau Ping Cheung, the non-executive Director of the Company have entered into a letter of appointment and all other executive Directors have entered into a service contract with the Company commencing from 1 October 2015 for an initial term of one year, during which either party may terminate the service agreement by giving the other not less than three months written notice.

Each of the independent non-executive Directors has entered into a letter of appointment for a term of one year commencing from 21 December 2015 and termination by not less than three months' notice in writing served by the independent non-executive Director or the Company.

Saved as disclosed above, other than statutory compensation, no director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

## DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at the date of this report, the directors and chief executive of the Company and/or any of their respective associates had the following interests and short positions in the shares, underlying shares and debentures of the Company and/or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or the GEM Listing Rules:

### *Long positions in shares*

#### *Ordinary shares of HK\$0.01 each of the Company*

<b>Name of directors</b>	<b>Capacity</b>	<b>Number of issued ordinary shares held</b>	<b>Percentage of issued share capital of the Company</b>
Yim Yuk Lun, Stanley <i>JP</i> (Note 1)	Beneficial owner and interest in controlled corporation	224,045,861	37.3
Chang Wei Hua (Note 2)	Interest in controlled corporation	76,247,000	12.7
Wei Wei (Note 3)	Interest in controlled corporation	76,247,000	12.7
Lau Ping Cheung	Beneficial owner	100,800	0.01
Tong Sze Chung	Beneficial owner	144	0

#### *Notes:*

1. Mr. Yim Yuk Lun, Stanley *JP* beneficially owns 19,382,861 Shares and is the controlling shareholder of S.A.S. Dragon Holdings Limited ("S.A.S. Dragon"); he is therefore under the SFO deemed to be interested in 204,663,000 Shares held by S.A.S. Investment Company Limited ("S.A.S. Investment") which is a wholly-owned subsidiary of S.A.S. Dragon.
2. These shares are held by Vertex Value Limited, a company incorporated in the British Virgin Islands, which is beneficially owned by Mr. Chang Wei Hua.
3. These shares are held by Victory Echo Holdings Limited, a company incorporated in the British Virgin Islands, which is beneficially owned by Mr. Wei Wei.

# Directors' Report

## SHARE OPTIONS

Pursuant to a resolution of S.A.S. Dragon, the ultimate holding company of the Company passed on 27 July 2012, S.A.S. Dragon adopted a share option scheme (the "Scheme") for recognition of past services contributed by, and giving incentives to the eligible participants, including directors, non-executive directors, employees, shareholders, suppliers and customers of S.A.S. Dragon and any of its subsidiaries.

According to the Scheme, the board of directors of S.A.S. Dragon may at their discretion grant options to directors, executives and employees of S.A.S. Dragon and its subsidiaries to subscribe for shares in S.A.S. Dragon.

On 25 September 2014, there were share options granted to directors or employees of entities comprising the Group under the Scheme. The following tables disclose movements in the share options granted to the employees of the Group under the Scheme for the year ended 31 December 2014 and 31 December 2015:

<b>Date of grant</b>	<b>Vesting period</b>	<b>Exercisable period</b>	<b>Exercise price per share</b>	<b>Options granted during 2014</b>	<b>Outstanding at 31.12.2014 and 31.12.2015</b>
25.9.2014	25.9.2014 to 24.9.2015	25.9.2015 to 24.9.2017	HK\$2.60	437,000	437,000
25.9.2014	25.9.2014 to 24.9.2016	25.9.2016 to 24.9.2017	HK\$2.60	437,000	437,000
				<b>874,000</b>	<b>874,000</b>

Share options granted in September 2014 under the Scheme are exercisable during the period from 25 September 2015 to 24 September 2017 in two batches.

## ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

Other than the share option scheme set out in this directors' report, at no time during the year was the Company, any of its holding companies, fellow subsidiaries or subsidiaries, a party to any arrangement 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.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at the date of this report, the following persons (not being the directors or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO:

### *Long positions in shares*

#### *Ordinary shares of HK\$0.01 each of the Company*

Name of shareholders	Capacity	Number of issued ordinary shares held	Percentage of issued share capital of the Company
S.A.S. Dragon	Interest in controlled corporation	204,663,000	34.1
S.A.S. Investment	Beneficial owner	204,663,000	34.1

#### *Notes:*

1. S.A.S. Dragon is deemed to be interested in the 204,663,000 Shares held by S.A.S. Investment, a wholly owned subsidiary of S.A.S. Dragon

## PERMITTED INDEMNITY PROVISION

At no time during the year and up to the date of this report was any permitted indemnity provision being in force for the benefit of any of the directors of the Company.

## MANAGEMENT CONTRACTS

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

## DIRECTORS' INTEREST IN CONTRACTS OF SIGNIFICANCE

No contract of significance to which the Company, its holding companies, fellow subsidiaries or 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.

## PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period from the Listing Date to the date of this report.

# Directors' Report

## EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up by the Board of Directors on the basis of their merit, qualifications, competence and job nature.

The emoluments of the directors of the Company are recommended by the Remuneration Committee and are decided by the Board, having regard to the Company's operating results, individual performance and comparable market statistics.

The Company has adopted a share option scheme as an incentive to eligible employees, details of the scheme is set out in note 30 to the consolidated financial statements.

## INTERESTS OF THE COMPLIANCE ADVISERS

In accordance with Rule 6A.19 of the GEM Listing Rules, the Company has appointed Alliance Capital Partners Limited ("Alliance") to be the compliance adviser. Alliance, being the sponsor and joint bookrunners and joint lead managers of the Company in relation to the Listing, has declared its independence pursuant to Rule 6A.07 of the GEM Listing Rules. Save as provided for in relation to the Placing and/or disclosed in the Prospectus, neither Alliance nor any of its associates and none of our directors or employees of Alliance who have been involved in providing advice to the Company as the sponsor, has or may, as a result of the Placing, have any interest in the share capital of the Company or any member of the Group (including options or rights to subscribe for such securities, if any) during the period from the Listing Date to the date of this report.

Pursuant to the agreement dated 29 December 2015 entered into between Alliance and the Company, Alliance received and will receive fees for acting as the Company's compliance adviser.

## SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, up to the date of this report, there is sufficient public float of 25% of the Company's issued shares as required under the GEM Listing Rules.

## PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's articles of association and there was no restriction against such rights under the laws of Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

## CONTINUING CONNECTED TRANSACTIONS

### *Lease of office in Hong Kong*

On 1 October 2015, Hi-Level Technology Limited, a wholly-owned subsidiary of the Company and S.A.S. Investment, a wholly-owned subsidiary of S.A.S. Dragon entered into a lease agreement pursuant to which S.A.S. Investment (as landlord) agreed to lease the Hong Kong Office with a total gross floor area of approximately 2,188 square feet to Hi-Level Technology Limited (as tenant), for a period of two years commencing from 1 October 2015 and expiring on 30 September 2017 at a total annual rent of HK\$384,000, with a one-year renewal option at the prevailing market rent at the time of renewal.

### *Lease of office in Shanghai, the PRC*

On 1 October 2015, Hi-Level (Shanghai) Technology Limited, a wholly-owned subsidiary of the Company entered into a lease agreement with each of SPT Technology Limited and S.A.S Electronic Technology (Shenzhen) Company Limited, both a wholly-owned subsidiary of S.A.S. Dragon pursuant to which SPT Technology Limited and S.A.S Electronic Technology (Shenzhen) Company Limited (as landlords) agreed to lease the Shanghai Office and Shanghai Carpark space with a total gross floor area of approximately 64 sq.m. to Hi-Level (Shanghai) Technology Limited (as tenant), for a period of two years commencing from 1 October 2015 and expiring on 30 September 2017 (with a preferential right of renewal upon the expiry of the lease) at a total annual rent of RMB96,000 and RMB10,800 respectively.

The above continuing connected transactions fall under the de minimis provision set forth in Rule 20.74(1) (c) of the GEM Listing Rules and are therefore fully exempt from the reporting, announcement and independent shareholders' approval requirements.

The Company confirms that it has complied with the disclosure requirements in accordance with Chapter 20 of Rules Governing the Listing of Securities on the GEM of Stock Exchange.

## USE OF PROCEEDS FROM THE IPO

The shares were listed on 7 January 2016 on the Gem Board of the Stock Exchange. The net proceeds from the Placing was approximately HK\$30 million. Up to date of this report, the net proceeds from the listing were not utilized.

## AUDITOR

Messrs. Deloitte Touche Tohmatsu was appointed as the first auditor of the Company and will retire and, being eligible, offer itself for re-appointment as auditor of the Company at the forthcoming annual general meeting.

Signed on behalf of the Board

**Yim Yuk Lun, Stanley JP**  
CHAIRMAN

Hong Kong, 21 March 2016

# Independent Auditor's Report

## Deloitte. 德勤

### TO THE MEMBERS OF HI-LEVEL TECHNOLOGY HOLDINGS LIMITED

揚宇科技控股有限公司

*(incorporated in Cayman Islands with limited liability)*

We have audited the consolidated financial statements of Hi-Level Technology Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 32 to 83, which comprise the consolidated statement of financial position as at 31 December 2015, 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 a summary of significant accounting policies and other explanatory information.

### DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

### AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report 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. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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



# Independent Auditor's Report

## OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2015, and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

**Deloitte Touche Tohmatsu**  
*Certified Public Accountants*

Hong Kong  
21 March 2016

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2015

	NOTES	2015 HK\$'000	2014 HK\$'000
Revenue	7	<b>1,309,764</b>	962,876
Cost of sales		<b>(1,252,659)</b>	(916,288)
Gross profit		<b>57,105</b>	46,588
Other income		<b>68</b>	141
Distribution costs		<b>(4,938)</b>	(3,104)
Administrative expenses		<b>(22,769)</b>	(17,451)
Listing expenses		<b>(10,643)</b>	—
Interest on bank borrowings wholly repayable within five years		<b>(1,810)</b>	(568)
Share of results of an associate		—	(46)
Profit before taxation		<b>17,013</b>	25,560
Income tax expense	8	<b>(4,530)</b>	(5,528)
Profit for the year	9	<b>12,483</b>	20,032
<b>Other comprehensive expense</b>			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations:			
– subsidiaries		<b>(207)</b>	(250)
– an associate		—	(1)
Other comprehensive expense for the year		<b>(207)</b>	(251)
Total comprehensive income for the year		<b>12,276</b>	19,781
Earnings per share (HK cents)	13		
– basic		<b>2.77</b>	4.45

# Consolidated Statement of Financial Position

At 31 December 2015

	NOTES	2015 HK\$'000	2014 HK\$'000
<b>Non-current Assets</b>			
Property, plant and equipment	14	328	445
Interest in an associate	15	—	—
Club membership	16	266	266
Deposit paid for acquisition of property, plant and equipment	17	—	13,598
		<b>594</b>	14,309
<b>Current Assets</b>			
Inventories	18	84,725	47,820
Trade and other receivables	19	160,771	109,878
Amount due from a fellow subsidiary	20	27,927	29,030
Bank balances and cash	21	54,443	53,429
		<b>327,866</b>	240,157
<b>Current Liabilities</b>			
Trade and other payables	22	182,465	140,622
Amount due to a fellow subsidiary	20	4,153	271
Taxation payable		2,448	3,660
Bank borrowings	23	50,865	27,941
		<b>239,931</b>	172,494
<b>Net Current Assets</b>		<b>87,935</b>	67,663
<b>Total Assets less Current liabilities</b>		<b>88,529</b>	81,972
<b>Capital and Reserves</b>			
Share capital	24	—	25,000
Reserves		88,529	56,972
<b>Total Equity</b>		<b>88,529</b>	81,972

The consolidated financial statements on pages 32 to 83 were approved and authorised for issue by the Board of Directors on 21 March 2016 and are signed on its behalf by:

Mr. Yim Yuk Lun, Stanley JP  
DIRECTOR

Mr. Chang Wei Hua  
DIRECTOR

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2015

	Share capital HK\$'000	Special reserve HK\$'000 (note i)	Translation reserve HK\$'000	Dividend reserve HK\$'000	Shareholder's contribution reserve HK\$'000 (note ii)	Retained profits HK\$'000	Total HK\$'000
At 1 January 2014	25,000	—	1,796	—	—	45,303	72,099
Profit for the year	—	—	—	—	—	20,032	20,032
Exchange difference arising on translation of foreign operations							
– subsidiaries	—	—	(250)	—	—	—	(250)
– an associate	—	—	(1)	—	—	—	(1)
Total comprehensive income for the year	—	—	(251)	—	—	20,032	19,781
Dividend paid (Note 12)	—	—	—	—	—	(10,000)	(10,000)
Recognition of equity-settled share-based payment	—	—	—	—	92	—	92
At 31 December 2014	25,000	—	1,545	—	92	55,335	81,972
Profit for the year	—	—	—	—	—	12,483	12,483
Exchange difference arising on translation of foreign operations							
– subsidiaries	—	—	(207)	—	—	—	(207)
Total comprehensive income for the year	—	—	(207)	—	—	12,483	12,276
Disposal of an associate (Note 15)	—	—	(34)	—	—	34	—
Issue of shares (Note 24)	—	—	—	—	—	—	—
Arising from reorganisation	(25,000)	25,000	—	—	—	—	—
Dividend paid (Note 12)	—	—	—	—	—	(6,000)	(6,000)
Special dividend declared (Note 12)	—	—	—	40,000	—	(40,000)	—
Recognition of equity-settled share-based payment	—	—	—	—	281	—	281
At 31 December 2015	—	25,000	1,304	40,000	373	21,852	88,529

notes:

- (i) Special reserve represents the difference between the nominal amount of the share capital of Hi-Level Technology Limited (“Hi-Level Hong Kong”) and nominal amount of the share capital issued by the Company pursuant to a group reorganisation. Details of which are set out in Note 1.
- (ii) Shareholder’s contribution reserve represents capital contribution of HK\$281,000 (2014: HK\$92,000) arising from the share options granted to the employees of the Group under the share option scheme of the ultimate holding company, S.A.S. Dragon Holdings Limited during the year ended 31 December 2015.

# Consolidated Statement of Cash Flows

For the year ended 31 December 2015

	2015 HK\$'000	2014 HK\$'000
<b>OPERATING ACTIVITIES</b>		
Profit before taxation	<b>17,013</b>	25,560
Adjustments for:		
Depreciation of property, plant and equipment	<b>231</b>	203
Expenses recognised in respect of equity-settled share-based payment	<b>281</b>	92
Interest income	<b>(27)</b>	(24)
Interest on bank borrowings wholly repayable within five years	<b>1,810</b>	568
Allowance for trade receivables	<b>883</b>	104
Allowance for (reversal of allowance for) inventories	<b>2,184</b>	(1,008)
Inventories written off	<b>5</b>	—
Share of results of an associate	—	46
Impairment loss on interest in an associate	—	116
Impairment loss on amount due from an associate	—	4
Operating cash flows before movements in working capital	<b>22,380</b>	25,661
(Increase) decrease in inventories	<b>(39,094)</b>	22,586
Increase in trade and other receivables	<b>(51,767)</b>	(38,005)
Decrease (increase) in amount due from a fellow subsidiary	<b>328</b>	(328)
Increase in amount due to a fellow subsidiary	<b>4,153</b>	—
Increase in trade and other payables	<b>41,843</b>	27,948
Cash (used in) generated from operations	<b>(22,157)</b>	37,862
Hong Kong Profits Tax paid	<b>(5,706)</b>	(3,737)
The People's Republic of China (the "PRC") Enterprise Income Tax ("EIT") paid	<b>(36)</b>	—
<b>NET CASH (USED IN) FROM OPERATING ACTIVITIES</b>	<b>(27,899)</b>	34,125
<b>INVESTING ACTIVITIES</b>		
Advance to a fellow subsidiary	<b>(17,006)</b>	(21,791)
Refund of deposit paid for acquisition of property, plant and equipment	<b>13,598</b>	—
Purchase of property, plant and equipment	<b>(120)</b>	(152)
Repayment of advance to a fellow subsidiary	<b>17,781</b>	14,751
Interest received	<b>27</b>	24
<b>NET CASH FROM (USED IN) INVESTING ACTIVITIES</b>	<b>14,280</b>	(7,168)

# Consolidated Statement of Cash Flows

For the year ended 31 December 2015

	2015 HK\$'000	2014 HK\$'000
FINANCING ACTIVITIES		
New bank borrowings raised	250,495	92,844
Advance from a fellow subsidiary	—	739
Repayment of bank borrowings	(227,571)	(84,079)
Repayment to a fellow subsidiary	(271)	(1,401)
Interest paid	(1,810)	(568)
Dividend paid	(6,000)	(10,000)
NET CASH FROM (USED IN) FINANCING ACTIVITIES	14,843	(2,465)
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,224	24,492
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	53,429	29,012
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(210)	(75)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	54,443	53,429

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 1. GROUP REORGANISATION AND GENERAL AND BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 18 September 2015 under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and its shares have been listed on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "GEM Board") on 7 January 2016. The Company's ultimate holding company is S.A.S. Dragon Holdings Limited ("S.A.S. Dragon"), a company incorporated in Bermuda as an exempted company with the limited liability under the Companies Act and its shares are listed on the Main Board of the Stock Exchange. The Company's immediate holdings company is S.A.S. Investment Company Limited ("S.A.S. Investment"), a company incorporated in Hong Kong with limited liability. The Company's registered office is located at 89 Nexus Way, Camana Bay, Grand Cayman, KY1-1104, Cayman Islands. The address of its principal place of business is Room 614, 6/F, Tower B, Hunghom Commercial Centre, 37 Ma Tau Wai Road, Hung Hom, Kowloon, Hong Kong.

The companies now comprising the Group underwent a series of reorganization (the "Reorganisation"). Prior to the reorganisation, 51% of equity interest of Hi-Level Hong Kong was held by S.A.S. Investment which is wholly owned by S.A.S. Dragon and the remaining 49% of equity interest of Hi-Level Hong Kong is held as to 19% by Mr. Chang Wei Hua, 19% by Mr. Wei Wei, 5% by Mr. Li Xiao Ming, 5% by Mr. Huang Huang Chi and 1% by Mr. Huang Yung Hsing. On 7 December 2015, the shareholders of Hi-Level Hong Kong and the Company entered into a reorganisation deed pursuant to which S.A.S. Investment, Mr. Chang Wei Hua, Mr. Wei Wei, Mr. Li Xiao Ming, Mr. Huang Huang Chi and Mr. Huang Yung Hsing transferred the entire issued capital in Hi-Level Hong Kong to the Company's immediate subsidiary, Hi-Level (BVI) Limited ("Hi-Level BVI"). In consideration of the transfer of the entire issued capital in Hi-Level Hong Kong, the Company allotted and issued 51 shares to S.A.S. Investment, 18 shares to Vertex Value Limited, 19 shares to Victory Echo Holdings Limited, 5 shares to Luminous Goal Limited, 5 shares to Brave Union Limited and 1 share to Mr. Huang Yung Hsing, all credited as fully paid.

Pursuant to the group reorganisation, which was completed by interspersing the Company and Hi-Level BVI between Hi-Level Hong Kong and the shareholders of Hi-Level Hong Kong, the Company became the holding company of the companies now comprising the Group on 7 December 2015. The Group comprising the Company and its subsidiaries resulting from the reorganisation is regarded as a continuing entity. Details of the Reorganisation are set out in the Company's prospectus dated 31 December 2015.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 1. GROUP REORGANISATION AND GENERAL AND BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

Accordingly, 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 ended 31 December 2015 and 2014 have been prepared to present the results and cash flows of the companies now comprising the Group, as if the group structure upon the completion of the Reorganisation had been in existence throughout the year ended 31 December 2015 and 2014. The consolidated statement of financial position of the Group as at 31 December 2014 has been prepared to present the assets and liabilities of the companies now comprising the Group as if the current group structure had been in existence at that date.

The Company acts as an investment holding company. The principal activities of its subsidiaries are set out in Note 33.

The consolidated financial statements are presented in Hong Kong dollars ("HK\$"), which is different from the functional currency of the Company, United States dollar ("US\$"). The directors of the Company consider that presenting the consolidated financial statements in HK\$ is preferable when controlling and monitoring the performance and financial position of the Group.

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

The Group has consistently applied all the HKFRSs issued by Hong Kong Institute of Certified Public Accountants ("HKICPA") that are effective for the Group's financial year beginning on 1 January 2015 for both current and prior years.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

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

### *New and revised HKFRSs in issue but not yet effective*

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

HKFRS 9	Financial Instruments <sup>1</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>1</sup>
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations <sup>2</sup>
Amendments to HKAS 1	Disclosure Initiative <sup>2</sup>
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation <sup>2</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle <sup>2</sup>
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants <sup>2</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception <sup>2</sup>

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

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2016.

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

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

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

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

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

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

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

The directors of the Company anticipate that the application of HKFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group’s financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

Except as described above, the directors of the Company anticipate that the application of other new and revised HKFRSs in issue but not effective will not have material impact on the Group’s consolidated financial statements.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 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 disclosure required by the Rules Governing the Listing of Securities on the GEM Board (the "Listing Rules") and by the Hong Kong Companies Ordinance.

The provisions of the new Hong Kong Companies Ordinance (Cap. 622) regarding preparation of accounts and directors' reports and audits became effective for the Company for the financial year ended 31 December 2015. Further, the disclosure requirements set out in the Listing Rules regarding annual accounts have been amended with reference to the new Hong Kong Companies Ordinance and to streamline with HKFRSs. Accordingly the presentation and disclosure of information in the consolidated financial statements for the financial year ended 31 December 2015 have been changed to comply with these new requirements. Comparative information in respect of the financial year ended 31 December 2014 are presented or disclosed in the consolidated financial statements based on the new requirements. Information previously required to be disclosed under the predecessor Hong Kong Companies Ordinance or the Listing Rules but not under the new Hong Kong Companies Ordinance or amended Listing Rules are not disclosed in these consolidated financial statements.

The consolidated financial statements have been prepared on the historical cost basis 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 for 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 in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

The principal accounting policies are set out below.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### ***Basis of consolidation***

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

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

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.

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

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

### ***Investments in an associate***

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### *Investments in an associate (continued)*

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate, or when the investment (or a portion thereof) is classified as held for sale. When the Group retains an interest in the former associate and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with HKAS 39. The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

When a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### *Revenue recognition*

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customers returns, rebates, sales tax and other similar allowance.

### *Sale of goods*

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

### *Interest income*

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

### *Foreign currencies*

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each 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 monetary items are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rate prevailing at the end of each reporting period. Income and expenses are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 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.

### ***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.

### ***The Group as lessee***

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

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

### ***Retirement benefit costs***

Payments to state-managed retirement benefit schemes and the Mandatory Provident Fund Scheme (the "MPF Scheme") are recognised as an expense when employees have rendered service entitling them to the contributions.

### ***Taxation***

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

### ***Current tax***

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit before taxation" as reported in the consolidated statement of profit or loss and other comprehensive income because of items 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### **Taxation** *(continued)*

#### **Deferred tax**

Deferred tax is recognised on 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 assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference 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 the 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 in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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

#### **Current and deferred tax for the year**

Current and deferred tax are recognised in profit or loss.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### ***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 value 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 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 plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

### ***Inventories***

Inventories are stated at the lower of cost and net realisable value. Cost of inventories are determined on a first-in-first-out basis. Net realisable value represents the estimated selling price for inventories less costs necessary to make the sale.

### ***Financial instruments***

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### *Financial instruments (continued)*

#### *Financial assets*

The Group's financial assets are classified as loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

#### *Loans and receivables*

Loan 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, amount due from a fellow subsidiary and bank balances and cash) are measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

#### *Effective interest method*

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

Interest income is recognised on an effective interest basis for debt instruments.

#### *Impairment of financial assets*

Financial assets 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.

Objective evidence of impairment could include:

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

For certain categories of financial assets, such as trade receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the credit period ranging from 30 days to 90 days and observable changes in national or local economic conditions that correlate with default on receivables.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### ***Financial instruments*** *(continued)*

#### ***Financial assets*** *(continued)*

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

For financial assets that are 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. 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.

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

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

##### *Equity instrument*

An equity instrument is any contract that evidences a residual interest in the assets of an entity 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*

The Group's financial liabilities (including trade and other payables, amount due to a fellow subsidiary and bank borrowings) are subsequently measured at amortised cost, using the effective interest method.

##### *Effective interest method*

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

Interest expense is recognised on an effective interest basis.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### *Financial instruments (continued)*

#### **Financial guarantee contracts**

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by the Group are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of:

- (i) the amount of obligation under the contract, as determined in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*; and
- (ii) the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies.

#### **Derecognition**

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

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

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or 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 2015

## 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### ***Impairment losses on tangible assets other than club memberships (see the accounting policy in respect of club membership below)***

At the end of the reporting period, the Group reviews the carrying amounts of its tangible 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.

Recoverable amount is the higher of fair value less costs to sell 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 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 as income immediately in profit or loss.

### ***Club membership***

Club membership with indefinite useful lives is carried at cost less any subsequent accumulated impairment losses.

Club membership is tested for impairment at least annually, and whenever there is any indication that they may be impaired by comparing their carrying amounts with their recoverable amounts. If the recoverable amount of club membership is estimated to be less than its carrying amount, the carrying amount of the club membership is reduced to its recoverable amount. An impairment loss is recognised in profit or loss.

If an impairment loss subsequently reverses, the carrying amount of the club membership 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 those club membership in prior years. A reversal of an impairment loss is recognised in profit or loss.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

#### *Share options granted to employees*

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the estimate of equity instruments that will eventually vest, with a corresponding increase in equity under shareholder's contribution reserve.

## 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 judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying 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 further periods.

The following are the key assumptions concerning the future, and other key sources 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 and liabilities within the next twelve months.

### *Estimated impairment of trade receivables*

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2015, the carrying values of trade receivables were HK\$131,151,000 (2014: HK\$86,911,000) net of allowance of HK\$1,000,000 (2014: HK\$1,104,000).

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### *Estimated impairment of inventories*

The directors of the Company review inventories on a product-by-product basis at the end of each reporting period, and make allowance for obsolete and slow-moving inventory items identified that are no longer suitable for use in production. Management estimates the net realisable value for such items based primarily on the latest invoice prices and current market conditions. As at 31 December 2015, the carrying values of inventories were HK\$84,725,000 (2014: HK\$47,820,000) net of allowance of HK\$6,872,000 (2014: HK\$4,688,000).

## 5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure it will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes amount due to a fellow subsidiary and bank borrowings disclosed in Note 20 and Note 23, respectively, net of cash and cash equivalents, and equity attributable to owners of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure regularly. As part of this review, the directors of the Company consider the cost of capital and the risks associated with each class of capital. Based on the recommendations of the directors of the Company, the Group will balance its overall capital structure through the payment of dividends as well as the issue of new debt or the redemption of existing debt.

## 6. FINANCIAL INSTRUMENTS

### *(a) Categories of financial instruments*

	2015 HK\$'000	2014 HK\$'000
<b>Financial assets</b>		
Loan and receivables (including cash and cash equivalents)	231,785	183,762
<b>Financial liabilities</b>		
Amortised cost	217,717	156,721

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 6. FINANCIAL INSTRUMENTS (continued)

### (b) Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, amount due from (to) a fellow subsidiary, bank balances and cash, trade and other payables and bank borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The directors of the Company manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner.

#### Market risk

##### (i) Currency risk

The carrying amounts of the Group's monetary assets and monetary liabilities that are denominated in currencies other than the functional currency at the respective reporting date are as follows:

	Liabilities		Assets	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
HK\$	4,153	—	40,298	30,689
Renminbi ("RMB")	—	—	1,809	8,885

The Group currently does not have a foreign currency hedging policy. However, the directors of the Company will monitor foreign exchange exposure closely and consider the usage of hedging instruments when the need arises.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 6. FINANCIAL INSTRUMENTS (continued)

### (b) Financial risk management objectives and policies (continued)

#### Market risk (continued)

##### (i) Currency risk (continued)

###### Sensitivity analysis

The sensitivity analysis below details the Group's sensitivity to a 5% (2014: 5%) increase and decrease in USD against RMB. 5% represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% change in foreign currency rates. The sensitivity analysis includes mainly foreign currency bank balances. A 5% (2014: 5%) strengthen of USD against RMB will decrease the Group's post-tax profit for the year by the following amount. For 5% (2014: 5%) weakening of USD against RMB, there would be an equal and opposite impact on the profit or loss.

	2015 HK\$'000	2014 HK\$'000
Decrease in profit RMB	76	371

No sensitivity analysis for the Group's sensitivity to change in USD against HK\$ is presented as USD is currently pegged to HK\$. The directors of the Company consider that the exposure to exchange fluctuation in respect of HK\$ is limited.

##### (ii) Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances and bank borrowings (see Note 23 for details of the bank borrowings). The Group currently does not have any interest rate hedging policy. The directors of the Company monitor the Group's exposure on ongoing basis and will consider hedging interest rate risk should the need arises.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of prevailing market interest rates arising from the Group's bank balances and London Interbank Offered Rate ("LIBOR") arising from the Group's variable-rate bank borrowings.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 6. FINANCIAL INSTRUMENTS (continued)

### (b) Financial risk management objectives and policies (continued)

#### Market risk (continued)

##### (ii) Interest rate risk (continued)

#### Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for its variable bank balances and bank borrowings. The analysis is prepared assuming the variable-rate bank balances and bank borrowings at the end of the reporting period were outstanding for the whole year. For variable-rate bank balances, 20 basis points increase or decrease are used. For variable-rate bank borrowings, 20 basis points increase or decrease are used.

If interest rates have been 20 basis points higher/lower for variable-rate bank balances and variable-rate bank borrowings and all other variables were held constant, the Group's post-tax profit for the year would increase or decrease by the following magnitude:

	2015 HK\$'000	2014 HK\$'000
Decrease in profit for the year	64	43

#### Credit risk

As at 31 December 2015 and 2014, 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 and financial guarantees provided by the Group is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position and the amount of contingent liabilities in relation to financial guarantees provided by the Group as disclosed in Note 25.

In order to minimise the credit risk, the directors of the Company have delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 6. FINANCIAL INSTRUMENTS *(continued)*

### ***(b) Financial risk management objectives and policies*** *(continued)*

#### ***Credit risk*** *(continued)*

The credit risk on financial guarantee given to fellow subsidiaries was limited. Because of common ownership, the Group regularly assess the financial condition of fellow subsidiaries and to take timely action to avoid any financial loss.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings.

Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings, the Group does not have any other significant concentration of credit risk.

#### ***Liquidity risk***

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by directors of the Company to finance the operations and mitigate the effects of fluctuations in cash flows. The directors of the Company monitor the utilisation of bank borrowings and ensure compliance with loan covenants.

The following tables detail the Group's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other financial liabilities are based on the agreed repayment dates.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 6. FINANCIAL INSTRUMENTS (continued)

### (b) Financial risk management objectives and policies (continued)

#### Liquidity risk

Liquidity and interest risk table

	Weighted average effective interest rate %	On demand or less than 1 month HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount at 31 December 2015 HK\$'000
<b>2015</b>				
Trade and other payables	—	162,699	162,699	162,699
Amount due to a fellow subsidiary	—	4,153	4,153	4,153
Bank borrowings	1.53	50,865	50,865	50,865
		<b>217,717</b>	<b>217,717</b>	<b>217,717</b>
Financial guarantee contracts (Note 25)	—	2,749,000	2,749,000	—
	Weighted average effective interest rate %	On demand or less than 1 month HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount at 31 December 2014 HK\$'000
<b>2014</b>				
Trade and other payables	—	128,509	128,509	128,509
Amount due to a fellow subsidiary	—	271	271	271
Bank borrowings	1.58	27,941	27,941	27,941
		<b>156,721</b>	<b>156,721</b>	<b>156,721</b>
Financial guarantee contracts (Note 25)	—	2,416,000	2,416,000	—

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 6. FINANCIAL INSTRUMENTS (continued)

### (b) Financial risk management objectives and policies (continued)

#### Liquidity risk (continued)

##### Liquidity and interest risk table (continued)

Bank borrowings with a repayment on demand clause are included in the "on demand or less than 1 month" time band in the above maturity analysis. As at 31 December 2015, the aggregate carrying amounts of these bank borrowings amounted to HK\$50,865,000 (2014: HK\$27,941,000). Taking into account the Group's financial position, the directors of the Company do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors of the Company believe that such bank borrowings will be repaid in accordance with the scheduled repayment dates set out in the loan agreements. However, in accordance with Hong Kong Interpretation 5 *Presentation of Financial Statements Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause*, all such bank borrowings have been classified as current liabilities. The following table below includes both principal and interest cash outflows according to the scheduled repayment dates set out in the loan agreements.

#### THE GROUP

	Weighted average effective interest rate %	On demand or less than 1 month HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount HK\$'000
<b>2015</b>				
Bank borrowings	1.53	50,929	50,929	50,865
<b>2014</b>				
Bank borrowings	1.58	27,978	27,978	27,941

The amounts included above for financial guarantee contracts are the maximum amounts the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Group considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

The amounts included above for variable interest rate instruments for financial liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 6. FINANCIAL INSTRUMENTS *(continued)*

### *(c) Fair value measurements of financial instruments*

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

## 7. REVENUE AND SEGMENT INFORMATION

The directors of the Company have determined that the Group has only one operating and reportable segment throughout the year, as the Group is principally engaged in the sale of electronics products.

Information reported to the directors of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses only on revenue analysis by geographical location of customers. As no other discrete financial information is available for the assessment of different business activities, no segment information is presented other than entity-wide disclosures.

### *Geographical information*

The following is an analysis of the Group's revenue by the geographical locations of customers.

	Revenue by Geographical market	
	2015 HK\$'000	2014 HK\$'000
The PRC	1,130,925	847,524
Hong Kong	168,604	112,826
Taiwan	9,156	2,284
Others	1,079	242
	<b>1,309,764</b>	<b>962,876</b>

The following is an analysis of the carrying amount of non-current assets by geographical area in which the assets are located:

	Carrying amount of non-current assets	
	2015 HK\$'000	2014 HK\$'000
The PRC	182	14,121
Hong Kong	412	188
	<b>594</b>	<b>14,309</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 7. REVENUE AND SEGMENT INFORMATION (continued)

### Information about major customers

Revenue from customer individually contributing over 10% of the Group's revenue is as follows:

	2015 HK\$'000	2014 HK\$'000
Customer A	243,539	125,027

## 8. INCOME TAX EXPENSE

	2015 HK\$'000	2014 HK\$'000
Current tax:		
Hong Kong Profits Tax	3,699	4,344
PRC EIT	851	—
	4,550	4,344
(Over)underprovision in prior years:		
Hong Kong	(20)	(9)
PRC EIT	—	1,193
	(20)	1,184
Income tax expense	4,530	5,528

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

Under the Law of the PRC on EIT Law and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%.

In respect of intra-group transactions that occurred prior to 1 January 2013, no provision on PRC EIT had been made as the directors of the Company considered that the price determination basis would be acceptable to the relevant tax authority and that the probability of additional tax payment was low. In the preparation for the listing of the shares of the Company on the GEM Board, the directors of the Company have sought further tax advice and re-considered all the relevant facts and circumstances and it has come to the attention of the Group that it is probable that additional tax maybe imposed to the Group. Therefore, additional tax provision in relation to intra-group transactions that occurred prior to 1 January 2013, amounting to HK\$1,193,000 in aggregate, had been made during the year ended 31 December 2014.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 8. INCOME TAX EXPENSE (continued)

In respect of intra-group transactions that occurred during the year ended 31 December 2014, no provision on PRC EIT has been made as the directors of the Company had, after seeking advice, considered that the price determination basis adopted for those transactions occurred during the year ended 31 December 2014 would be acceptable to the relevant tax authority and considered that it was not probable that that the additional tax payment would be imposed.

In respect of intra-group transactions that occurred during the year ended 31 December 2015, no provision on PRC EIT has been made as the directors of the Company have considered that the price determination basis adopted for those transactions occurred during the year ended 31 December 2015 would be acceptable to the relevant tax authority and considered that it is not probable that that the additional tax payment would be imposed.

The income tax expense for the year can be reconciled to the profit before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	2015 HK\$'000	2014 HK\$'000
Profit before taxation	17,013	25,560
Tax at Hong Kong Profits Tax rate of 16.5%	2,807	4,217
Tax effect of income not taxable for tax purpose	(70)	(39)
Tax effect of expenses not deductible for tax purpose	1,756	25
Tax effect of deductible temporary differences not recognised	—	19
Tax effect of tax losses not recognised	51	114
Tax effect of share of result of an associate	—	8
Utilisation of tax losses previously not recognised	(270)	—
Utilisation of deductible temporary differences previously not recognised	(11)	—
Effect of difference tax rates of subsidiaries operating in other jurisdictions	287	—
(Over)underprovision in prior years	(20)	1,184
Income tax expense for the year	4,530	5,528

As 31 December 2015, the Group has unused tax losses of approximately HK\$2,010,000 (2014: HK\$3,335,000) that are available for offset against future assessable profits. No deferred tax asset has been recognised in respect of such tax losses due to unpredictability of future profit streams. All the tax losses may be carried forward indefinitely except for those amounting to HK\$62,000 (2014: HK\$1,699,000) arising from the PRC which may be carried forward for five years.

At 31 December 2015, the Group has other deductible temporary differences of HK\$617,000 (2014: HK\$682,000). No deferred tax asset has been recognised in respect of such deductible temporary differences as it is not certain that taxable profit will be available against which deductible temporary differences can be utilised.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 9. PROFIT FOR THE YEAR

	THE GROUP	
	2015 HK\$'000	2014 HK\$'000
Profit for the year has been arrived at after charging (crediting):		
Staff costs:		
Salaries and other allowances	14,813	12,925
Retirement benefit scheme contributions	1,572	1,216
Share-based payment expenses (note)	281	92
Total staff costs	16,666	14,233
Auditor's remuneration	1,000	187
Bank interest income	(27)	(24)
Net exchange loss	611	318
Cost of inventories recognised as an expense	1,222,189	867,759
Inventories written off	5	—
Allowance for trade receivables	883	104
Depreciation of property, plant and equipment	231	203
Operating lease rental in respect of offices and warehouses paid/payable to		
– immediate holding company	384	384
– fellow subsidiaries	130	131
– third parties	1,129	1,074
Impairment loss on interest in an associate	—	116
Impairment loss on amount due from an associate	—	4

note: It represents capital contribution of HK\$281,000 (2014: HK\$92,000) arising from the share options granted to the employees of the Group under the share option scheme of the ultimate holding company, S.A.S. Dragon during the year.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 10. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Details of the emoluments paid or payable during the years ended 31 December 2015 and 2014 by the major subsidiaries of the Group to those senior management or directors of subsidiaries, who were appointed as executive directors of the Company on 1 October 2015, are as follows:

### 2015

	Directors' fees	Salaries and other benefits	Retirements benefits scheme contributions	Performance related incentive payments (note b)	Total emoluments
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Executive Directors:					
Mr. Chang Wei Hua (note e)	—	1,066	18	170	1,254
Mr. Wei Wei	—	718	41	150	909
Mr. Tong Sze Chung (note a)	—	447	3	20	470
Mr. Yim Yuk Lun, Stanley JP (note a)	—	303	—	—	303
Non-Executive Director:					
Mr. Lau Ping Cheung (note c)	—	—	—	—	—
Independent Non-Executive Directors:					
Mr. Shea Chun Lok, Quadrant (note d)	—	—	—	—	—
Mr. Fung Cheuk Nang, Clement (note d)	—	—	—	—	—
Mr. Tsoi Chi Ho, Peter (note d)	—	—	—	—	—
<b>Total</b>	<b>—</b>	<b>2,534</b>	<b>62</b>	<b>340</b>	<b>2,936</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 10. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (continued)

2014

	Directors' fees	Salaries and other benefits	Retirements benefits scheme contributions	Performance related incentive payments (note b)	Total emoluments
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Executive Directors:					
Mr. Chang Wei Hua (note e)	—	1,042	17	213	1,272
Mr. Wei Wei	—	695	36	162	893
Mr. Tong Sze Chung (note a)	—	384	—	—	384
Mr. Yim Yuk Lun, Stanley <i>JP</i> (note a)	—	216	—	—	216
<b>Total</b>	<b>—</b>	<b>2,337</b>	<b>53</b>	<b>375</b>	<b>2,765</b>

notes:

- For the year ended 31 December 2015, out of the salaries and other benefits of Mr. Tong Sze Chung and Mr. Yim Yuk Lun, Stanley *JP*, HK\$600,000 (2014: HK\$600,000) was paid by S.A.S. Dragon, which were charged to the Group through the management fee paid to S.A.S. Dragon (see Note 30(a) for details). The remaining balance of HK\$150,000 (2014: nil) were paid by a major operating subsidiary of the Group.
- Performance related incentive payments were determined with reference to the Group's operating results and individual performance.
- Mr. Lau Ping Cheung was appointed as non-executive director on 1 October 2015.
- Mr. Shea Chun Lok, Quadrant, Mr. Fung Cheuk Nang, Clement and Mr. Tsoi Chi Ho, Peter were appointed as independent non-executive directors on 21 December 2015.
- Mr. Chang Wei Hua is also the chief executive of the Company and his emoluments disclosed above include those for services rendered by him as the chief executive.
- The executive directors' emoluments shown above were mainly for their services in connection with management of the affairs of the Company and the Group.

No emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office. In addition, none of the directors waived or agreed to waive any emolument during the both years.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 11. EMPLOYEES' REMUNERATIONS

Of the five highest paid individuals in the Group, two (2014: two) were directors of the Company whose remunerations are set out in Note 10 above. The remuneration of the remaining three (2014: three) individuals are as follows:

	2015 HK\$'000	2014 HK\$'000
Salaries and other benefits	1,664	1,606
Performance related incentive payments	240	228
Retirement benefits scheme contributions	65	56
	<b>1,969</b>	1,890

Their remunerations were within the following bands:

	2015 No. of employees	2014 No. of employees
Not exceeding HK\$1,000,000	3	3

During the years ended 31 December 2015 and 2014, no emoluments were paid by the Group to these individuals as an inducement to join or upon joining the Group.

## 12. DIVIDEND

During the year ended 31 December 2015, a final dividend in respect of the year ended 31 December 2014 of HK\$0.24 per share, or in aggregation of HK\$6,000,000, was paid by Hi-Level Hong Kong, a subsidiary of the Company, to its then shareholders. A special dividend in respect of the year ended 31 December 2015 of HK\$1.60 per share, or in aggregation of HK\$40,000,000, was declared by Hi-Level Hong Kong to its then shareholders conditionally upon listing of the shares of the Company. Subsequent to the reporting period, it was paid by Hi-Level Hong Kong to its then shareholders upon listing of the shares of the Company on 7 January 2016.

Subsequent to the end of the reporting period, a final dividend of HK\$0.01 per share in respect of the year ended 31 December 2015 has been proposed by the directors of the Company and are subject to approval by the shareholders in the forthcoming annual general meeting.

During the year ended 31 December 2014, a final dividend in respect of the year ended 31 December 2013 of HK\$0.40 per share, or in aggregation of HK\$10,000,000, was paid by Hi-Level Hong Kong to its then shareholders.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 13. EARNINGS PER SHARE

The basic earnings per share is calculated based on the profit for the year of HK\$12,483,000 (2014: HK\$20,032,000) and 450,000,000 ordinary shares for the year ended 31 December 2015 and 2014 on the assumption that the Reorganisation and the capitalisation issue (as explained in Note 24(b) and (c)) had been completed on 1 January 2014. No diluted earnings per share is presented for both years as there was no potential ordinary share outstanding.

## 14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK\$'000	Furniture and fixtures HK\$'000	Motor vehicles HK\$'000	Office equipment HK\$'000	Total HK\$'000
COST					
At 1 January 2014	1,783	180	310	2,194	4,467
Exchange realignment	(28)	(1)	(7)	(9)	(45)
Additions	69	—	—	83	152
At 31 December 2014	1,824	179	303	2,268	4,574
Exchange realignment	(29)	(2)	(7)	(10)	(48)
Additions	35	17	—	68	120
<b>At 31 December 2015</b>	<b>1,830</b>	<b>194</b>	<b>296</b>	<b>2,326</b>	<b>4,646</b>
DEPRECIATION					
At 1 January 2014	1,637	162	147	2,018	3,964
Exchange realignment	(28)	(1)	(3)	(6)	(38)
Provided for the year	50	8	54	91	203
At 31 December 2014	1,659	169	198	2,103	4,129
Exchange realignment	(28)	(2)	(5)	(7)	(42)
Provided for the year	68	9	54	100	231
<b>At 31 December 2015</b>	<b>1,699</b>	<b>176</b>	<b>247</b>	<b>2,196</b>	<b>4,318</b>
CARRYING VALUES					
<b>At 31 December 2015</b>	<b>131</b>	<b>18</b>	<b>49</b>	<b>130</b>	<b>328</b>
At 31 December 2014	165	10	105	165	445

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 14. PROPERTY, PLANT AND EQUIPMENT (continued)

The above items of property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives as follows:

Leasehold improvements	18% - 20% or over the term of the relevant lease, whichever is shorter
Furniture and fixtures	18% - 33%
Motor vehicles	18% - 33%
Office equipment	18% - 33%

## 15. INTEREST IN AN ASSOCIATE

	2015 HK\$'000	2014 HK\$'000
Cost of unlisted investment in an associate	—	511
Share of post-acquisition results	—	(429)
Share of post-acquisition reserve	—	34
Impairment loss recognised	—	(116)
	—	—

As at 31 December 2015 and 2014, the Group had interest in the following associate:

Name of entity	Place of establishment/ operation	Proportion of nominal value of issued capital held by the Group		Principal activity
		2015	2014	
成都凌點科技有限公司	The PRC	—	30%	Sales of electronic products

As at 31 December 2014, included in the cost of investment in an associate was goodwill of HK\$116,000 arising on acquisition of an associate. The amount was fully impaired during the year ended 31 December 2014.

In September 2015, the Group disposed of its 30% interests in 成都凌點科技有限公司 to the controlling shareholders of 成都凌點科技有限公司 for a consideration of RMB1 (equivalent to HK\$2). The gain on disposal of an associate recognised in current year amounting to RMB1 (equivalent to HK\$2).

The summarised financial information in respect of the Group's associate for the year ended 31 December 2014 is set out below. The financial information below represents amounts shown in the associate's financial statements prepared in accordance with HKFRSs.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 15. INTEREST IN AN ASSOCIATE (continued)

	As at 31 December 2014 HK\$'000
Current assets	352
Non-current assets	320
Total assets	672
Current liabilities	(686)
Net liabilities	(14)

	Year ended 31 December 2014 HK\$'000
Revenue	544
Loss for the year	(164)
Group's share of results of an associate for the year	(46)

Reconciliation of the above financial information to the carrying amount of the investment in an associate for the year ended 31 December 2014 recognised in the consolidated financial statements:

	2014 HK\$'000
Net liabilities	(14)
Proportion of the Group's ownership in the associate	30%
Group's share of net liability of an associate	—
Goodwill	116
Impairment of goodwill	(116)
	—

As at 31 December 2014, the cumulative unrecognised share of loss of the associate amount to HK\$3,000.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 16. CLUB MEMBERSHIP

	2015 & 2014 HK\$'000
Golf club membership in the PRC at cost	266

At the end of the reporting period, the club membership was tested for impairment by comparing its carrying amount with its recoverable amount. The directors of the Company determined that no impairment loss was necessary and is of the opinion that the club membership is worth at least its carrying amount.

## 17. DEPOSIT PAID FOR ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT

At 31 December 2014, the balance represented deposit paid to a major supplier, which is independent to the Group, in connection with the acquisition of a property located in Chengdu for the expansion of business. During the year ended 31 December 2014, this property was under construction by the supplier and the acquisition was pending for completion.

During the year ended 2015, the directors of the Company considered that the expansion plan of business in Chengdu is no longer viable in view of the change of economic environment in Chengdu and the potential acquisition was cancelled in May 2015. All deposit was refunded to the Group during the year ended 31 December 2015.

## 18. INVENTORIES

	2015 HK\$'000	2014 HK\$'000
Finished goods	<b>84,725</b>	47,820



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 19. TRADE AND OTHER RECEIVABLES

	2015 HK\$'000	2014 HK\$'000
Trade receivables	<b>132,151</b>	88,015
Less: allowance for doubtful debts	<b>(1,000)</b>	(1,104)
	<b>131,151</b>	86,911
Other receivables, deposits and prepayments	<b>29,620</b>	22,967
Amount due from an associate	—	4
Less: impairment loss recognised	—	(4)
Total trade and other receivables	<b>160,771</b>	109,878

The Group allows credit period ranging from 30 days to 90 days which are agreed with each of its trade customers.

The following is an aged analysis of trade receivables net of allowance for doubtful debts presented based on due date at the end of each reporting period:

	2015 HK\$'000	2014 HK\$'000
Current	<b>82,723</b>	44,477
0 - 30 days	<b>31,843</b>	28,426
31 - 60 days	<b>9,517</b>	7,229
61 - 90 days	<b>4,955</b>	5,018
Over 90 days	<b>2,113</b>	1,761
	<b>131,151</b>	86,911

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. The majority of the Group's trade receivable that are past due but not impaired have good credit quality with reference to respective settlement history.

Included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK\$48,428,000 (2014: HK\$42,434,000) which are past due at the reporting period for which the Group has not provided for impairment loss as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 19. TRADE AND OTHER RECEIVABLES (continued)

### *Ageing of trade receivables which are past due but not impaired*

	2015 HK\$'000	2014 HK\$'000
0 - 30 days	31,843	28,426
31 - 90 days	14,472	12,247
Over 90 days	2,113	1,761
	<b>48,428</b>	<b>42,434</b>

### *Movement in the allowance for doubtful debts*

	2015 HK\$'000	2014 HK\$'000
1 January	1,104	1,000
Allowance for trade receivables	883	104
Bad debt written off	(987)	—
31 December	<b>1,000</b>	<b>1,104</b>

In determining the recoverability of trade receivables, the Group considers any change in the credit quality of the trade receivables from the date credit was initially granted up to the end of each reporting period.

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of HK\$1,000,000 (2014: HK\$1,104,000), which have either been placed under liquidation or in serious financial difficulties. The Group does not hold any collateral over these balances.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 20. AMOUNT DUE FROM (TO) A FELLOW SUBSIDIARY

	2015 HK\$'000	2014 HK\$'000
Amount due from a fellow subsidiary (note a)	27,927	29,030
Amount due to a fellow subsidiary (note b)	4,153	271

notes:

- (a) Included in the amount due from a fellow subsidiary is HK\$27,927,000 (2014: HK\$28,702,000) which is non-trade related, unsecured, interest-free and repayable on demand. The remaining amount is trade-related, unsecured, interest-free and with a credit period of 30 days to 90 days. The amount due from a fellow subsidiary is denominated in HK\$ which is other than the functional currency of the relevant group entities.

The following is an aged analysis of the trade-related amount due from a fellow subsidiary presented based on the due date at the end of each reporting period:

	2015 HK\$'000	2014 HK\$'000
Current	—	328

- (b) Included in the amount due to a fellow subsidiary is HK\$4,153,000 (2014: nil) which is trade-related, unsecured, interest free and with a credit period 30 days to 90 days. The remaining amount is non-trade related, unsecured, interest free and repayable on demand. The amount due to a fellow subsidiary is denominated in HK\$ which is other than the functional currency of the relevant group entities.

The following is an aged analysis of the trade-related amount due to a fellow subsidiary presented based on the due date at the end of each reporting period:

	2015 HK\$'000	2014 HK\$'000
Current	2,314	—
0 - 30 days	1,839	—
	4,153	—

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 21. BANK BALANCES AND CASH

Bank balances and cash comprise cash on hand and bank balances. Bank balances carry interest at variable prevailing market interest rate which ranged from 0.01% to 0.30% per annum (2014: 0.01% to 0.35% per annum).

The Group's bank balances and cash that are denominated in currencies other than the functional currency of the relevant group entities are set out below:

	2015 HK\$'000	2014 HK\$'000
HK\$	12,371	1,659
RMB	1,809	8,885

## 22. TRADE AND OTHER PAYABLES

	2015 HK\$'000	2014 HK\$'000
Trade payables	151,235	123,947
Other payables and accruals	31,230	16,675
Total trade and other payables	182,465	140,622

The credit period on trade payables ranged from 30 days to 60 days.

The following is an aged analysis of trade payables presented based on the due date at the end of each reporting period:

	2015 HK\$'000	2014 HK\$'000
Current	95,647	59,691
0 - 30 days	46,130	47,931
31 - 60 days	9,161	15,664
Over 90 days	297	661
	151,235	123,947

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 23. BANK BORROWINGS

	2015 HK\$'000	2014 HK\$'000
Guaranteed and secured bank borrowings comprise:		
Invoice financing and import loan	50,865	15,248
Guaranteed and unsecured bank borrowings comprise:		
Invoice financing and import loan	—	12,693
	50,865	27,941
Carrying amount of bank borrowings repayable on demand or within one year (note)	50,865	27,941

note: All bank borrowings contain a repayment on demand clause and are shown under current liabilities.

As at 31 December 2015, the bank borrowings denominated in USD bear interests ranging from LIBOR plus 1.20% (2014: 1.25%) to LIBOR plus 1.75% (2014: 1.75%) per annum, and the average effective interest rates are 1.53% (2014: 1.58%) as at 31 December 2015.

The bank borrowings comprising invoice financing and import loan are guaranteed or cross guaranteed by the ultimate holding company, the immediate holding company and fellow subsidiaries. The guarantees/cross guarantees were released upon the listing of the shares of the Company on 7 January 2016.

As at 31 December 2015, the Group's bank borrowings amounting to HK\$50,865,000 (2014: HK\$15,248,000) are secured by bank deposits held by a fellow subsidiary.

No bank borrowings are denominated on currencies other than the functional currencies of the relevant group entities as at 31 December 2015 and 2014.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 24. SHARE CAPITAL

The share capital of the Group at 31 December 2014 represented the share capital of Hi-Level Hong Kong.

The share capital at 31 December 2015 represented the share capital of the Company.

Details of movements of authorised and issued capital of the Company during the year ended 31 December 2015 are as follows:

	Notes	Number of ordinary shares	Amount HK\$
Ordinary shares of HK\$0.01 each			
<b>Authorised:</b>			
At 18 September 2015 (date of incorporation)	(a)	5,000,000	50,000
Increase in authorised share capital	(c)	1,995,000,000	19,950,000
At 31 December 2015		2,000,000,000	20,000,000
<b>Issued and fully paid:</b>			
Issue of shares at 18 September 2015			
(date of incorporation upon the Reorganisation)	(a)	1	—
Issue of shares	(b)	99	1
At 31 December 2015		100	1
Balance presented in HKD'000			—

Notes:

- The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Company Law of the Cayman Islands on 18 September 2015 with authorised share capital of HK\$50,000 divided into 5,000,000 ordinary shares with a nominal value and one share of a par value of HK\$0.01 was allotted and issued of HK\$0.01 each.
- On 7 December 2015, the shareholders of Hi-Level Hong Kong and the Company entered into a reorganisation deed pursuant to which the shareholders of Hi-Level Hong Kong transferred the entire issued capital in Hi-Level Hong Kong to the Company's immediate subsidiary, Hi-Level BVI. In consideration of the transfer of the entire issued capital in Hi-Level Hong Kong, the Company allotted and issued 99 shares to them in total, all credited as fully paid.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 24. SHARE CAPITAL (continued)

Notes: (continued)

- (c) Pursuant to the written resolution of the Company's shareholders passed on 23 December 2015, the authorised share capital of the Company was increased from the aggregate HK\$50,000 divided into 5,000,000 shares of a par value of HK\$0.01 each to the aggregate HK\$20,000,000 divided into 2,000,000,000 shares of a par value of HK\$0.01 each by creation of an additional HK\$19,950,000 divided into 1,995,000,000 shares of a par value of HK\$0.01 each. Pursuant to the resolution of the shareholders passed on 23 December 2015, the directors of the Company were authorised to allot and issue a total of 449,999,900 shares credited as fully paid at par to the register of members of the Company at the close of business on 23 December 2015 (or as they may direct) in proportion to their respective shareholdings by way of capitalisation of the sum of approximately HK\$4,499,999 standing to the credit of the share premium account of the Company as a result of the placing, and the shares allotted and issued under this resolution rank pari passu in all aspects with the existing issued shares.

## 25. CONTINGENT LIABILITIES

	2015 HK\$'000	2014 HK\$'000
Cross guarantees given to the banks in respect of banking facilities granted to certain of its fellow subsidiaries (note)	<b>2,749,000</b>	2,416,000

note: As at 31 December 2015, the Group had given cross guarantees to the banks in respect of general banking facilities granted to certain of its fellow subsidiaries amounting to approximately HK\$2,749,000,000 (2014: HK\$2,416,000,000). The cross guarantees were released upon the listing of shares of the Company on 7 January 2016.

In the opinion of the directors of the Company, the fair value of the financial guarantees given to the banks by the Group are insignificant at initial recognition. Also, after taking into consideration the probability of default by the fellow subsidiaries, the directors of the Company have represented to us that they are of the opinion that no provision is required to be recognised in the consolidated statement of financial position as at 31 December 2015 and 2014.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 26. OPERATING LEASE COMMITMENTS

### The Group as lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of office premises and warehouse which fall due as follow:

	2015 HK\$'000	2014 HK\$'000
Within one year	917	852
In the second to fifth year inclusive	—	414
	<b>917</b>	<b>1,266</b>

## 27. CAPITAL COMMITMENTS

	2015 HK\$'000	2014 HK\$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	—	2,775

## 28. RETIREMENT BENEFIT PLANS

The Group operate a MPF Scheme for all qualifying employees in Hong Kong under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rule of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at a rate of 5% specified in the rules, but subject to a cap. The only obligation of the Group with respect of MPF Scheme is to make the required contributions at rate specified under the scheme. No forfeited contribution is available to reduce the contribution payable in the future years.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 28. RETIREMENT BENEFIT PLANS *(continued)*

The employees employed in the PRC are members of the state-managed retirement benefit schemes operated by the PRC government. The PRC subsidiaries are required to contribute a certain percentage of their basic payroll to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefit schemes is to make the required contributions at rate specified under the schemes. No forfeited contribution is available to reduce the contribution payable in future years.

During the year ended 31 December 2014 and the period from 1 January 2015 to 31 July 2015, a subsidiary of the Company located in Shenzhen had made contribution to the retirement benefit schemes based on minimum wages in Shenzhen instead of actual wages of employees as required by the applicable PRC laws and regulations. No provision has been made for the shortfall for the year ended 31 December 2014 and the period from 1 January 2015 to 31 July 2015 as the directors of the Company considered that the amounts of underprovision to the retirement benefit schemes and the corresponding penalties that might be imposed are not material.

In August 2015, the relevant subsidiary of the Company has agreed with the relevant authority on the amount underpaid thus far at an aggregate amount of RMB428,393. As at the date of this report, the Group has not yet settled the underpaid contribution to the retirement benefit scheme.

Since August 2015, the subsidiary of the Company located in Shenzhen has made contribution to the retirement benefit schemes based on actual wages of employees as required by the applicable PRC laws and regulations.

The total expense of HK\$1,634,000 (2014: HK\$1,269,000) was recognised in profit or loss during the year.

## 29. SHARE-BASED PAYMENT TRANSACTIONS

Pursuant to a resolution of S.A.S. Dragon passed on 27 July 2012, S.A.S. Dragon adopted a share option scheme (the "Scheme") for recognition of past services contributed by, and giving incentives to the eligible participants, including directors, non-executive directors, employees, shareholders, suppliers and customers of S.A.S. Dragon and any of its subsidiaries.

According to the Scheme, the board of directors of S.A.S. Dragon may at their discretion grant options to directors, executives and employees of S.A.S. Dragon and its subsidiaries to subscribe for shares in S.A.S. Dragon.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 29. SHARE-BASED PAYMENT TRANSACTIONS (continued)

On 25 September 2014, there were share options granted to directors or employees of entities comprising the Group under the Scheme. The following tables disclose movements in the share options granted to the employees of the Group under the Scheme for the year ended 31 December 2014 and 31 December 2015:

Date of grant	Vesting period	Exercisable period	Exercise price per share	Options granted during 2014	Outstanding at 31.12.2014 and 31.12.2015
25.9.2014	25.9.2014 to 24.9.2015	25.9.2015 to 24.9.2017	HK\$2.60	437,000	437,000
25.9.2014	25.9.2014 to 24.9.2016	25.9.2016 to 24.9.2017	HK\$2.60	437,000	437,000
				874,000	874,000

Share options granted in September 2014 under the Scheme are exercisable during the period from 25 September 2015 to 24 September 2017 in two batches.

The Group recognised total expenses of HK\$281,000 (2014:HK\$92,000) for the year ended 31 December 2015, in relation to the share options granted by S.A.S. Dragon.

## 30. RELATED PARTY DISCLOSURES

(a) During the year, the Group entered into the following significant transactions with related parties:

Related parties	Nature of transactions	2015 HK\$'000	2014 HK\$'000
Fellow subsidiaries	Sales of electronic products	2,134	1,233
	Purchase of electronic products	8,308	4,806
	Rental expense paid	130	131
	Interest paid (note)	801	124
Intermediate holding company	Rental expense paid	384	384
	Management fee paid	600	600
An associate	Sales of electronic products	71	44
	Research and development fee paid	—	120

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 30. RELATED PARTY DISCLOSURES (continued)

note: The amount represents interest paid to a fellow subsidiary in respect of the guarantee provided by the fellow subsidiary to the Group in relation to the bank borrowings of the Group. The guarantees were released upon the listing of the shares of the Company on 7 January 2016.

- (b) During the year, a fellow subsidiary of the Group had provided bank deposits to secure the bank borrowings of the Group. Details are disclosed in Note 23.
- (c) Details of the outstanding balances with related parties are set out in the consolidated statement of financial position and in Note 20.
- (d) In addition to the guarantees referred to in Note 25, the Group's banking facilities amounting to HK\$3,149,800,000 (2014: HK\$3,247,000,000) at 31 December 2015 were guaranteed by the ultimate holding company, the immediate holding company and its fellow subsidiaries and were secured by bank deposits and a property owned by a fellow subsidiary. The guarantees and securities were released upon the listing of the shares of the Company on 7 January 2016.
- (e) The compensation paid to the key management personnel was as follows:

### Compensation of key management personnel

	2015 HK\$'000	2014 HK\$'000
Salaries and other allowances	3,035	2,804
Performance related incentive payments	777	527
Retirement benefit scheme contributions	104	89
	<b>3,916</b>	3,420

The remuneration of key management personnel is determined with regard to the performance of the individuals and market trends.

## 31. EVENT AFTER REPORTING PERIOD

On 7 January 2016, the Company has been listed on the GEM Board by way of placing (the "Placing"). Pursuant to the Placing, the Company issued 150,000,000 new shares at the price HK\$0.31 per share. The gross proceeds from the Placing were HK\$46,500,000.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 32. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

The statement of financial position of the Company as at 31 December 2015 is as follows:

	2015 HK\$'000
Non-current Asset	
Investment in a subsidiary	100,152
Current Assets	
Dividend receivable from a subsidiary	20,000
Prepayment	3,256
Bank balances and cash	66
	<b>23,322</b>
Current Liabilities	
Accruals	6,514
Amount due to subsidiaries	7,751
	<b>14,265</b>
Net Current Assets	<b>9,057</b>
Total Assets less Current Liabilities	<b>109,209</b>
Capital and Reserves	
Share capital	—
Reserve (note)	109,209
Total Equity	<b>109,209</b>

note:

	Special reserve HK\$'000	Retained Profits HK\$'000	Total HK\$'000
Profit for the period	—	9,057	9,057
Effect of reorganisation (note)	100,152	—	100,152
At 31 December 2015	<b>100,152</b>	<b>9,057</b>	<b>109,209</b>

note: As disclosed in Note 24(b), pursuant to the reorganisation deed, in consideration of the transfer of the entire issued capital in Hi-Level Hong Kong to Hi-Level BVI, the Company allotted and issued 99 shares to them in total, all credited as fully paid. The special reserve represents the difference between nominal amount of share capital issued by the Company and the fair value of Hi-Level Hong Kong.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 33. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the Company's subsidiaries as at 31 December 2015 and 31 December 2014 are as follows:

Name of subsidiaries	Place and date of incorporation/ establishment/ operations	Issued and fully paid share capital/ registered capital	Attributable equity interest held by the Company Directly		Principal activities
			2015	2014	
Hi-Level (BVI) Limited	British Virgin Islands 24 September 2015	USD1	100%	N/A	Investment holding
Hi-Level Technology Limited	Hong Kong 15 December 2000	HK\$25,000,000	100%	100%	Sales of electronic products
Video Innovation Tech Limited	Hong Kong 24 October 2001	HK\$500,000	100%	100%	Inactive
Shenzhen Hi-Level Technology Development Limited (深圳揚煜科技開發有限公司) (note)	The PRC 8 September 2003	HK\$22,000,000 (2014: HK\$12,000,000)	100%	100%	Sales of electronic products and engineering support
Hi-Level (Shanghai) Technology Limited (上海揚禹電子貿易有限公司) (note)	The PRC 21 September 2007	HK\$1,500,000	100%	100%	Sales of electronic products

note: These companies are limited companies establish in the PRC.

None of the subsidiaries had any debt securities outstanding at the end of the year or at any time during the year.

# FINANCIAL SUMMARY

## RESULTS

	For the year ended 31 December				
	2011 HK\$'000	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000	2015 HK\$'000
Revenue	759,356	537,648	711,336	962,876	<b>1,309,764</b>
Profit before taxation	3,064	8,115	16,181	25,560	<b>17,013</b>
Income tax expense	(1,024)	(830)	(2,490)	(5,528)	<b>(4,530)</b>
Profit for the year	2,040	7,285	13,691	20,032	<b>12,483</b>

## ASSETS AND LIABILITIES

	At 31 December				
	2011 HK\$'000	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000	2015 HK\$'000
Total Assets	164,186	158,109	206,751	254,466	<b>328,460</b>
Total Liabilities	(113,266)	(99,820)	(134,652)	(172,494)	<b>(239,931)</b>
Net Assets and Total Equity	50,920	58,289	72,099	81,972	<b>88,529</b>