



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

Stock Code: 8113

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ANNUAL REPORT



This Annual Report is printed on environmentally friendly paper

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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. Wong Wai Tai

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

Bank of China (Hong Kong) Limited
Hang Seng Bank Limited
Standard Chartered Bank (Hong Kong) Limited

AUDITOR

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

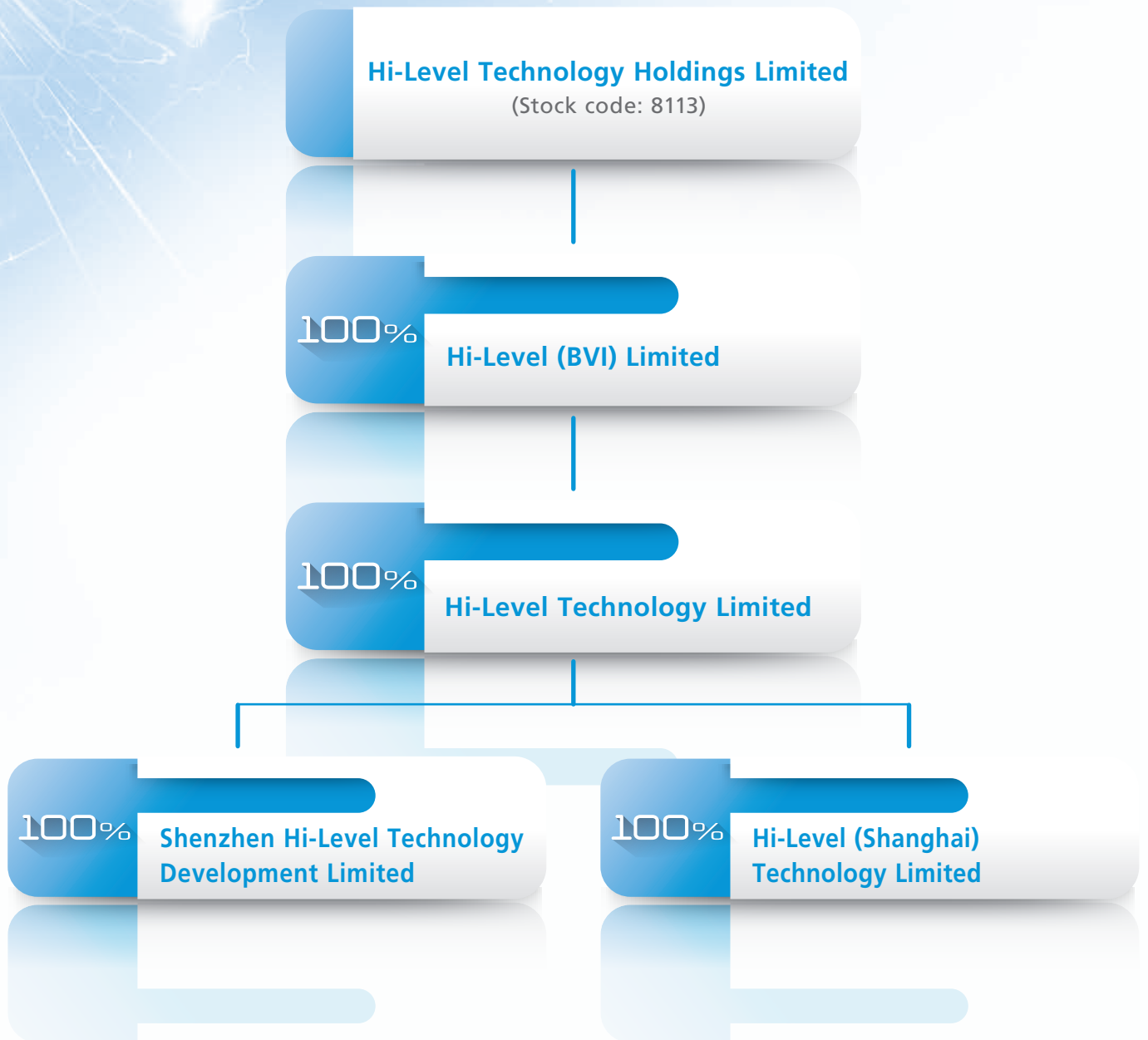
WEBSITE

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

STOCK CODE

The Stock Exchange of Hong Kong Limited : 8113

Group Structure



Financial Highlights

	2016 HK\$'000	2015 HK\$'000	Change
Revenue	1,798,674	1,309,764	+37.3%
Profit attributable to owners of the Company	30,690	12,483	+145.9%
Dividend per share (HK cents)			
– Final proposed	2.0	1.0	
– Interim paid	0.5	–	
– Total	2.5	1.0	+150.0%

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 2016.

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2016, the Group achieved sales revenue of HK\$1,798,674,000 increased approximately 37.3% from HK\$1,309,764,000 recorded last year. The increase was primarily attributable from the remarkable sales performance of panel and IC solutions.

Gross Profit

Gross profit was HK\$71,184,000, increased 24.7% from HK\$57,105,000 recorded last year. Due to the change of product line mix, gross profit margin was 3.96%, declined from 4.36% recorded last year.

Profit Attributable to Owners of the Company

The profit attributable to owners of the Company for the year ended 31 December 2016 was HK\$30,690,000 increased by approximately 145.9% as compared with HK\$12,483,000 recorded last year.

Administrative and Distribution Costs

The Group's operating costs for the report period were HK\$31,372,000 (2015: HK\$27,707,000), representing an increase of approximately 13.2% compared to the corresponding period in 2015. This was mainly attributable to the increase in operating expenses such as transportation and logistics charge, staff costs, audit fee and compliance advisor fee incurred during the year under review.

DIVIDENDS

The Board has recommended a final dividend of HK2.0 cents per share (2015: final dividend of HK1.0 cent per share) for the year ended 31 December 2016 subject to approval by the shareholders at the forthcoming annual general meeting. Together with an interim dividend of HK0.5 cent per share already paid, total dividend for the year will amount to HK2.5 cents (2015: HK1.0 cent per share).

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 Technology Limited ("Hi-Level Hong Kong") to its then shareholders conditionally upon listing of the shares of the Company. 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 electronics products such as electronic learning aids (ELA), tablets, set-top boxes, video image devices and multi-media players (car infotainment system) together with the provision of IDH services to original brand manufacturers and original design manufacturers.

We have developed a strong customer base and have built stable and long term relationships with our customers. During the year under review, we had absolute competitive advantage in providing turnkey solution to our ELA, tablets, set-top boxes and video image devices customers. Therefore, revenue of the Group for 2016 increased 37.3% as compared with last year.

ELA

Partnered with top three ELA customers, namely, BBK, Readboy and Noah which shared approximately 90% of market share in China ELA industry, we recorded significant sales growth with the three branded ELA customers in 2016. It comprises of approximately 20% of total sales of the Group.

Tablet

As the popularity and the field of applications for tablets widen, consumers' demand for tablets bring us fruitful returns. Our second largest segment is tablet which comprises of approximately 13% of total sales of the Group. Our customers procure our panel solutions for Lenovo and other branded tablet manufacturers.

Set-Top Box

Our set-top box customers adopted Rockchip IC solutions for Huawei and Alibaba's over the top (OTT) products. It involved in the delivery of high quality audio and video, and other media over the internet without the involvement of telecom operator in the control or distribution of content. We were benefited from stable order received from our set-top box customers to meet their demand in China and Middle East markets.

Video Image Device

Our video image device customers adopt i-Catch IC solutions for sport camera equipped with 4K resolutions display and twin-lens reflex. Also, our virtual reality (VR) customers adopted our Rockchip IC solutions for the VR headsets. Both recorded significant shipment growth of our IC solutions in the year of 2016.

Car Infotainment System

The demand for car infotainment systems has grown rapidly. We successfully promoted Sunplus and Rockchip IC solutions as well as Innolux panel solutions to car manufacturers such as Ford Motor and Guangzhou Automobile Group and others car service providers in 2016.

OUTLOOK

Looking forward, we are optimistic to maintain the growth momentum of the Group in 2017. The Group will have more strategic cooperation with our suppliers in order to maintain our competitiveness.

In order to provide more competitive products to our ELA and tablet customers, the Company becomes distributor of Century Technology (Shenzhen) Company Limited in fourth quarter of 2016, one of the famous Liquid Crystal Display (LCD) manufacturers in Greater China.

As smart car becomes popular, the Company will also focus on developing more solutions of car front player panel for both pre-installed and after-markets. We will supply more panels and audio and video IC to branded car manufacturers of car infotainment system. We will also promote our IC solutions on car smart rearview mirror which provides clear rearward visibility under various conditions and expect our customers will start productions on second half of 2017.

The Company will promote Rockchip IC solutions for next generation intelligence housekeeper, which can do housework, communicate and play games.

Based on the growth of our existing core business as well as new products, the Company is positive in our business developments in 2017. The Group will continue to explore new innovative consumer products with business partners so as to further improve its profitability.

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 2017

Management Discussion and Analysis

LIQUIDITY AND FINANCIAL RESOURCES

The Group's principal sources of funds are cash generated from operations and bank borrowings. As of 31 December 2016, the Group's current ratio was 125% (31 December 2015: 137%). The Group had bank balances and cash of HK\$118,242,000 (31 December 2015: HK\$54,443,000) and bank borrowings of HK\$126,583,000 (31 December 2015: HK\$50,865,000). As of 31 December 2016, the Group's net gearing ratio was 7.5% (31 December 2015: N/A), which is calculated based on the Group's net debt (31 December 2015: net cash) (calculated as total bank borrowings minus bank balances and cash) of approximately HK\$8,341,000 (31 December 2015: N/A) and Group's total equity of approximately HK\$111,174,000 (31 December 2015: HK\$88,529,000).

The Group recorded debtors turnover of approximately 30 days for the year under review (2015: 30 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 payable turnover of 34 days and 46 days respectively for the year under review (2015: approximately 19 days and 40 days respectively) based on the amount of the average of beginning and ending inventory and creditors divided by cost of sales for the respective year and multiplied by 365 days.

EMPLOYEE AND REMUNERATION POLICY

As 31 December 2016, 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 57, was appointed as a group chairman and executive Director of the Company on 1 October 2015. He is responsible for the formulation of corporate strategies and the overall direction of the Group. 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 in 1994) since 25 May 1993. Since 1 July 2013, Mr. Yim has been an independent director of Innolux Corporation (stock Code: 3481), a company listed on the Taiwan Stock Exchange. He is currently the vice chairman of the Hong Kong Electronic Industries 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 52, 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 Tungnan 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 47, 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 48, 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 experience in accounting and financial management.

Directors and Senior Management Profiles

Non-Executive Director

Mr. Wong Wai Tai, (黃維泰), aged 45, was appointed as a non-executive Director of the Company on 1 December 2016. He holds a Bachelor's degree of Business Administration from Hong Kong Baptist University and a Master of Laws from Renmin University of China. He is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of Association of Chartered Certified Accountants. He has over twenty years experience in accounting, auditing, taxation and financial management. Mr. Wong has been appointed as executive director of S.A.S. Dragon Holdings Limited (stock code: 1184) on 1 December 2016 which is listed on the Main Board of the Stock Exchange of Hong Kong Limited and a substantial shareholder of the Company.

Independent Non-Executive Directors

Mr. Shea Chun Lok, Quadrant (佘俊樂), aged 50, 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 postgraduate program of Public Finance (Taxation) and obtained a Master degree in Economics from Jinan University of China and a Master of Laws degree from Renmin 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, The 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 and worked as a qualified accountant and company secretary in various companies listed on the Main Board of the Stock Exchange over the years. 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 Asia Allied Infrastructure 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 40, 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 Smarthome Technology Limited and Smarthome 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 30, 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 52, 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 51, 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 44, 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"). Since the Listing Date and up to 31 December 2016, 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*)
Mr. Chang Wei Hua (*Chief Executive Officer*)
Mr. Wei Wei
Mr. Tong Sze Chung

Non-executive Director:

Mr. Wong Wai Tai (*appointed on 1 December 2016*)

Independent non-executive Directors:

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

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 2016 fell within the following bands:

	Number of individual 2016
HK\$1,000,001 to HK\$1,500,000	2
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 of the Group.

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. Wong Wai Tai, the non-executive Director of the Company have entered into a letter of appointment commencing from 1 October 2016 and 1 December 2016 respectively 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.

All other executive Directors have entered into a service contract with the Company commencing from 1 October 2016 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 2016 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.

Five Board meetings were held during the Year. The individual attendance record of the Board meetings and annual general meeting are set out as follows:

	Number of Board Meetings attended/eligible to attend	Annual General Meeting
<i>Executive Directors:</i>		
Mr. Yim Yuk Lun, Stanley JP	4/5	1/1
Mr. Chang Wei Hua	5/5	1/1
Mr. Wei Wei	5/5	1/1
Mr. Tong Sze Chung	5/5	1/1
<i>Non-executive Directors:</i>		
Mr. Lau Ping Cheung (resigned on 30 November 2016)	4/5	1/1
Mr. Wong Wai Tai (appointed on 1 December 2016)	N/A	N/A
<i>Independent non-executive Directors:</i>		
Mr. Shea Chun Lok, Quadrant	5/5	1/1
Mr. Fung Cheuk Nang, Clement	5/5	1/1
Mr. Tsoi Chi Ho, Peter	4/5	1/1

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, the effectiveness of the Group's internal audit function, 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.

The audit committee held 4 meetings to review unaudited quarterly results, interim results and annual financial results and reports during the year ended 31 December 2016, financial reporting and compliance procedures and effectiveness of risk management systems and internal controls of the Group. The attendance records of individual committee members are set out below:

Directors	Number of Meetings attended/eligible to attend
Mr. Shea Chun Lok, Quadrant	4/4
Mr. Fung Cheuk Nang, Clement	4/4
Mr. Tsoi Chi Ho, Peter	4/4

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

The remuneration committee held 1 meeting during the year to review and discuss with the management of the Company the remuneration policy and structure of the Directors and senior management of the Group.

Directors	Number of Meetings attended/eligible to attend
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.

The nomination committee held 2 meetings during the year to review and discuss the composition of the Board of the Company, to identify and nominate candidates for appointment to the Board such that it has the relevant skills, knowledge and experience and to assess the independency of independent non-executive Directors.

The attendance records of individual committee members are set out below:

Directors	Number of Meetings attended/eligible to attend
Mr. Shea Chun Lok, Quadrant	2/2
Mr. Fung Cheuk Nang, Clement	2/2
Mr. Tong Sze Chung	2/2

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 31 December 2016.

AUDITOR'S REMUNERATION

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

Services rendered in 2016	HK\$'000
Statutory audit services	1,050
Non-audit services	
– non-audit and tax related service	46

Corporate Governance Report

DIRECTORS' RESPONSIBILITY STATEMENT

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

RISK MANAGEMENT AND INTERNAL CONTROL

The Board has overall responsibilities for maintaining good and effective risk management and internal controls of the Group.

During the Year, the Board, with the assistance of the audit committee, conducted a review of the effectiveness and adequacy of the Group's risk management and internal control systems, covering financial, operational, compliance control and risk management functions. To assist the audit committee to fulfill its responsibilities, the senior management has to identify, update and report the key risk areas which covered all aspects of corporate strategies, operation and finance to the Board.

The Group risk management and internal control system includes the setting up of a management structure with limits of authority and is designed to help the Group achieve its business objectives, protects its assets against unauthorized use or disposition, ensures the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication and ensures compliance with relevant laws and regulations. The system is designed to provide reasonable, but not absolute, assurance against material misstatement or loss, and to manage rather than eliminate all risks of failure in the Group's operational systems and in the achievement of the Group's business objectives.

Risk management report and internal control report are submitted to the audit committee and the Board at least once a year. After reviewing the Group's risk management and internal control systems, the Board considers that the systems are effective and adequate for the Group as a whole. The Board further considers that (i) there was no material issue relating to the Group's risk management and internal controls, including financial, operational and compliance controls and risk management functions of the Group; and (ii) that there were adequate staff with appropriate and adequate qualifications and experience, resources for accounting, internal audit and financial reporting functions, and adequate training programmes had been provided during the year under review.

PROCEDURES AND INTERNAL CONTROLS FOR THE HANDLING AND DISSEMINATION OF INSIDE INFORMATION

The Group complies with requirements of Securities and Futures Ordinance (“SFO”) and the GEM Listing Rules. The Group discloses inside information to the public as soon as reasonably practicable unless the information falls within any of the safe harbours as provided in the SFO. Before the information is fully disclosed to the public, the Group ensures the information is kept strictly confidential. If the Group believes that the necessary degree of confidentiality cannot be maintained or that confidentiality may have been breached, the Group would immediately disclose the information to the public. The Group is committed to ensure that information contained in announcements or circulars are not false or misleading as to a material fact, or false or misleading through the omission of a material fact in view of presenting information in a clear and balanced way, which requires equal disclosure of both positive and negative facts.

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.

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.

Directors' Report

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 2016.

PRINCIPAL ACTIVITIES

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

RESULT AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2016 are set out in the consolidated statement of profit or loss and other comprehensive income on page 35.

An interim dividend of HK0.5 cent per share, amounting to approximately HK\$3,000,000 was paid to the shareholders during the year. The directors recommend the payment of a final dividend of HK2.0 cents per share to the shareholders on the register of members on 29 May 2017 (2015: HK1.0 cent per share). Dividend warrants will be dispatched on 7 June 2017.

BUSINESS REVIEW

Business review of the Group for the year ended 31 December 2016 has been stated in the Chairman's Statement on page 5 to 7 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 23.5% and 67.0%, 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 14.2% and 38.0%, 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 22 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 8 of this report.

ENVIRONMENTAL PROTECTION

The Group is committed to acting in an environmentally responsible manner. Using LED lamps for offices and warehouse premises, environmentally friendly paper to print annual, interim and quarterly reports, 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 fulfill their immediate and long-term need.

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

Directors' Report

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.

Foreign exchange risk

The Group derives its turnover, makes purchases and incurs expenses denominated mainly in US\$, Renminbi 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\$ and Renminbi are not significant as the Group aims to achieve natural hedging by investing and borrowing in the same functional currencies.

DIRECTORS

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

Executive Directors

Yim Yuk Lun, Stanley JP
Chang Wei Hua
Wei Wei
Tong Sze Chung

Non-Executive Directors

Wong Wai Tai (appointed on 1 December 2016)
Lau Ping Cheung (resigned on 30 November 2016)

Independent Non-Executive Directors

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

Mr. Lau Ping Cheung who resigned as director as mentioned above wish to devote more time to his personal commitments following his resignation. He has confirmed that he has no disagreement with the Board and nothing relating to the affairs of the Company need to be brought to the attention of the members of the Company.

Pursuant to the Articles 14.4 to 14.6 and 14.9 of the Company's Articles of Association, Mr. Yim Yuk Lun, Stanley JP, Mr. Chang Wei Hua, Mr. Wong Wai Tai and Mr. Shea Chun Lok, Quadrant shall retire by rotation at the annual general meeting. All the retiring Directors, being eligible, will offer themselves for re-election at the annual general meeting.

UPDATE ON DIRECTORS' INFORMATION

Pursuant to rule 17.50A (1) of the GEM Listing Rules, the change of directors' information of the Company since the date of 2016 third quarterly report is as follow:

1. Mr. Lau Ping Cheung resigned as non-executive director of the Company on 30 November 2016.
2. Mr. Wong Wai Tai has been appointed as non-executive director of the Company on 1 December 2016.

DIRECTORS' SERVICE CONTRACTS

Mr. Yim Yuk Lun, Stanley *JP*, the Chairman of the Company and Mr. Wong Wai Tai, the non-executive Director of the Company have entered into a letter of appointment commencing from 1 October 2016 and 1 December 2016 respectively 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.

All other executive Directors have entered into a service contract with the Company commencing from 1 October 2016 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 2016 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' Report

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 31 December 2016, 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

Name of directors	Capacity	Number of issued ordinary shares held	Percentage of issued share capital of the Company
Yim Yuk Lun, Stanley <i>JP</i> (Note 1)	Beneficial owner and interest in controlled corporation	227,035,861	37.8
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
Tong Sze Chung	Beneficial owner	144	0

Notes:

1. Mr. Yim Yuk Lun, Stanley *JP* beneficially owns 21,382,861 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 205,653,000 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.

SHARE OPTIONS

Particulars of the Company's share option schemes are set out in note 26 to the consolidated financial statement.

S.A.S. Dragon share option scheme

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.

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.

Pre-IPO share option scheme of the Company

Pursuant to a written resolution of the shareholders of the Company dated 11 October 2015, the pre-IPO share option scheme (the "Pre-IPO Share Option Scheme") of the Company was approved and adopted. The Pre-IPO Share Option Scheme was established to recognise and motivate the contribution of the eligible persons and to provide incentives and help the Company in retaining its existing employees, including any full time or part time employee (including any executive and non-executive director or proposed executive director and non-executive director) of the Group (the "Employees"), and to recruit additional employees and to provide them with a direct economic interest in attaining the long term business objectives of the Company.

Prior to the Listing, options to subscribe for an aggregate of 58,950,000 shares of the Company, representing 9.8% of the enlarged issued share capital of the Company immediately after the completion of the Placing, at an exercise price of HK\$0.31 per share of the Company, have been granted to a total of 162 grantees under the Pre-IPO Share Option Scheme of the Company conditionally upon the Listing.

Share option scheme of the Company

Pursuant to a written resolution of the shareholders of the Company dated 23 December 2015, the share option scheme (the "2015 Scheme") was passed on 23 December 2015, which became effective on the Listing Date. The 2015 Scheme was established for the purpose of providing incentives or rewards for the contribution of directors of the Company and the Eligible Persons, and will expire on 22 December 2025. Under the 2015 Scheme, the directors of the Company may at their discretion grant options to the Eligible Persons.

No options was granted by the Company under the share option scheme during the year. As at the date of this Report, save as otherwise approved by shareholders of the Company, the maximum number of shares available for issue under options which may be granted is 62,100,000, representing approximately 9.8% of the number of issued shares of the Company.

Directors' Report

EQUITY-LINKED AGREEMENTS

Other than the share option scheme as disclosed above, no equity-linked agreements were entered into by the Company during the year or subsisted at the end of the year.

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

Other than the share option scheme as disclosed above, 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 31 December 2016, 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 share capital of the Company
S.A.S. Dragon	Interest in controlled corporation	205,653,000	34.3
S.A.S. Investment	Beneficial owner	205,653,000	34.3

Notes:

S.A.S. Dragon is deemed to be interested in the 205,653,000 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 A TRANSACTION, ARRANGEMENT AND CONTRACTS OF SIGNIFICANCE

No transaction, arrangement and contract of significance to which the Company, its holding companies, fellow subsidiaries or subsidiaries was a party and in which a director or a connected entity of 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.

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 26 to the consolidated financial statements.

INTERESTS OF THE COMPLIANCE ADVISERS

As notified by Alliance Capital Partners Limited ("Alliance"), compliance adviser of the Company, Alliance had 1,400,000 shares of the Company as at 31 December 2016.

Save as disclosed above, neither Alliance nor any of its close associates and none of the directors or employees of Alliance had 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) which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules as at 31 December 2016.

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

Directors' Report

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.

TAX RELIEF

The Company is not aware of any relief on taxation available to the shareholders by reason of their holdings of the shares. If the shareholders are unsure about the taxation implications of purchasing, holding, disposing of, dealing in, or exercising of any rights in relation to the shares, they are advised to consult their professional advisers.

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.

Directors' Report

USE OF PROCEEDS FROM THE IPO

During the year under review, the Company has offered 150,000,000 shares for subscription by way of placing and raised net proceeds of approximately HK\$30 million. As at 31 December 2016, the net proceeds from the Placing had been applied as follows.

**Actual use of proceeds
for the year ended
31 December 2016**
(HK\$'000)

Upgrade our ERP system	178
Expand our ELA business by engaging in:	
– R&D staff expenses	457
– Equipment purchases	301
<hr/>	
Total	936

AUDITOR

Messrs. Deloitte Touche Tohmatsu was appointed as 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 2017

Independent Auditor's Report

Deloitte.

德勤

TO THE MEMBERS OF HI-LEVEL TECHNOLOGY HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

OPINION

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 35 to 87, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independent Auditor's Report

KEY AUDIT MATTER

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<i>Estimated allowance of inventories</i>	
<p>We identified the allowance of inventories as a key audit matter due to significant judgement exercised by management in identifying the obsolete and slow-moving inventory items, and estimating the allowance for inventories.</p> <p>Referring to note 4 to the consolidated financial statements, the directors of the Company review inventories on a product-by-product basis at the end of each reporting period to identify obsolete and slow-moving inventory items based on the inventories ageing analysis and determine allowance for inventories by reference to net realisable value of the inventories. Net realisable value of inventories is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale. Management estimates the net realisable value for inventories based primarily on the current market demand, latest selling prices and historical experiences on selling products with similar nature. As at 31 December 2016, the carrying values of inventories were HK\$233,640,000 (net of allowance of HK\$4,324,000).</p>	<p>Our procedures in relation to evaluating the appropriateness of estimated allowance of inventories included:</p> <ul style="list-style-type: none"> • Understanding how the management identifies obsolete and slow-moving inventory items, and estimates the allowance for inventories as at 31 December 2016; • Testing the accuracy of the inventories ageing analysis as at 31 December 2016, on a sample basis; • Assessing the reasonableness of the net realisable value of inventories and allowance of inventories estimated by the management; • Tracing the latest selling prices to the sales invoices, on sample basis; and • Evaluating the historical accuracy of the allowance of inventories estimation by management.

Independent Auditor's Report

OTHER INFORMATION

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

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

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

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Independent Auditor's Report

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Independent Auditor's Report

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

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

The engagement partner on the audit resulting in the independent auditor's report is Lam Sau Fung.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

21 March 2017

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2016

	NOTES	2016 HK\$'000	2015 HK\$'000
Revenue	7	1,798,674	1,309,764
Cost of sales		(1,727,490)	(1,252,659)
Gross profit		71,184	57,105
Other income		73	68
Distribution costs		(5,890)	(4,938)
Administrative expenses		(25,482)	(22,769)
Listing expenses		(1,135)	(10,643)
Finance costs		(1,444)	(1,810)
Profit before taxation		37,306	17,013
Income tax expense	8	(6,616)	(4,530)
Profit for the year	9	30,690	12,483
Other comprehensive expense			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations:			
– subsidiaries		(3,203)	(207)
Other comprehensive expense for the year		(3,203)	(207)
Total comprehensive income for the year		27,487	12,276
Earnings per share (HK cents)	13		
– basic		5.14	2.77
– diluted		4.96	N/A

Consolidated Statement of Financial Position

At 31 December 2016

	NOTES	2016 HK\$'000	2015 HK\$'000
Non-current Assets			
Property, plant and equipment	14	552	328
Club membership	15	266	266
		818	594
Current Assets			
Inventories	16	233,640	84,725
Trade and other receivables	17	190,370	160,771
Amount due from a related party	18	1,410	–
Amount due from a fellow subsidiary	18	–	27,927
Bank balances and cash	19	118,242	54,443
		543,662	327,866
Current Liabilities			
Trade and other payables	20	301,613	182,465
Amount due to a related party	18	220	–
Amount due to a fellow subsidiary	18	–	4,153
Taxation payable		4,890	2,448
bank borrowings	21	126,583	50,865
		433,306	239,931
Net Current Assets		110,356	87,935
Total Assets less Current liabilities		111,174	88,529
Capital and Reserves			
Share capital	22	6,000	–
Reserves		105,174	88,529
Total Equity		111,174	88,529

The consolidated financial statements on pages 35 to 87 were approved and authorised for issue by the Board of Directors on 21 March 2017 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 2016

	Share capital HK\$'000	Share premium HK\$'000	Special reserve HK\$'000 (note i)	Translation reserve HK\$'000	Dividend reserve HK\$'000	Shareholder's contribution reserve HK\$'000 (note ii)	Share options reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 January 2015	25,000	-	-	1,545	-	92	-	55,335	81,972
Profit for the year	-	-	-	-	-	-	-	12,483	12,483
Exchange differences arising on translation of foreign operations – subsidiaries	-	-	-	(207)	-	-	-	-	(207)
Total comprehensive income for the year	-	-	-	(207)	-	-	-	12,483	12,276
Disposal of an associate	-	-	-	(34)	-	-	-	34	-
Issue of shares (Note 22(b))	-	-	-	-	-	-	-	-	-
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 (Note 26)	-	-	-	-	-	281	-	-	281
At 31 December 2015	-	-	25,000	1,304	40,000	373	-	21,852	88,529
Profit for the year	-	-	-	-	-	-	-	30,690	30,690
Exchange differences arising on translation of foreign operations – subsidiaries	-	-	-	(3,203)	-	-	-	-	(3,203)
Total comprehensive income for the year	-	-	-	(3,203)	-	-	-	30,690	27,487
Issue of new shares through the Placing (as defined in Note 1 and Note 22(d))	1,500	45,000	-	-	-	-	-	-	46,500
Capitalisation Issue (as defined in Note 22(c))	4,463	(4,463)	-	-	-	-	-	-	-
New shares issued for settlement of listing expenses (Note 30)	37	1,110	-	-	-	-	-	-	1,147
Transaction costs attributable to issue of new shares	-	(5,207)	-	-	-	-	-	-	(5,207)
Dividend declared (Note 12)	-	-	-	-	12,000	-	-	(12,000)	-
Dividend paid (Note 12)	-	-	-	-	-	-	-	(9,000)	(9,000)
Special dividend paid (Note 12)	-	-	-	-	(40,000)	-	-	-	(40,000)
Recognition of equity-settled share-based payment (Note 26)	-	-	-	-	-	75	1,643	-	1,718
At 31 December 2016	6,000	36,440	25,000	(1,899)	12,000	448	1,643	31,542	111,174

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\$75,000 (2015: HK\$281,000) arising from the share options granted to the employees of the Group under the share option scheme of the shareholder, S.A.S. Dragon Holdings Limited (“S.A.S. Dragon”) during the year ended 31 December 2016. Details of which are set out in Note 26(a).

Consolidated Statement of Cash Flows

For the year ended 31 December 2016

	2016 HK\$'000	2015 HK\$'000
OPERATING ACTIVITIES		
Profit before taxation	37,306	17,013
Adjustments for:		
Depreciation of property, plant and equipment	423	231
Expenses recognised in respect of equity-settled share-based payment	1,718	281
Interest income	(38)	(27)
Finance costs	1,444	1,810
Inventories written off	–	5
(Reversal of) allowance for inventories	(2,548)	2,184
(Reversal of) allowance for trade receivables	(1,000)	883
Operating cash flows before movements in working capital	37,305	22,380
Increase in inventories	(146,367)	(39,094)
increase in trade and other receivables	(30,730)	(51,767)
Increase in amount due from a related party	(1,410)	–
Decrease in amount due from a fellow subsidiary	–	328
Increase in trade and other payables	119,148	41,843
Decrease in amount due to a related party	(3,933)	–
Increase in amount due to a fellow subsidiary	–	4,153
Cash used in operations	(25,987)	(22,157)
Hong Kong Profits Tax paid	(3,172)	(5,706)
The People's Republic of China (the "PRC") Enterprise Income Tax ("EIT") paid	(929)	(36)
NET CASH USED IN OPERATING ACTIVITIES	(30,088)	(27,899)
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(662)	(120)
Advance to a fellow subsidiary	–	(17,006)
Repayment of advance to a related party	7,527	–
Repayment of advance to a fellow subsidiary	–	17,781
Interest received	38	27
Refund of deposit paid for acquisition of property, plant and equipment	–	13,598
NET CASH FROM INVESTING ACTIVITIES	6,903	14,280

Consolidated Statement of Cash Flows

For the year ended 31 December 2016

	2016 HK\$'000	2015 HK\$'000
FINANCING ACTIVITIES		
New bank borrowings raised	322,197	250,495
Proceeds from issue of new shares	46,500	–
Repayment of bank borrowings	(246,479)	(227,571)
Dividend paid	(28,600)	(6,000)
Expenses paid in connection with the issue of shares	(4,060)	–
Interest paid	(1,444)	(1,810)
Repayment to a related party	–	(271)
NET CASH FROM FINANCING ACTIVITIES	88,114	14,843
NET INCREASE IN CASH AND CASH EQUIVALENTS	64,929	1,224
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	54,443	53,429
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(1,130)	(210)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	118,242	54,443

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2016

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") by way of placing (the "Placing") on 7 January 2016 (the "Listing"). Prior to the Listing, 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 limited liability under the Companies Act and its shares are listed on the Main Board of the Stock Exchange. The Company's immediate holding 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 reorganisation (the "Reorganisation"). The Reorganisation was completed on 7 December 2015. 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 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 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 2016

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 had 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.

The Company acts as an investment holding company. The principal activities of its subsidiaries are set out in Note 29.

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 AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

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

Amendments to HKFRS 11	Accounting for Acquisitions of Interest in Joint Operations
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012–2014 Cycle

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

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2016

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

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 9	Financial Instruments ¹
HKFRS 15	Revenue from Contracts with Customers and the related Amendments ¹
HKFRS 16	Leases ²
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions ¹
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 7	Disclosure Initiative ⁴
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses ⁴

¹ Effective for annual periods beginning on or after 1 January 2018.

² Effective for annual periods beginning on or after 1 January 2019.

³ Effective for annual periods beginning on or after a date to be determined.

⁴ Effective for annual periods beginning on or after 1 January 2017.

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

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2016

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSS”) (Continued)

HKFRS 15 Revenue from Contracts with Customers (Continued)

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

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

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

HKFRS 16 Leases

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

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

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

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

Furthermore, extensive disclosures are required by HKFRS 16.

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2016

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSS") (Continued)

HKFRS 16 Leases (Continued)

As at 31 December 2016, the Group has non-cancellable operating lease commitments of HK\$1,407,000 as disclosed in note 24. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the directors of the Company complete 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.

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 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 *Share-based Payments*, leasing transactions that are within the scope of HKAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

The principal accounting policies are set out below.

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 when the Company:

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

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.

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

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

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.

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.

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

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

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

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. HK\$) 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 2016

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, including the cost of acquiring land held under operating leases, are recognised as an expense on a straight-line basis over the lease term.

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.

Short-term employee benefits

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

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

Share-based payment arrangements

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. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 26 to the Group's consolidation financial statements.

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share-based payment arrangements (Continued)

Equity-settled share-based payment transactions (Continued)

Share options granted to employees (Continued)

The fair value 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 Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share options reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share options reserve.

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

Share options granted to suppliers/consultants

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service. The fair values of the goods or services received are recognised as expenses (unless the goods or services qualify for recognition as assets).

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 2016

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, 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 2016

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 method. 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.

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.

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.

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

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 related party/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).

Interest income is recognised on an effective interest basis, except for short-term receivables where the recognition of interest would be immaterial.

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.

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.

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

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.

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.

Financial liabilities at amortised cost

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

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, 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 2016

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. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs 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 (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated to the assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets or the unit. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) 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 (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised 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 2016

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 financial year.

Estimated allowance of inventories

The directors of the Company review the inventories on a product-by-product basis at the end of each reporting period to identify obsolete and slow-moving inventory items based on the inventories ageing analysis and determine allowance for inventories by reference to net realisable value of the inventories. Net realisable value of inventories is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale. Management estimates the net realisable value for inventories based primarily on the current market demand, latest selling prices and historical experiences on selling products with similar nature. As at 31 December 2016, the carrying values of inventories were HK\$233,640,000 (2015: HK\$84,725,000) net of allowance of HK\$4,324,000 (2015: HK\$6,872,000).

Estimated impairment of trade receivables

The assessment of the impairment loss on trade receivables of the Group is based on the evaluation of collectability based on management's judgment in assessing the ultimate realisation of these receivables, including the ageing of the trade receivables balance, repayment history, financial conditions and current creditworthiness of each customer. Where the actual future cash flows are less than expected, or being revised downward due to changes in facts and circumstances, a material impairment loss/further impairment loss may arise. As at 31 December 2016, the carrying values of trade receivables were HK\$166,203,000 (2015: HK\$131,151,000) net of allowance of Nil (2015: HK\$1,000,000).

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2016

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 related party/a fellow subsidiary and bank borrowings disclosed in Note 18 and Note 21, 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

	2016 HK\$'000	2015 HK\$'000
Financial assets		
Loan and receivables (including cash and cash equivalents)	302,384	231,785
Financial liabilities		
Amortised cost	419,149	217,717

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, amount due from (to) a related party/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.

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2016

6. FINANCIAL INSTRUMENTS (Continued)

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

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	
	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
HK\$	220	4,153	31,846	40,298
Renminbi ("RMB")	–	–	47	1,809

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.

Sensitivity analysis

The sensitivity analysis below details the Group's sensitivity to a 5% (2015: 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% (2015: 5%) strengthen of USD against RMB will decrease the Group's post-tax profit for the year by the following amount. For 5% (2015: 5%) weakening of USD against RMB, there would be an equal and opposite impact on the profit or loss.

	2016 HK\$'000	2015 HK\$'000
Decrease in profit RMB	2	76

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.

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2016

6. FINANCIAL INSTRUMENTS (Continued)

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

Market risk (Continued)

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank borrowing and cash flow interest rate risk in relation to variable-rate bank balances and bank borrowings (see Note 21 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.

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:

	2016 HK\$'000	2015 HK\$'000
Decrease in profit for the year	133	64

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2016

6. FINANCIAL INSTRUMENTS (Continued)

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

Credit risk

As at 31 December 2016 and 2015, 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 23.

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.

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.

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2016

6. FINANCIAL INSTRUMENTS (Continued)

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

Liquidity risk (Continued)

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.

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 2016 HK\$'000
2016				
Trade and other payables	–	292,346	292,346	292,346
Amount due to a related party	–	220	220	220
Bank borrowings	1.89	126,583	126,583	126,583
		419,149	419,149	419,149
	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
2015				
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
		217,717	217,717	217,717
Financial guarantee contracts (Note 23)	–	2,749,000	2,749,000	–

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2016

6. FINANCIAL INSTRUMENTS (Continued)

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

Liquidity risk (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 2016, the aggregate carrying amounts of these bank borrowings amounted to HK\$125,703,000 (2015: HK\$50,865,000). 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.

	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 HK\$'000
2016				
Bank borrowings	1.89	126,779	126,779	126,583
2015				
Bank borrowings	1.53	50,929	50,929	50,865

As at 31 December 2015, the amounts included above for financial guarantee contracts were the maximum amounts the Group could be required to settle under the arrangement for the full guaranteed amount if that amount was claimed by the counterparty to the guarantee. Based on expectations at 31 December 2015, the Group considered that it is more likely than not that no amount would be payable under the arrangement. However, this estimate was subject to change depending on the probability of the counterparty claiming under the guarantee which was a function of the likelihood that the financial receivables held by the counterparty which were 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 2016

6. FINANCIAL INSTRUMENTS (Continued)

(c) Fair value measurements of financial instruments

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparties.

The directors of the Company consider that the carrying amounts of financial assets and liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values due to the short-term maturities of these assets and liabilities.

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	
	2016 HK\$'000	2015 HK\$'000
The PRC	1,501,475	1,130,925
Hong Kong	280,960	168,604
Taiwan	13,982	9,156
Others	2,257	1,079
	1,798,674	1,309,764

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2016

7. REVENUE AND SEGMENT INFORMATION (Continued)

Geographical information (Continued)

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	
	2016 HK\$'000	2015 HK\$'000
The PRC	106	182
Hong Kong	712	412
	818	594

Information about major customers

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

	2016 HK\$'000	2015 HK\$'000
Customer A	254,730	243,539
Customer B (note)	231,813	N/A

note: Revenue from customer B contributed less than 10% of the total revenue of the Group during the year ended 31 December 2015.

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2016

8. INCOME TAX EXPENSE

	2016 HK\$'000	2015 HK\$'000
Current tax:		
Hong Kong Profits Tax	6,462	3,699
PRC EIT	–	851
	6,462	4,550
(Over)underprovision in prior years:		
Hong Kong Profits Tax	(32)	(20)
PRC EIT	186	–
	154	(20)
Income tax expense	6,616	4,530

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%.

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2016

8. INCOME TAX EXPENSE (Continued)

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:

	2016 HK\$'000	2015 HK\$'000
Profit before taxation	37,306	17,013
Tax at Hong Kong Profits Tax rate of 16.5%	6,155	2,807
Tax effect of income not taxable for tax purpose	(171)	(70)
Tax effect of expenses not deductible for tax purpose	470	1,756
Tax effect of tax losses not recognised	56	51
Utilisation of tax losses previously not recognised	–	(270)
Utilisation of deductible temporary differences previously not recognised	(48)	(11)
Effect of difference tax rates of subsidiaries operating in other jurisdictions	–	287
(Over)underprovision in prior years	154	(20)
Income tax expense for the year	6,616	4,530

As 31 December 2016, the Group has unused tax losses of approximately HK\$2,350,000 (2015: HK\$2,010,000) 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\$204,000 (2015: HK\$62,000) arising from the PRC which may be carried forward for five years.

At 31 December 2016, the Group has other deductible temporary differences of HK\$327,000 (2015: HK\$617,000). 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 2016

9. PROFIT FOR THE YEAR

	2016 HK\$'000	2015 HK\$'000
Profit for the year has been arrived at after charging (crediting):		
Staff costs:		
Salaries and other allowances	16,165	14,813
Retirement benefit scheme contributions	2,160	1,572
Share-based payment expenses (note)	1,606	281
Total staff costs	19,931	16,666
Auditor's remuneration	1,063	1,000
Bank interest income	(38)	(27)
Net exchange loss	520	611
Cost of inventories recognised as an expense	1,690,772	1,222,189
Inventories written off	–	5
(Reversal of) allowance for inventories	(2,548)	2,184
(Reversal of) allowance for trade receivables	(1,000)	883
Depreciation of property, plant and equipment	423	231
Operating lease rental in respect of offices and warehouses paid/payable to		
– a shareholder (2015: immediate holding company)	384	384
– a related party (2015: a fellow subsidiary)	124	130
– third parties	1,150	1,129

note: It represents capital contribution of HK\$75,000 (2015: HK\$281,000) arising from the share options granted to the employees of the Group under the share option scheme of S.A.S. Dragon and share-based payment expenses of HK\$1,531,000 (2015: Nil) under the pre-IPO share option scheme of the Company during the year.

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2016

10. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Details of the emoluments paid or payable during the years ended 31 December 2016 and 2015 by the major subsidiaries of the Group to those senior management or directors of subsidiaries, including who were appointed as executive directors and non-executive directors of the Company on 1 October 2015, are as follows:

2016

	Directors' fees HK\$'000	Salaries and other benefits HK\$'000	Retirements benefits scheme contributions HK\$'000	Performance related incentive payments (note b) HK\$'000	Share- based payment expenses HK\$'000	Total emoluments HK\$'000
Executive Directors:						
Mr. Chang Wei Hua (note e)	-	1,101	18	243	17	1,379
Mr. Wei Wei	-	754	46	203	17	1,020
Mr. Tong Sze Chung	-	600	18	150	17	785
Mr. Yim Yuk Lun, Stanley JP	-	-	-	-	-	-
Non-Executive Directors:						
Mr. Wong Wai Tai (note c)	-	-	-	-	10	10
Mr. Lau Ping Cheung (note c)	-	-	-	-	-	-
Independent Non-Executive Directors:						
Mr. Shea Chun Lok, Quadrant	-	50	-	-	17	67
Mr. Fung Cheuk Nang, Clement	-	100	-	-	17	117
Mr. Tsoi Chi Ho, Peter	-	100	-	-	17	117
Total	-	2,705	82	596	112	3,495

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2016

10. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (Continued) 2015

	Directors' fees HK\$'000	Salaries and other benefits HK\$'000	Retirements benefits scheme contributions HK\$'000	Performance related incentive payments (note b) HK\$'000	Share-based payment expenses HK\$'000	Total emoluments 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 f)	-	447	3	20	-	470
Mr. Yim Yuk Lun, Stanley JP (note f)	-	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)	-	-	-	-	-	-
Total	-	2,534	62	340	-	2,936

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2016

10. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (Continued)

notes:

- (a) The executive directors' emoluments shown above were mainly for their services in connection with management of the affairs of the Company and the Group.
- (b) Performance related incentive payments were determined with reference to the Group's operating results and individual performance.
- (c) Mr. Lau Ping Cheung was appointed as non-executive director on 1 October 2015 and resigned as non-executive director on 30 November 2016 and Mr. Wong Wai Tai was appointed as non-executive director on 1 December 2016.
- (d) 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.
- (e) 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.
- (f) 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 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 27(a) for details). The remaining balance of HK\$150,000 were paid by a major operating subsidiary of 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.

11. EMPLOYEES' REMUNERATIONS

Of the five highest paid individuals in the Group, three (2015: two) were directors of the Company whose remunerations are set out in Note 10 above. The remuneration of the remaining two (2015: three) individuals are as follows:

	2016 HK\$'000	2015 HK\$'000
Salaries and other benefits	1,236	1,664
Performance related incentive payments	184	240
Retirement benefits scheme contributions	24	65
Share-based payment expenses	34	–
	1,478	1,969

Notes to the Consolidated Financial Statements

For The Year Ended 31 December 2016

11. EMPLOYEES' REMUNERATIONS (Continued)

Their remunerations were within the following bands:

	2016 No. of employees	2015 No. of employees
Not exceeding HK\$1,000,000	2	3

During the years ended 31 December 2016 and 2015, no emoluments were paid by the Group to these individuals as an inducement to join or upon joining the Group.

12. DIVIDEND

	2016 HK\$'000	2015 HK\$'000
Dividends for ordinary shareholders of the Company recognised as distribution during the year:		
2016 Interim – HK\$0.005 (2015: Nil) per share was declared and paid	3,000	–
2015 Final of HK\$0.01 per share was declared and paid (2015: 2014 final dividend of HK\$0.24 per share declared and paid by Hi-Level Technology Limited ("Hi-Level Hong Kong"), a wholly-owned subsidiary of the Company, to its then shareholders)	6,000	6,000
2015 Special dividend of HK\$1.60 per share, was declared and paid by Hi-Level Hong Kong to its then shareholders conditionally upon the Listing (2015: Nil)	40,000	–
	49,000	6,000

Note: Subsequent to the end of the reporting period, a final dividend of HK\$0.02 in respect of the year ended 31 December 2016 (2015: final dividend of HK\$0.01 in respect of the year ended 31 December 2015) per share has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming general meeting.

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For the year ended 31 December 2016

13. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	2016 HK\$'000	2015 HK\$'000
Earnings:		
Profit for the year for the purpose of basic earnings per share	30,690	12,483
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	597,534	450,000
Effect of dilutive potential shares:		
Share options	21,381	–
Weighted average number of shares for the purpose of diluted earnings per share	618,915	450,000

The basic earnings per share is calculated based on the assumption that the Reorganisation and Capitalisation Issue (as detailed in Notes 1 & 22(c), respectively) has been completed on 1 January 2015.

No diluted earnings per share was presented as at 31 December 2015 as there was no potential ordinary share outstanding.

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For the year ended 31 December 2016

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 2015	1,824	179	303	2,268	4,574
Exchange realignment	(29)	(2)	(7)	(10)	(48)
Additions	35	17	–	68	120
At 31 December 2015	1,830	194	296	2,326	4,646
Exchange realignment	(102)	(5)	(23)	(35)	(165)
Additions	1	5	–	656	662
At 31 December 2016	1,729	194	273	2,947	5,143
DEPRECIATION					
At 1 January 2015	1,659	169	198	2,103	4,129
Exchange realignment	(28)	(2)	(5)	(7)	(42)
Provided for the year	68	9	54	100	231
At 31 December 2015	1,699	176	247	2,196	4,318
Exchange realignment	(97)	(4)	(22)	(27)	(150)
Provided for the year	52	11	48	312	423
At 31 December 2016	1,654	183	273	2,481	4,591
CARRYING VALUES					
At 31 December 2016	75	11	–	466	552
At 31 December 2015	131	18	49	130	328

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%

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

15. CLUB MEMBERSHIP

2016 & 2015
HK\$'000

Golf club membership in the PRC at cost	266
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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.

16. INVENTORIES

	2016 HK\$'000	2015 HK\$'000
Finished goods	233,640	84,725

17. TRADE AND OTHER RECEIVABLES

	2016 HK\$'000	2015 HK\$'000
Trade receivables	166,203	132,151
Less: allowance for doubtful debts	–	(1,000)
	166,203	131,151
Other receivables, deposits and prepayments	24,167	29,620
Total trade and other receivables	190,370	160,771

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

17. TRADE AND OTHER RECEIVABLES (Continued)

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:

	2016 HK\$'000	2015 HK\$'000
Current	118,883	82,723
0–30 days	45,931	31,843
31–60 days	1,214	9,517
61–90 days	175	4,955
Over 90 days	–	2,113
	166,203	131,151

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\$47,320,000 (2015: HK\$48,428,000) 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.

Ageing of trade receivables which are past due but not impaired

	2016 HK\$'000	2015 HK\$'000
0–30 days	45,931	31,843
31–90 days	1,389	14,472
Over 90 days	–	2,113
	47,320	48,428

Movement in the allowance for doubtful debts

	2016 HK\$'000	2015 HK\$'000
1 January	1,000	1,104
(Reversal of) allowance for trade receivables	(1,000)	883
Bad debt written off	–	(987)
	–	1,000

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.

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For the year ended 31 December 2016

18. AMOUNT DUE FROM (TO) A RELATED PARTY/A FELLOW SUBSIDIARY

	2016 HK\$'000	2015 HK\$'000
Amount due from a related party (2015: a fellow subsidiary) (note a)	1,410	27,927
Amount due to a related party (2015: a fellow subsidiary) (note b)	220	4,153

notes:

- (a) Included in the amount due from a related party (2015: a fellow subsidiary) is Nil (2015: HK\$27,927,000) which is non-trade related, unsecured, interest-free and repayable on demand. The remaining amount of HK\$1,410,000 (2015: Nil) is trade-related, unsecured, interest-free and with a credit period of 30 days to 90 days. The amount due from a related party (2015: 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 related party presented based on the due date at the end of each reporting period:

	2016 HK\$'000	2015 HK\$'000
Current	1,410	–

- (b) The amount due to a related party (2015: a fellow subsidiary) is trade-related, unsecured, interest free and with a credit period 30 days to 90 days. The amount due to a related party (2015: 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 amount due to a related party (2015: a fellow subsidiary) presented based on the due date at the end of each reporting period:

	2016 HK\$'000	2015 HK\$'000
Current	220	2,314
0–30 days	–	1,839
	220	4,153

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For the year ended 31 December 2016

19. 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 (2015: 0.01% to 0.30% 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:

	2016 HK\$'000	2015 HK\$'000
HK\$	30,436	12,371
RMB	47	1,809

20. TRADE AND OTHER PAYABLES

	2016 HK\$'000	2015 HK\$'000
Trade payables	286,166	151,235
Other payables and accruals	15,447	31,230
Total trade and other payables	301,613	182,465

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:

	2016 HK\$'000	2015 HK\$'000
Current	210,848	95,647
0–30 days	65,652	46,130
31–60 days	9,466	9,161
Over 90 days	200	297
	286,166	151,235

Notes to the Consolidated Financial Statements

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21. BANK BORROWINGS

	2016 HK\$'000	2015 HK\$'000
Invoice financing and import loan	125,703	50,865
Short term loan	880	–
	126,583	50,865
Secured	–	50,865
Unsecured	126,583	–
	126,583	50,865
Carrying amount of bank borrowings repayable on demand or within one year (note)	126,583	50,865

note: All the bank borrowings are repayable within a period not exceeding one year. Except for the short term loan, all the remaining bank borrowings contain a repayment on demand clause.

As at 31 December 2016, the bank borrowings of HK\$125,703,000 (2015: HK\$50,865,000) denominated in USD bear interests ranging from LIBOR plus 1.10% (2015: 1.20%) to LIBOR plus 1.75% (2015: 1.75%) per annum, and the average effective interest rate is 1.89% (2015: 1.53%) as at 31 December 2016. As at 31 December 2015, the bank borrowings were guaranteed or cross guaranteed by the ultimate holding company, the immediate holding company and fellow subsidiaries and were secured by bank deposits held by a fellow subsidiary. The guarantees/cross guarantees/security were released upon the Listing.

As at 31 December 2016, the bank borrowings of HK\$880,000 (2015: Nil) denominated in RMB carried fixed interest rate with reference to the benchmark borrowing rate of The People's Bank of China at loan agreement date plus 20 basis point at the borrowing date. Such bank borrowings were unsecured and guaranteed by an independent third party.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

22. SHARE CAPITAL

Details of movements of authorised and issued capital of the Company during the year are as follows:

	Notes	Number of ordinary shares	Amount HK\$
Ordinary shares of HK\$0.01 each			
Authorised:			
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 2016 and 2015		2,000,000,000	20,000,000
Issued and fully paid:			
Issue of shares at 18 September 2015 (date of incorporation)	(a)	1	–
Issue of shares	(b)	99	1
At 31 December 2015		100	1
Capitalisation Issue (as defined below)	(c)	449,999,900	4,499,999
Issue of new shares through the Placing	(d)	150,000,000	1,500,000
At 31 December 2016		600,000,000	6,000,000
Balance presented in HK\$'000			
At 31 December 2016			6,000
At 31 December 2015			–

Notes:

- (a) 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.
- (b) 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 2016

22. 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, in which 3,700,000 shares were issued to sponsor for settlement of listing expenses, 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 (the "Capitalisation Issue"), in which HK\$37,000 was for settlement of listing expenses to the sponsor, 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 ranked pari passu in all aspects with the existing issued shares. The Capitalisation Issue was completed on 7 January 2016.
- (d) On 7 January 2016, 150,000,000 ordinary shares of HK\$0.01 each of the Company were issued at a price of HK\$0.31 by way of placing. On the same date, the Company's shares were listed on the Stock Exchange. The proceeds of HK\$1,500,000 representing the par value of the shares of the Company, were credited to the Company's share capital. The remaining proceeds of HK\$45,000,000, before translation costs attributable to issue of new shares, were credited to share premium account.

23. CONTINGENT LIABILITIES

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. The cross guarantees were released upon the Listing.

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.

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For the year ended 31 December 2016

24. 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 follows:

	2016 HK\$'000	2015 HK\$'000
Within one year	968	917
In the second to fifth year inclusive	439	–
	1,407	917

25. 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.

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 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 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 at an aggregate amount of RMB428,393 which was settled during the year ended 31 December 2016. 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\$2,242,000 (2015: HK\$1,634,000) was recognised in profit or loss during the year.

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26. SHARE-BASED PAYMENT TRANSACTIONS

(a) Equity-settled share option scheme of S.A.S. Dragon

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.

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 during the year:

Date of grant	Vesting period	Exercisable period	Exercise price per share	Options granted during 2014	Outstanding at 1.1.2015 and 31.12.2015	Lapsed during the year	Outstanding at 31.12.2016
25.9.2014	25.9.2014 to 24.9.2015	25.9.2015 to 24.9.2017	HK\$2.60	437,000	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	(19,000)	418,000
				874,000	874,000	(19,000)	855,000

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\$75,000 (2015: HK\$281,000) for the year ended 31 December 2016, in relation to the share options granted by S.A.S. Dragon.

Notes to the Consolidated Financial Statements

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26. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

(b) Equity-settled pre-IPO share option scheme of the Company

Pursuant to a written resolution of the shareholders of the Company dated 11 October 2015, the pre-IPO share option scheme (the "Pre-IPO Share Option Scheme") of the Company was approved and adopted. The Pre-IPO Share Option Scheme was established to recognise and motivate the contribution of the eligible persons and to provide incentives and help the Company in retaining its existing employees, including any full time or part time employee (including any executive and non-executive director or proposed executive director and non-executive director) of the Group (the "Employees"), and to recruit additional employees and to provide them with a direct economic interest in attaining the long term business objectives of the Company. Under the Pre-IPO Share Option Scheme, the Board of Directors of the Company may grant options to the following eligible persons to subscribe for shares in the Company (the "Eligible Persons"):

- (i) any employees;
- (ii) any direct or indirect shareholder of any member of our Group;
- (iii) any supplier of goods or services to any member of our Group;
- (iv) any customer, consultant, business or joint venture partners, franchisee, contractor, agent or representative of any member of our Group;
- (v) any person or entity furnishing research, development or other technical support, enquiries, consultancy, professional or other services to any member of our Group; and
- (vi) any associate of the foregoing persons.

Prior to the Listing, options to subscribe for an aggregate of 60,000,000 shares of the Company, representing 10% of the enlarged issued share capital of the Company immediately after the completion of the Placing, at an exercise price of HK\$0.31 per share of the Company, have been granted to a total of 173 grantees under the Pre-IPO Share Option Scheme of the Company conditionally upon the Listing.

Options granted must be taken up within 10 days of the date of offer, upon payment of a nominal consideration of HK\$1 in total by the grantee. Grantees may exercise up to 50% of such options granted for two years commencing from the first anniversary of 7 January 2016 (the "Listing Date") and the remaining outstanding options for one year commencing from the second anniversary of the Listing Date.

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26. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

(b) Equity-settled pre-IPO share option scheme of the Company (Continued)

The following table discloses movements of the Company's share options granted under the Pre-IPO Share Option Scheme held by the directors and employees of the Group during the year:

Grantees	Vesting proportion	Vesting date	Exercisable period	Exercise price per share	Options granted during the year	Options lapsed during the year	Outstanding at 31.12.2016
The Company							
Employees	50%	6.1.2017	7.1.2017 to 6.1.2019	HK\$0.31	14,400,000	(225,000)	14,175,000
	50%	6.1.2018	7.1.2018 to 6.1.2019	HK\$0.31	14,400,000	(225,000)	14,175,000
Directors	50%	6.1.2017	7.1.2017 to 6.1.2019	HK\$0.31	2,100,000	(300,000)	1,800,000
	50%	6.1.2018	7.1.2018 to 6.1.2019	HK\$0.31	2,100,000	(300,000)	1,800,000
S.A.S. Dragon							
Employees	50%	6.1.2017	7.1.2017 to 6.1.2019	HK\$0.31	9,475,000	(525,000)	8,950,000
	50%	6.1.2018	7.1.2018 to 6.1.2019	HK\$0.31	9,475,000	(525,000)	8,950,000
Directors	50%	6.1.2017	7.1.2017 to 6.1.2019	HK\$0.31	3,500,000	–	3,500,000
	50%	6.1.2018	7.1.2018 to 6.1.2019	HK\$0.31	3,500,000	–	3,500,000
					58,950,000	(2,100,000)	56,850,000
Exercisable at the end of the years							–
Weighted average exercise price					HK\$0.31	HK\$0.31	HK\$0.31

The estimated fair value of the options granted is approximately HK\$2,347,000. The fair value was calculated using the Binomial Option Pricing model. The inputs into the model were as follows:

Underlying share price	HK\$0.29
Exercise price	HK\$0.31
Expected volatility	32.80%
Expected life	3.01 years
Risk-free rate	0.72%
Expected dividend yield	5.17%

The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

In respect of the share options granted to the employees and directors of the Company and S.A.S. Dragon, the Group recognised total expenses of approximately HK\$1,643,000 (2015: Nil) for the year ended 31 December 2016 under the Pre-IPO Share Option Scheme of the Company.

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26. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

(c) Equity-settled share option scheme of the Company

Pursuant to a written resolution of the shareholders of the Company dated 23 December 2015, the share option scheme (the "2015 Scheme") was approved and adopted. The Scheme was established for the purpose of providing incentives or rewards for the contribution of directors of the Company and the Eligible Persons, and will expire on 22 December 2025. Under the 2015 Scheme, the directors of the Company may at their discretion grant options to the Eligible Persons.

Options granted must be taken up within 14 days of the date of grant. The maximum number of shares of the Company in respect of which options may be granted under the 2015 Scheme shall not exceed 30% of the issued share capital of the Company at any point in time. The total number of shares of the Company in respect of which options may be granted under the 2015 Scheme must not in aggregate exceed 10% of the total nominal value of the share capital of the Company in issue immediately following completion of the Placing. The maximum number of shares in respect of which options may be granted to any individual in any 12-month period shall not exceed 1% of the shares in issue on the last date of such 12-month period unless approval of the shareholders of the Company has been obtained in accordance with the Listing Rules.

Options may be exercised during such period (including the minimum period, if any, for which an option must be held before it can be exercised) as may be determined by the directors of the Company (which shall be less than ten years from the date of issue of the relevant option). Upon acceptance of the option, the grantee shall pay HK\$1.00 to our Company as consideration for the grant. The exercise price is determined by the directors of the Company, and will not be less than the higher of (i) the closing price of the Company's shares on the date of grant, (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

During the years ended 31 December 2015 and 2016, no share option has been granted, expired, lapsed or exercised.

27. RELATED PARTY DISCLOSURES

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

Related parties	Nature of transactions	2016	2015
		HK\$'000	HK\$'000
A shareholder (2015: immediate holding company)	Rental expense paid	384	384
	Management fee paid	–	600
Related parties (2015: fellow subsidiaries)	Sales of electronic products	2,258	2,134
	Purchase of electronic products	640	8,308
	Rental expense paid	124	130
	Interest paid (note 1)	–	801
An associate	Sales of electronic products (note 2)	–	71

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27. RELATED PARTY DISCLOSURES (Continued)

(a) (Continued)

Note 1: The amount as at 31 December 2015 represented 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.

Note 2: 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 prior year amounting to RMB1 (equivalent to HK\$2).

(b) During the year ended 31 December 2015, a fellow subsidiary of the Group had provided bank deposits to secure the bank borrowings of the Group. Details are disclosed in Note 21.

(c) In addition to the guarantees referred to in Note 23, as at 31 December 2015, the Group's banking facilities amounting to HK\$3,149,800,000 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 on 7 January 2016.

(d) Details of the outstanding balances with a related party (2015: a fellow subsidiary) are set out in the consolidated statement of financial position and in Note 18.

(e) The compensation paid to the key management personnel was as follows:

Compensation of key management personnel

	2016 HK\$'000	2015 HK\$'000
Salaries and other allowances	3,849	3,035
Performance related incentive payments	752	777
Retirement benefit scheme contributions	128	104
Share-based payment expenses	146	–
	4,875	3,916

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

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28. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

The statement of financial position of the Company as at 31 December 2016 is as follows:

	2016 HK\$'000	2015 HK\$'000
Non-current Asset		
Investment in a subsidiary	100,152	100,152
Current Assets		
Amounts due from subsidiaries	22,523	–
Dividend receivable from a subsidiary	32,000	20,000
Prepayment	–	3,256
Bank balances and cash	153	66
	54,676	23,322
Current Liabilities		
Accruals	22	6,514
Amounts due to subsidiaries	23	7,751
	45	14,265
Net Current Assets	54,631	9,057
Total Assets less Current Liabilities	154,783	109,209
Capital and Reserves		
Share capital	6,000	–
Share premium and reserves (note)	148,783	109,209
Total Equity	154,783	109,209

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

28. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (Continued)

note:

	Share premium HK\$'000	Special reserve HK\$'000	Share options reserve HK\$'000	Dividend reserve HK\$'000	Retained profits (accumulated losses) HK\$'000	Total HK\$'000
Profit for the year	-	-	-	-	9,057	9,057
Effect of reorganisation (note)	-	100,152	-	-	-	100,152
At 31 December 2015	-	100,152	-	-	9,057	109,209
Profit for the year	-	-	-	-	11,414	11,414
Issue of new shares through the Placing	45,000	-	-	-	-	45,000
Capitalisation Issue	(4,463)	-	-	-	-	(4,463)
New shares issued for settlement of listing expenses	1,110	-	-	-	-	1,110
Transaction costs attributable to issue of new shares	(5,207)	-	-	-	-	(5,207)
Dividend declared	-	-	-	12,000	(12,000)	-
Dividend paid	-	-	-	-	(9,000)	(9,000)
Recognition of equity-settled share-based payment	(923)	-	1,643	-	-	720
At 31 December 2016	35,517	100,152	1,643	12,000	(529)	148,783

note: As disclosed in Note 22(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 2016

29. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the Company's subsidiaries as at 31 December 2016 and 31 December 2015 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
			2016	2015	
Hi-Level (BVI) Limited	British Virgin Islands 24 September 2015	USD1	100%	100%	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\$80,000,000 (2015: HK\$22,000,000)	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 established 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.

30. MAJOR NON-CASH TRANSACTIONS

During the year, part of the sponsor's fee of approximately HK\$1,147,000 representing the fair value of the related service received by the Company was settled through allotment and issue of 3,700,000 shares of HK\$0.01 each (equivalent to approximately HK\$37,000) upon the Capitalisation Issue as detailed in Note 22(c). As a result, HK\$37,000 and HK\$1,110,000 were capitalised as share capital and share premium, respectively. In the opinion of the directors, the fair value of the related service approximates to HK\$1,147,000 which is calculated with reference to the Placing price of the shares of the Company at HK\$0.31.

During the year, payment of special dividend of HK\$20,400,000 to the then immediate holding company was settled through offsetting the amount due from a related company for the same amount.

Financial Summary

RESULTS

	For the year ended 31 December				2016 HK\$'000
	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000	2015 HK\$'000	
Revenue	537,648	711,336	962,876	1,309,764	1,798,674
Profit before taxation	8,115	16,181	25,560	17,013	37,306
Income tax expense	(830)	(2,490)	(5,528)	(4,530)	(6,616)
Profit for the year	7,285	13,691	20,032	12,483	30,690

ASSETS AND LIABILITIES

	At 31 December				2016 HK\$'000
	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000	2015 HK\$'000	
Total Assets	158,109	206,751	254,466	328,460	544,480
Total Liabilities	(99,820)	(134,652)	(172,494)	(239,931)	(433,306)
Net Assets and total equity	58,289	72,099	81,972	88,529	111,174