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

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8113

2019
ANNUAL REPORT

This Annual Report is printed on environmentally friendly paper

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Contents

Corporate Information

DIRECTORS

Executive Directors

Dr. Yim Yuk Lun, Stanley *BBS 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

COMPLIANCE OFFICER

Mr. Tong Sze Chung

REGISTERED OFFICE

190 Elgin Avenue, George Town
Grand Cayman, KY1-9007
Cayman Islands

PRINCIPAL OFFICE

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

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Secretaries Limited
Level 54 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

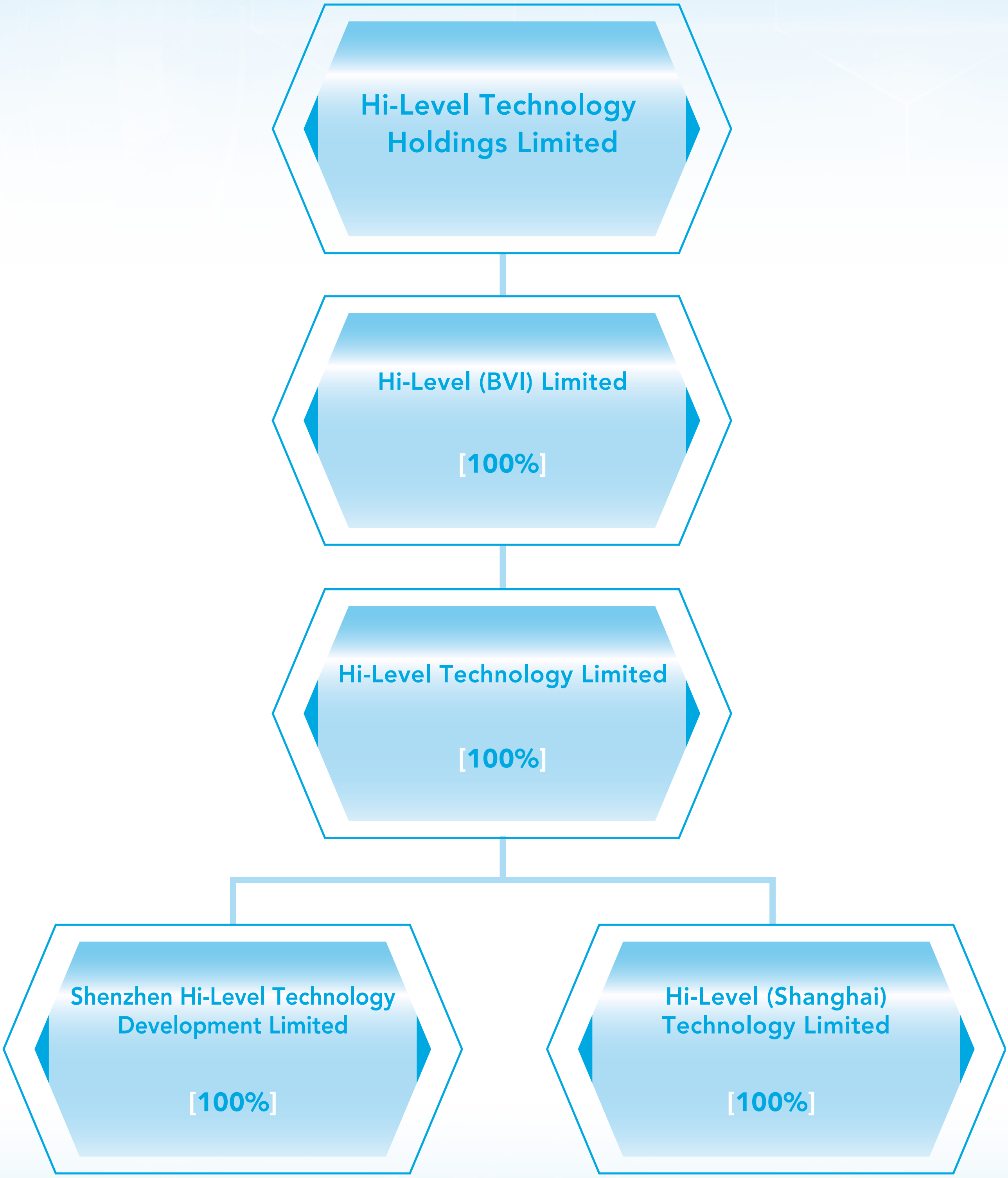
WEBSITE

http://www.hi-levelhk.com

STOCK CODE

The Stock Exchange of Hong Kong Limited: 8113

Group Structure



Financial Highlights

	2019	2018	Change
Revenue (HK$ thousand)	**1,801,130**	1,855,277	-2.9%
Profit attributable to owners of the Company (HK$ thousand)	**14,652**	4,178	+250.7%
Basic earnings per share (HK cents)	**2.25**	0.65	+246.2%
Dividend per share (HK cents)			
— Final proposed	**1.0**	1.0	
— Interim paid	**1.0**	—	
Total	**2.0**	1.0	+100.0%

Chairman's Statement

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 2019.

DIVIDENDS

The Board has recommended a final dividend of HK1.0 cent per share (2018: final dividend of HK1.0 cent per share) for the year ended 31 December 2019 subject to approval by the shareholders at the forthcoming annual general meeting. Total dividend for the year is HK2.0 cent per share (2018: HK1.0 cent per share).

BUSINESS REVIEW

The Group is primarily engaged in the sale of electronic components (mainly integrated circuit ("IC") and panels) for consumer electronic products such as mobile internet devices ("MID"), electronic learning aids ("ELA"), multi-media player (car infotainment system), smartphone panel modules, set-top boxes ("STB") and video image device together with the provision of IDH services to original brand manufacturers and original design manufacturers.

Although the trade war and tariff dispute has weakened demand in consumer electronic market in 2019, the company's overall business is stable. Revenue of the Group for 2019 decreased 2.9% as compared with last year.

MID

MID segment of tablet and smart home speaker products delivered the largest revenue of the Group. In 2019, the sales of tablet solutions increased as compared with 2018 as we received more orders from certain well-known mainland and international branded smart home speaker manufacturers that have qualified our Innolux panel solutions.

Smartphone Panel Module

Our sales of smartphone panel modules decreased compared with 2018 as the demand of domestic TFT LCD panels was still weak under the trade war and tariff dispute in 2019.

STB

The Company's main sales market performance of STB solutions in South America and North Africa are stable. However, the sales market in the Middle East did not meet the Company's expectations because of its political instability. Overall, sales of STB solutions increased slightly as compared with 2018.

Car Infotainment System

Sales of cars in China fell in 2019 because of the trade war between China and US. The demand of car infotainment systems was weak compared with 2018.

Video Image Device

The main market of video image device products such as aerial cameras, hunting cam and sports cameras are mainly Europe and US. We benefited from receiving sizeable orders from our video image device customers in using our IC solutions on these products.

Chairman's Statement

ELA

Due to excess supply of domestic LCD panels products that led to downward pressure on panel prices, the sales of our ELA solutions declined as compared with 2018.

OUTLOOK

Given the outbreak of COVID-19, the upgrading of 5G smart phones and communication network devices, coupled with the expanding use of smart speaker products will drive the demand of consumer electronics and the Company is optimistic about its sales performance in 2020.

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2019, the Group achieved sales revenue of HK$1,801,130,000 decreased by 2.9% from HK$1,855,277,000 recorded in 2018.

Gross Profit

For the year ended 31 December 2019, gross profit was HK$64,465,000 increased by 16.7% from HK$55,258,000 recorded last year. Gross profit margin was 3.6%, increased from 3.0% recorded in 2018.

Distribution Costs and Administrative Expenses

For the year ended 31 December 2019, the Group's operating costs were HK$39,950,000 (2018: HK$44,830,000), representing a decrease by 10.9% compared to the corresponding period in 2018.

Profit Attributable to Owners of the Company

The profit attributable to owners of the Company for the year ended 31 December 2019 was HK$14,652,000 increased by 250.7% as compared with HK$4,178,000 recorded in 2018.

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.

Finally, I wish you all stay healthy.

Dr. Yim Yuk Lun, Stanley *BBS JP*
Chairman
Hong Kong, 30 March 2020

Liquidity and Financial Resources

The Group's principal sources of funds are cash generated from operations and bank borrowings. As of 31 December 2019, the Group's current ratio was 132% (31 December 2018: 128%). As of 31 December 2019, the Group had bank balances and cash of HK$114,485,000 (31 December 2018: HK$115,082,000) and bank borrowings of HK$147,577,000 (31 December 2018: HK$304,656,000). As of 31 December 2019, the Group's net gearing ratio was 24% (31 December 2018: 136.4%), which is calculated based on the Group's net debt (calculated as total bank borrowings minus bank balances and cash) of approximately HK$33,092,000 (31 December 2018: HK$189,574,000) and Group's total equity of approximately HK$137,917,000 (31 December 2018: HK$139,013,000).

The Group recorded debtors turnover of approximately 31 days for the year under review (2018: 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 56 days and 41 days respectively for the year under review (2018: approximately 53 days and 33 days respectively) based on the amount of the average of beginning and ending inventory and creditors as at 31 December 2019, divided by cost of sales for the respective year and multiplied by 365 days.

Employee and Remuneration Policy

As 31 December 2019, the Group employed approximately 100 employees in the Greater China region. We ensure 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.

Dividend Policy

The Company has adopted a dividend policy, pursuant to which the Company gives priority to distributing dividend in cash and shares its profits with its shareholders. According to the dividend policy, subject to compliance with applicable rules and statutory regulations (including Cayman Islands laws) and the articles of association of the Company, the Company will pay dividend to the shareholders.

The recommendation of the payment of any dividend is subject to the absolute discretion of the Board, and any declaration of final dividend will be subject to the approval of the Shareholders. In proposing any dividend payout, the Board shall also take into account, inter alia:

- overall business conditions and strategies;
- our financial results;
- our capital requirements;
- our retained earnings and distributable reserves;
- taxation considerations; and
- any other factors our Board may deem relevant.

In addition to cash, dividends may be distributed in the form of shares. The dividend policy will continue to be reviewed from time to time and there can be no assurance that dividends will be paid in any particular amount for any given period.

Executive Directors

Dr. Yim Yuk Lun, Stanley *BBS JP* **(嚴玉麟)**, aged 60, 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. Dr. Yim is the founder, executive director, 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, Dr. Yim has been an independent director of Innolux Corporation (stock Code: 3481.TW), a company listed on the Taiwan Stock Exchange.

Dr. Yim is currently the president of the Hong Kong Justice of the Peace Association, the honorary vice chairman of the Hong Kong Electronic Industries Association, a member of Yan Chai Hospital Advisory Board, a member of the Chinese People's Political Consultative Conference Shanghai Committee, the vice chairman of the Hongkong-Shanghai Economic Development Association, the chairman of the Tsuen Wan District Civic Education Committee and the vice chairman of Tsuen Wan District JPC Honorary President Council.

Mr. Chang Wei Hua (張偉華), aged 55, 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 50, 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 51, was appointed as an executive Director on 1 October 2015 and he is also a financial controller, company secretary and compliance officer 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 48, was appointed as a non-executive Director of the Company in 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) in 2016 which is listed on the Main Board of the Stock Exchange of Hong Kong Limited.

Independent Non-Executive Directors

Mr. Shea Chun Lok, Quadrant (佘俊樂) (former name, Shea Chi Lap, Quadrant), aged 53, 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's degree in Economics from Jinan University, 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 the United Kingdom and Institute of Singapore Chartered Accountants and a Chartered Global Management Accountant. Mr. Shea is a Certified Tax Adviser 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 1999 to 2005, a company listed on the Main Board of the Stock Exchange. Mr. Shea has been appointed as the chief financial officer and company secretary of Asia Allied Infrastructure Holdings Limited (stock code: 711) ("AAI"), a company listed on the Main Board of the Stock Exchange, since 2015. He has further been appointed as an executive director of AAI since July 2017 and is also currently a member of the management committee and executive committee of the board and the member of the property development executive board of AAI. 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, and is also the chairman of the audit committee of the company.

Mr. Fung Cheuk Nang, Clement (馮卓能), aged 43, 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.

Mr. Tsoi Chi Ho, Peter (蔡子豪), aged 33, 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 55, 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 54, 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 47, 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"). The Company had complied with the applicable code provisions (the "Code Provisions") set out in the CG Code throughout the year ended 31 December 2019, 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:

Dr. Yim Yuk Lun, Stanley *BBS 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

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

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 2019 fell within the following bands:

	Number of individual 2019
Below HK$1,000,000	9
HK$1,000,001 to HK$1,500,000	2

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. Dr. Yim Yuk Lun, Stanley *BBS 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

Dr. Yim Yuk Lun, Stanley *BBS 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 2019 and 1 December 2019 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 2019 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 2019 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.

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.

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.

Six 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**
Executive Directors:		
Dr. Yim Yuk Lun, Stanley *BBS JP*	6/6	0/1
Mr. Chang Wei Hua	6/6	1/1
Mr. Wei Wei	6/6	1/1
Mr. Tong Sze Chung	6/6	1/1
Non-executive Director:		
Mr. Wong Wai Tai	6/6	1/1
Independent non-executive Directors:		
Mr. Shea Chun Lok, Quadrant	5/6	1/1
Mr. Fung Cheuk Nang, Clement	6/6	1/1
Mr. Tsoi Chi Ho, Peter	6/6	1/1

According to the CG Code provision E.1.2, chairman of the board should attend the annual general meeting. The Chairman of the Board, Dr. Yim Yuk Lun, Stanley *BBS JP*, was unable to attend the Company' annual general meeting held on 21 May 2019. He had arranged Mr. Chang Wei Hua, the executive Director and Chief Executive Officer of the Company to attend and chair the meeting. Other Directors, including three independent non-executive Directors, being the chairman/members of the Audit, Remuneration and Nomination Committee, together with the external independent auditor attended the annual general meeting and answered questions from the attending shareholders. All resolutions proposed were duly passed by shareholders' voting at the meeting.

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 quarter results, interim results and annual results and reports during the year ended 31 December 2019, 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	3/4
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.

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	0/1
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 gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service as to its composition. The nomination committee regularly monitors and reviews the implementation of the Board diversity policy.

The nomination committee held 1 meeting during the year to recommend the re-appointment of the Directors standing for re-election at the annual general meeting, 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	0/1
Mr. Fung Cheuk Nang, Clement	1/1
Mr. Tong Sze Chung	1/1

When making recommendations regarding the appointment of any proposed candidate to the Board or re-appointment of any existing member(s) of the Board, the Nomination Committee shall consider a variety of factors including without limitation the following in assessing the suitability of the proposed candidate:

— Reputation for integrity

— Qualifications including professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy

— Commitment in respect of available time and relevant interest

— The number of existing directorships and other commitments that may demand the attention of the candidate

— Requirement for the Board to have independent non-executive directors in accordance with the GEM Listing Rules and whether the candidates would be considered independent with reference to the independence guidelines set out in the GEM Listing Rules

— Diversity in all its aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service

— Such other perspectives appropriate to the Company's business

BOARD DIVERSITY POLICY

The Company has a Board Diversity Policy whereby it recognizes and embraces the benefits of a diversity of Board members. It endeavors to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business. All Board appointments will continue to be made on a merit basis with due regard for the benefits of diversity of the Board members. Selection of candidates will be based on a range of diversity perspectives including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service.

During the Year and as at the date of this annual report, the Board comprises eight Directors. Three of them are independent non-executive Directors, thereby promoting critical review and control of the management process. The following tables further illustrate the diversity of the Board members as of the date of this annual report:

	Age Group			
Name of Director	**30-39**	**40 to 49**	**50 to 59**	**60 or above**
Dr. Yim Yuk Lun, Stanley *BBS JP*				✓
Mr. Chang Wei Hua			✓	
Mr. Wei Wei			✓	
Mr. Tong Sze Chung			✓	
Mr. Wong Wai Tai		✓		
Mr. Shea Chun Lok, Quadrant			✓	
Mr. Fung Cheuk Nang, Clement		✓		
Mr. Tsoi Chi Ho, Peter	✓			

Name of Director	**Electronics**	**Accounting and Finance**
Dr. Yim Yuk Lun, Stanley *BBS JP*	✓	
Mr. Chang Wei Hua	✓	
Mr. Wei Wei	✓	
Mr. Tong Sze Chung		✓
Mr. Wong Wai Tai		✓
Mr. Shea Chun Lok, Quadrant		✓
Mr. Fung Cheuk Nang, Clement	✓	
Mr. Tsoi Chi Ho, Peter	✓	

For the purpose of implementation of the Board Diversity Policy, the following measurable objectives were adopted:

1. at least one-third of the members of the Board shall be independent non-executive Directors; and

2. at least one of the members of the Board shall have obtained accounting or other professional qualifications.

The Board has achieved the measurable objectives in the board diversity policy.

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/she 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.

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 throughout the year under review.

AUDITOR'S REMUNERATION

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

Services rendered in 2019	**HK$'000**
Statutory audit services	1,300
Non-audit services	
— non-audit and tax related service	17

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.

COMPANY SECRETARY AND COMPLIANCE OFFICER

Mr. Tong Sze Chung is an executive Director, a financial controller, company secretary and the compliance officer of the Company. His biographical details and professional qualifications are set out on page 9 of this report.

Mr. Tong has complied with all requirements relating to qualifications, experiences and training under Rule 5.14 of the GEM Listing Rules.

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 2019.

PRINCIPAL ACTIVITIES

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

RESULT AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2019 are set out in the consolidated statement of profit or loss and other comprehensive income on page 36.

The directors recommend the payment of a final dividend of HK1.0 cent per share to the shareholders on the register of member on 29 June 2020 (2018: HK1.0 cent per share). Dividend warrants will be dispatched 8 July 2020.

BUSINESS REVIEW

Business review of the Group for the year ended 31 December 2019 has been stated in the Chairman's Statement on page 5 to 6 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 41% and 77%, 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 7% and 23%, respectively, of the Group's total sales for the year.

None of the Directors, their associates or any shareholder (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had an interest in the Group's five largest suppliers or customers.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in Note 13 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 25 to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders as at 31 December 2019, calculated in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, as is represented by the retained profits of HK$3,924,000 disclosed in note 32 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 7 to 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 customer's needs in an effective and efficient manner. The Group work closely and well-communicated to suppliers before the commencement of a project.

PRINCIPAL RISK AND UNCERTAINTIES FACING THE COMPANY

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

Impact of local and international regulations

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

Foreign Exchange Risk Management

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

Directors' Report

DIRECTORS

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

Executive Directors

Dr. Yim Yuk Lun, Stanley *BBS JP*
Chang Wei Hua
Wei Wei
Tong Sze Chung

Non-Executive Director

Wong Wai Tai

Independent Non-Executive Directors

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

Pursuant to the Articles 14.4 to 14.6 of the Company's Articles of Association, Mr. Chang Wei Hua, Mr. Wei Wei 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.

DIRECTORS' SERVICE CONTRACTS

Dr. Yim Yuk Lun, Stanley *BBS 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 2019 and 1 December 2019 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 2019 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 2019 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, no director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 31 December 2019, 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
Dr. Yim Yuk Lun, Stanley *BBS JP* *(Note 1)*	Beneficial owner and interest in controlled corporation	245,365,861	37.59
Chang Wei Hua *(Note 2)*	Interest in controlled corporation	76,847,000	11.77
Wei Wei *(Note 3)*	Interest in controlled corporation	76,847,000	11.77
Wong Wai Tai	Beneficial owner	3,300,000	0.51
Tong Sze Chung	Beneficial owner	600,144	0.09
Fung Cheuk Nang, Clement	Beneficial owner	600,000	0.09
Tsoi Chi Ho, Peter	Beneficial owner	600,000	0.09

Notes:

1. Dr. Yim Yuk Lun, Stanley *BBS JP* beneficially owns 33,402,861 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 211,963,000 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. Mr. Chang Wei Hua beneficially owns 600,000 shares and 76,247,000 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. Mr. Wei Wei beneficially owns 600,000 shares and 76,247,000 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

(a) Pre-IPO share option scheme of the Company

Pursuant to the written resolutions of the sole shareholder of the Company passed on 11 October 2015 (the "Resolutions"), the Company has adopted a Pre-IPO Share Option Scheme (the "Pre-IPO Share Option Scheme").

Under which, share options are granted to directors (including non-executive directors) and employees to the Group and the connected persons of the Company (the "Grantees"). The Pre-IPO Share Option Scheme was terminated on 7 January 2016. Upon termination of the Pre-IPO Share Option Scheme, no further share option was granted but in all other respects the provisions of the Pre-IPO Share Option Scheme is remain in full force and effect to the extent necessary to give effect to the exercise of any share options granted prior thereto or otherwise as may be required in accordance with the provisions of the Pre- IPO Share Option Scheme, and share options which were granted prior to such termination are continued to be valid and exercisable in accordance with the provisions of the Pre-IPO Share Option Scheme and their terms of issue.

As at 11 October 2015, options to subscribe for an aggregate of 60,000,000 shares of the Company, representing 10% of the issued share capital of the Company immediately following the completion of the Placing (as defined in the Prospectus), at an exercise price of HK$0.31 per share of the Company, have been granted pursuant to the Pre-IPO Share Option Scheme. Each of the Grantees has paid HK$1 to the Company on acceptance of the offer for the grant of option. Pursuant to the Resolutions Grantees may exercise 50% of such options granted for two years commencing from the first anniversary of 7 January 2016 ("the Listing Date") of the Company and the remaining 50% for one year commencing from the second anniversary of the Listing Date.

Grantees	Vesting proportion	Vesting date	Exercisable period	Exercise price per share	Options granted as at 11.10.2015	Options lapsed as at 31.12.2019	Options exercised during 2017–2018	Options as at 31.12.2018	Options exercised during the year	Options as at 31.12.2019
Directors	50%	6.1.2017	7.1.2017 to 6.1.2019	HK$0.31	2,100,000	(600,000)	(1,500,000)	300,000	—	—
Directors	50%	6.1.2018	7.1.2018 to 6.1.2019	HK$0.31	2,100,000	(600,000)	(1,200,000)	600,000	(300,000)	—
Others										
Employees and connected persons	50%	6.1.2017	7.1.2017 to 6.1.2019	HK$0.31	27,900,000	(2,305,000)	(25,495,000)	950,000	(100,000)	—
Employees and connected persons	50%	6.1.2018	7.1.2018 to 6.1.2019	HK$0.31	27,900,000	(3,725,000)	(22,075,000)	4,000,000	(2,100,000)	—
Total					60,000,000	(7,230,000)	(50,270,000)	5,850,000	(2,500,000)	—

(b) 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 60,000,000, representing approximately 9.2% of the number of issued shares of the Company.

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 2019, the following persons (not being the directors or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO:

Long positions in shares

Ordinary shares of HK$0.01 each of the Company

Name of shareholders	Capacity	Number of issued ordinary shares held	Percentage of issued share capital of the Company
S.A.S. Dragon	Interest in controlled corporation	211,963,000	32.47
S.A.S. Investment	Beneficial owner	211,963,000	32.47

Note:

S.A.S. Dragon is deemed to be interested in the 211,963,000 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 30 to the consolidated financial statements.

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 ("Hi-Level Hong Kong") 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 Hong Kong (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$394,000, with a one-year renewal option at the prevailing market rent at the time of renewal to 30 September 2018 automatically. The renewal agreement has been signed for a period of two years commencing from 1 October 2018 and expiring on 30 September 2020 at a total annual rent of HK$420,000, with a one-year renewal option at the prevailing market rent at the time of renewal to 30 September 2021 automatically.

Lease of warehouse in Hong Kong

On 1 July 2019, Hi-Level Hong Kong and Maxfull Rich Ltd, a wholly-owned subsidiary of S.A.S. Dragon entered into a lease agreement pursuant to which Maxfull Rich Ltd (as landlord) agreed to lease the Hong Kong warehouse with a total gross floor area of approximately 3,577 square feet to Hi-Level Hong Kong (as tenant), for a period of fifteen months commencing from 1 July 2019 and expiring on 30 September 2020 at a total annual rent of HK$410,400.

Lease of office in Shanghai, the PRC

On 1 October 2015, Hi-Level (Shanghai) Technology Limited ("Hi-Level Shanghai"), 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 ("S.A.S. Electronics Shenzhen"), both a wholly-owned subsidiary of S.A.S. Dragon pursuant to which SPT Technology Limited and S.A.S. Electronics Shenzhen (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 (as tenant), the second agreement for a period of two years commencing from 1 October 2017 and expiring on 30 September 2019 (with a preferential right of renewal upon the expiry of the lease) at a total annual rent of RMB96,000 and RMB10,800 respectively.

On 1 October 2019, Hi-Level Shanghai, a wholly-owned subsidiary of the Company entered into a lease agreement with S.A.S Electronic Shenzhen, a wholly-owned subsidiary of S.A.S. Dragon pursuant to which S.A.S Electronic Shenzhen (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 (as tenant), for a period of two years commencing from 1 October 2019 and expiring on 30 September 2021 (with a preferential right of renewal upon the expiry of the lease) at a total annual rent of RMB96,000 and RMB10,800 respectively.

Lease of warehouse in Guangdong province, the PRC

On 15 April 2017, Shenzhen Hi-Level Technology Development Limited ("Hi-Level Shenzhen"), a wholly-owned subsidiary of the Company entered into a lease agreement with 東莞時鴻顯示器有限公司 ("東莞時鴻"), a wholly-owned subsidiary of S.A.S. Dragon pursuant to which 東莞時鴻 (as landlord) agreed to lease the Fenggang Town warehouse, Guangdong province with a total gross floor area of approximately 103 sq.m. to Hi-Level Shenzhen (as tenant), for a period of 30 months commencing from 15 April 2017 and expiring on 15 October 2019 (with a preferential right of renewal upon the expiry of the lease) at a total annual rent of RMB20,400.

On 1 November 2019, Hi-Level Shenzhen, a wholly-owned subsidiary of the Company entered into a lease agreement with 東莞時鴻, a wholly-owned subsidiary of S.A.S. Dragon pursuant to which 東莞時鴻 (as landlord) agreed to lease the Fenggang Town warehouse, Guangdong province with a total gross floor area of approximately 223 sq.m. to Hi-Level Shenzhen (as tenant), for a period of three years commencing from 1 November 2019 and expiring on 31 October 2022 (with a preferential right of renewal upon the expiry of the lease) at a total annual rent of RMB43,860.

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.

USE OF PROCEEDS FROM THE LISTING AND CHANGE IN USE OF PROCEEDS

On 7 January 2016, the Company has offered 150,000,000 shares for subscription by way of placing and raised net proceeds of approximately HK$30 million.

The change of use of the net proceeds was approved by the Board of Directors of the Company on 15 March 2018.

The revised use of net proceeds from the Placing is set out as follows:

Uses	Original allocation (HK$ million)	Revised allocation (HK$ million)	Actual use of proceeds as at 31 December 2019 (HK$ million)	Balance as at 31 December 2019 (HK$ million)	Expected timeline of full utilization of the balance
Upgrading the Group's ERP system	**4.6**	**4.6**	**0.4**	**4.2**	By end of 2021
Expanding the Group's ELA business by engaging in:					
— Research and development staff expenses	2.5	2.5	2.5	—	N/A
— Equipment purchases	8.7	8.7	0.8	7.9	By end of 2021
	11.2	**11.2**	**3.3**	**7.9**	
Expanding the Group's product range by engaging in:					
— Car infotainment	2.8	2.8	2.8	—	N/A
— Drones Wi-Fi Transmission	2.8	2.8	2.8	—	N/A
— Artificial Intelligence and Internet-of-Things	—	5.6	0.9	4.7	By end of 2021
— Others	**5.6**	**—**	**—**	**—**	N/A
	11.2	**11.2**	**6.5**	**4.7**	
General working capital	**3.0**	**3.0**	**3.0**	**—**	N/A
Total	**30.0**	**30.0**	**13.2**	**16.8**	

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

Dr. Yim Yuk Lun, Stanley *BBS JP*
Chairman

Hong Kong, 30 March 2020

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 36 to 95, which comprise the consolidated statement of financial position as at 31 December 2019, 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 2019, 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.

KEY AUDIT MATTERS

Key audit matters are these matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matter 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 MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
Estimated allowance of inventories	
We identified the estimated allowance of inventories as a key audit matter due to the estimation and assumptions made by the management in identifying the obsolete and slow-moving inventory items, and estimating the allowance of inventories. 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 of 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 sales. The 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 2019, the carrying value of inventories was HK$246,552,000 (net of allowance of HK$10,987,000).	Our procedures in relation to evaluating the appropriateness of estimated allowance of inventories included: • Understanding how the management identifies obsolete and slow-moving inventory items, and estimating the allowance of inventories as at 31 December 2019; • Testing the accuracy of the inventories ageing analysis as at 31 December 2019, on 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 or purchase orders, on sample basis; and • Evaluating the historical accuracy of the allowance of inventories estimated by the management.

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 HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional 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.

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

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

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and 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
30 March 2020

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2019

	NOTES	2019 HK$'000	2018 HK$'000
Revenue	5	**1,801,130**	1,855,277
Cost of sales		**(1,736,665)**	(1,800,019)
Gross profit		**64,465**	55,258
Other income		**1,483**	2,864
Other gain or loss		**99**	(1,131)
Impairment losses under expected credit loss model, net of reversal	8	**(80)**	1,033
Distribution costs		**(15,632)**	(15,466)
Administrative expenses		**(24,318)**	(29,364)
Finance costs	6	**(8,596)**	(7,657)
Profit before taxation		**17,421**	5,537
Income tax expense	7	**(2,769)**	(1,359)
Profit for the year	8	**14,652**	4,178
Other comprehensive expense			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations:			
— subsidiaries		**(3,468)**	(3,205)
Other comprehensive expense for the year		**(3,468)**	(3,205)
Total comprehensive income for the year		**11,184**	973
Earnings per share (HK cents)	12		
— basic		**2.25**	0.65
— diluted		**2.25**	0.64

Consolidated Statement of Financial Position

At 31 December 2019

	NOTES	2019 HK$'000	2018 HK$'000
Non-current Assets			
Property, plant and equipment	*13*	**2,236**	3,066
Right-of-use assets	*14*	**3,731**	—
Club membership	*15*	**266**	266
Rental deposits	*17*	**10**	847
		6,243	4,179
Current Assets			
Inventories	*16*	**246,552**	287,310
Trade and other receivables	*17*	**175,195**	199,353
Debt instruments at fair value through other comprehensive income	*18*	**8,256**	3,943
Taxation recoverable		**4,359**	4,778
Bank balances and cash	*20*	**114,485**	115,082
		548,847	610,466
Current Liabilities			
Trade and other payables	*21*	**252,208**	157,971
Contract liabilities	*22*	**11,500**	11,581
Lease liabilities	*23*	**3,436**	—
Amount due to a related party	*19*	**384**	32
Taxation payable		**1,708**	1,392
Bank borrowings	*24*	**147,577**	304,656
		416,813	475,632
Net Current Assets		**132,034**	134,834
Total Assets less Current Liabilities		**138,277**	139,013
Capital and Reserves			
Share capital	*25*	**6,528**	6,503
Reserves		**131,389**	132,510
Total Equity		**137,917**	139,013
Non-current Liability			
Lease liabilities	*23*	**360**	—
		138,277	139,013

The consolidated financial statements on pages 36 to 95 were approved and authorised for issue by the Board of Directors on 30 March 2020 and are signed on its behalf by:

Dr. Yim Yuk Lun, Stanley *BBS JP*
DIRECTOR

Mr. Chang Wei Hua
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2019

	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 2018	6,267	45,473	25,000	3,178	12,533	448	1,143	49,638	143,680
Profit for the year	—	—	—	—	—	—	—	4,178	4,178
Exchange differences arising on translation of foreign operations — subsidiaries	—	—	—	(3,205)	—	—	—	—	(3,205)
Total comprehensive (expense) income for the year	—	—	—	(3,205)	—	—	—	4,178	973
Issue of shares upon exercise of share options (Note 25(a))	236	8,007	—	—	—	—	(924)	—	7,319
Dividend paid (Note 11)	—	—	—	—	(12,533)	—	—	(437)	(12,970)
Recognition of equity-settled share-based payment (Note 30)	—	—	—	—	—	—	11	—	11
At 31 December 2018	6,503	53,480	25,000	(27)	—	448	230	53,379	139,013
Profit for the year	—	—	—	—	—	—	—	14,652	14,652
Exchange differences arising on translation of foreign operations — subsidiaries	—	—	—	(3,468)	—	—	—	—	(3,468)
Total comprehensive (expense) income for the year	—	—	—	(3,468)	—	—	—	14,652	11,184
Issue of shares upon exercise of share options (Note 25(b))	25	849	—	—	—	—	(99)	—	775
Lapse of equity-settled share-based payment (Note 30)	—	—	—	—	—	—	(131)	131	—
Dividend declared	—	—	—	—	13,055	—	—	(13,055)	—
Dividend paid (Note 11)	—	—	—	—	(13,055)	—	—	—	(13,055)
At 31 December 2019	6,528	54,329	25,000	(3,495)	—	448	—	55,107	137,917

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 Hi-Level Technology Holdings Limited (the "Company") pursuant to a group reorganisation completed on 7 December 2015.

(ii) Shareholder's contribution reserve represents capital contribution arising from the share options granted to the employees of the Group under the share option scheme of a shareholder, S.A.S. Dragon Holdings Limited ("S.A.S. Dragon") in prior years.

Consolidated Statement of Cash Flows

For the year ended 31 December 2019

	2019 HK$'000	2018 HK$'000
OPERATING ACTIVITIES		
Profit before taxation	17,421	5,537
Adjustments for:		
Depreciation of property, plant and equipment	951	623
Depreciation of right-of-use assets	3,147	—
Expenses recognised in respect of equity-settled share-based payment	—	11
Finance costs	8,596	7,657
Interest income	(446)	(127)
Impairment losses under expected credit loss model, net of reversal	80	(1,033)
(Reversal of) allowance for inventories	(5,412)	12,075
Loss on disposal of property, plant and equipment	25	3
Operating cash flows before movements in working capital	24,362	24,746
Decrease (increase) in inventories	44,713	(61,057)
Decrease (increase) in trade and other receivables	22,050	(46,983)
(Increase) decrease in debt instruments at fair value through other comprehensive income	(4,313)	8,341
Decrease in amounts due from related parties	—	7,634
Increase (decrease) in trade and other payables	96,260	(32,825)
(Decrease) increase in contract liabilities	(81)	6,336
Increase (decrease) in amount due to a related party	352	(33)
Cash generated from (used in) operations	183,343	(93,841)
Hong Kong Profits Tax paid	(1,984)	(9,218)
The People's Republic of China (the "PRC") Enterprise Income Tax ("EIT") refunded	—	10
NET CASH FROM (USED IN) OPERATING ACTIVITIES	181,359	(103,049)
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(369)	(3,065)
Proceeds from disposal of property, plant and equipment	112	—
Payments for rental deposits	(10)	—
Refund for rental deposits	365	—
Interest received	446	127
NET CASH USED IN INVESTING ACTIVITIES	544	(2,938)

Consolidated Statement of Cash Flows

For the year ended 31 December 2019

	2019 HK$'000	2018 HK$'000
FINANCING ACTIVITIES		
New bank borrowings raised	**797,546**	1,045,015
Proceeds from issue of new shares	**775**	7,319
Repayment of bank borrowings	**(954,625)**	(901,641)
Repayment of lease liabilities	**(3,082)**	—
Dividend paid	**(13,055)**	(12,970)
Interest paid	**(8,596)**	(7,657)
NET CASH (USED IN) FROM FINANCING ACTIVITIES	**(181,037)**	130,066
NET INCREASE IN CASH AND CASH EQUIVALENTS	**866**	24,079
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**115,082**	92,377
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**(1,463)**	(1,374)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	**114,485**	115,082

1. GENERAL

The Company was incorporated in the Cayman Islands as an exempted company with limited liability 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 GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") by way of placing (the "Placing") on 7 January 2016 (the "Listing"). The addresses of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section to the annual report.

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

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

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

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

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

HKFRS 16	Leases
HK (IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle

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

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

HKFRS 16 *Leases*

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 *Leases* ("HKAS 17"), and the related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK (IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019.

As at 1 January 2019, the Group recognised lease liabilities and right-of-use assets at amounts equal to the related lease liabilities by applying HKFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. relied on the assessment of whether leases are onerous by applying HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* as an alternative of impairment review;

ii. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;

iii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application; and

iv. applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment.

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

HKFRS 16 *Leases* (Continued)

As a lessee (Continued)

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rates applied by the relevant group entities range from 2.99% to 4.35%.

	At 1 January 2019 HK$'000
Operating lease commitments disclosed as at 31 December 2018	7,051
Lease liabilities discounted at relevant incremental borrowing rates	6,736
Less:	
Recognition exemption — short-term leases	(449)
Practical expedient — leases with lease term ending within 12 months from the date of initial application	(110)
Adjustments on value-added tax on leave payments	(228)
Lease liabilities relating to operating leases recognised upon application of HKFRS 16 at 1 January 2019	5,949
Analysed as:	
Current	3,087
Non-current	2,862
	5,949

The carrying amount of right-of-use assets for own use as at 1 January 2019 comprises the following:

	Right-of-use HK$'000
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	5,949

Before the application of HKFRS 16, the Group considered refundable rental deposits paid as rights and obligations under leases to which HKAS 17 applied under other receivables. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use of the underlying assets. No adjustment were recognised to reflect the discounting effect at transition as the directors of the Company considered such effect to be insignificant.

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

HKFRS 16 *Leases* (Continued)

As a lessee (Continued)

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2018 HK$'000	Adjustments HK$'000	**Carrying amounts under HKFRS 16 at 1 January 2019 HK$'000**
Non-current Asset			
Right-of-use assets	—	5,949	**5,949**
Current Liability			
Lease liabilities	—	3,087	**3,087**
Non-current Liability			
Lease liabilities	—	2,862	**2,862**

New and amendments to HKFRSs in issue but not yet effective

HKFRS 17	Insurance Contracts[1]
Amendments to HKFRS 3	Definition of a Business[2]
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 1 and HKAS 8	Definition of Material[4]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[4]

1 Effective for annual periods beginning on or after 1 January 2021

2 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

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 2020

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, *the Amendments to References to the Conceptual Framework in HKFRS Standards*, will be effective for annual periods beginning on or after 1 January 2020.

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

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

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

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

The amendments provide refinements to the definition of material by including additional guidance and explanations in making materiality judgments. In particular, the amendments:

- include the concept of "obscuring" material information in which the effect is similar to omitting or misstating the information;
- replace threshold for materiality influencing users from "could influence" to "could reasonably be expected to influence"; and
- include the use of the phrase "primary users" rather than simply referring to "users" which was considered too broad when deciding what information to disclose in the financial statements.

The amendments also align the definition across all HKFRSs and will be mandatorily effective for the Group's annual period beginning on 1 January 2020. The application of the amendments is not expected to have significant impact on the financial position and performance of the Group but may affect the presentation and disclosures in the consolidated financial statements.

Conceptual Framework for Financial Reporting 2018 (the "Revised Framework") and the Amendments to References to the Conceptual Framework in HKFRSs

The Revised Framework:

- reintroduces the terms stewardship and prudence;
- introduces a new asset definition that focuses on rights and a new liability definition that is likely to be broader than the definition it replaces, but does not change the distinction between a liability and an equity instrument;
- discusses historical cost and current value measures, and provides additional guidance on how to select a measurement basis for a particular asset or liability;
- states that the primary measure of financial performance is profit or loss, and that only in exceptional circumstances other comprehensive income will be used and only for income or expenses that arise from a change in the current value of an asset or liability; and
- discusses uncertainty, derecognition, unit of account, the reporting entity and combined financial statements.

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

Conceptual Framework for Financial Reporting 2018 (the "Revised Framework") and the Amendments to References to the Conceptual Framework in HKFRSs (Continued)

Consequential amendments have been made so that references in certain HKFRSs have been updated to the Revised Framework, whilst some HKFRSs are still referred to the previous versions of the framework. These amendments are effective for the Group's annual period beginning on or after 1 January 2020. Other than specific standards which still refer to the previous versions of the framework, the Company will rely on the Revised Framework on its effective date in determining the accounting policies especially for transactions, events or conditions that are not otherwise dealt with under the accounting standards.

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

Historical cost is generally based on the fair value of the consideration given in exchange 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 consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are accounted for in accordance with HKFRS 16 (since 1 January 2019) or HKAS 17 (before application of HKFRS 16), 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*.

For financial instruments which are transacted at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

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.

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 from contracts with customers

The Group 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.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue from contracts with customers (Continued)

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

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or

- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

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

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

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

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

Variable consideration

For contracts that contain variable consideration, the Group estimates the amount of consideration to which it will be entitled using either (a) the expected value method or (b) the most likely amount, depending on which method better predicts the amount of consideration to which the Group will be entitled. The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved. At the end of each reporting period, the Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

Refund liabilities

The Group recognises a refund liability if the Group expects to refund some or all of the consideration received from customers.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases

Definition of a lease (upon application of HKFRS 16 in accordance with transitions in note 2)

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified or arising from business combinations on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components, including contract for acquisition of ownership interests of a property which includes both leasehold land and non-lease building components, unless such allocation cannot be made reliably.

Non-lease components are separated from lease component and are accounted for by applying other applicable standards.

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the consolidated financial statements would not differ materially from individual leases within the portfolio.

Short-term leases

The Group applies the short-term lease recognition exemption to leases of office that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight-line basis or another systematic basis over the lease term.

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

Definition of a lease (upon application of HKFRS 16 in accordance with transitions in note 2) (Continued)

Right-of-use assets (Continued)

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 *Financial Instruments* ("HKFRS 9") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

Definition of a lease (upon application of HKFRS 16 in accordance with transitions in note 2) (Continued)

Lease liabilities (Continued)

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

- the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group as a lessee (prior to 1 January 2019)

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges 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 operations are translated into the presentation currency of the Group (i.e. HK$) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

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.

Effective 1 January 2019, any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government grants (Continued)

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

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, salaries and annual leaves) after deducting any amount already paid.

Share-based payment

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 30 to the Group's consolidated financial statements.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before taxation because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on 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.

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 are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period 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.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 *Income Taxes* requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities resulting in net deductible temporary differences.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they related to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Property, plant and equipment

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

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

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

Impairment on property, plant and equipment and right-of-use assets

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment and right-of-use assets to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amounts of property, plant and equipment and right-of-sue assets are estimated individually. When it is not possible to estimate the recoverable amount of an asset individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In addition, corporates assets are allocated to individual cash generating units when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The Group assesses whether there is indication that corporate assets may be impaired. If such indication exists, the recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment on property, plant and equipment and right-of-use assets (Continued)

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. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. 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 or the group of cash-generating 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 of the unit or the group of cash-generating 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 or a group of cash-generating units) 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 or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Inventories

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

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 immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

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

Financial assets

Classification and subsequent measurement of financial assets

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

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and debt instruments/receivables subsequently measured at FVTOCI. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

(ii) Debt instruments/receivables classified as at FVTOCI

Subsequent changes in the carrying amounts for debt instruments classified as at FVTOCI as a result of interest income calculated using the effective interest method are recognised in profit or loss. All other changes in the carrying amount of these debt instruments/receivables are recognised in OCI and accumulated under the heading of FVTOCI reserve. Impairment allowances are recognised in profit or loss with corresponding adjustment to OCI without reducing the carrying amounts of these debt instruments. When these debt instruments/receivables are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

Impairment of financial assets

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including trade and other receivables, debt instruments at FVTOCI, rental deposits, and bank balances) which are subject to impairment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

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

The Group always recognises lifetime ECL for trade receivables and debt instruments at FVTOCI. The ECL on these assets are assessed individually.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

(i) Significant increase in credit risk

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

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

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor;

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

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

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

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

(iii) Credit-impaired financial assets

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

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

(iv) Write-off policy

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

(v) Measurement and recognition of ECL

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

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

The ECL is measured individually for all debtors, including trade and other receivables, debt instruments at FVTOCI and bank balances.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

(v) Measurement and recognition of ECL (Continued)

Except for debt instruments that are measured at FVTOCI, the Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables where the corresponding adjustment is recognised through a loss allowance account. For debt instruments that are measured at FVTOCI, the loss allowance is recognised in other comprehensive income and accumulated in the FVTOCI reserve without reducing the carrying amount of these debt instruments. Such amount represents the changes in the FVTOCI reserve in relation to accumulated loss allowance.

Derecognition of financial assets

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. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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

On derecognition of debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the FVTOCI reserve is reclassified to profit or loss.

Financial liabilities and equity

Classification as debt or equity

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

Equity instruments

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

Financial liabilities at amortised cost

Financial liabilities including trade and other payables, amount due to a related party and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Derecognition of financial liabilities

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

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 associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going 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 of 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. The 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 2019, the carrying value of inventories was HK$246,552,000 (2018: HK$287,310,000), net of allowance of HK$10,987,000 (2018: HK$16,399,000).

Provision of ECL for trade and other receivables and debt instruments at FVTOCI

The Group measures ECL for all trade and other receivable and debt instruments at FVTOCI individually based on internal credit ratings. The internal credit ratings and loss rates are estimated by reference to the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables and other receivables and debt instruments at FVTOCI are disclosed in Notes 17, 18 and 28.

5. REVENUE AND SEGMENT INFORMATION

Revenue

(i) Disaggregation of revenue from contracts with customers

	2019 HK$'000	2018 HK$'000
Type of goods or services		
Sales of electronic products with/without the provision of independent design house services	1,801,130	1,855,277
Geographical markets		
The PRC	1,344,874	1,302,858
Hong Kong	419,524	518,521
Taiwan	15,991	26,898
Korea	14,657	—
Others	6,084	7,000
Total	1,801,130	1,855,277
Timing of revenue recognition		
A point in time	1,801,130	1,855,277

(ii) Performance obligations for contracts with customers

Sales of electronic products with/without the provision of independent design house services

The Group sells electronic products with/without the provision of independent design house services directly to customers. Revenue is recognised when control of the goods has transferred, being when the goods have been delivered to the customer's specific location (delivery). The normal credit term is 30 to 90 days upon delivery.

Under the Group's standard contract terms, customers have a right to exchange for defective products within 7 days. The Group uses its accumulated historical experience to estimate the number of exchange on a portfolio level using the expected value method. Revenue is recognised for sales which are considered highly probable that a significant reversal in the cumulative revenue recognised will not occur. A contract liability is recognised for sales in which revenue has yet to be recognised. The Group's right to recover the product when customers exercise their right is recognised as a right to returned goods asset and a corresponding adjustment to cost of sales.

Contracts for sales of electronic products with/without the provision of independent design house services are typically have a non-cancellable term in which the Group bills a portion of the contract sum in advance and the remaining when the good is delivered. All sales of electronic products with/without the provision of independent design house services are for periods of one year or less. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

5. REVENUE AND SEGMENT INFORMATION (Continued)

Segment information

The executive directors of the Company have determined that the Group has only one operating and reportable segment throughout both years.

Information reported to the executive 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 carrying amount of non-current assets excluded rental deposits by geographical area in which the assets are located:

	Carrying amount of non-current assets	
	2019	2018
	HK$'000	HK$'000
The PRC	**4,752**	2,506
Hong Kong	**1,481**	826
	6,233	3,332

Information about major customers

No customer individually contributed over 10% of the Group's revenue for both years.

6. FINANCE COSTS

	2019	2018
	HK$'000	HK$'000
Interests on:		
Bank borrowings	**8,397**	7,657
Lease liabilities	**199**	—
	8,596	7,657

7. INCOME TAX EXPENSE

	2019 HK$'000	2018 HK$'000
Current tax:		
Hong Kong Profits Tax	2,584	1,248
PRC EIT	203	—
	2,787	1,248
(Over) underprovision in prior years:		
Hong Kong Profits Tax	(18)	140
PRC EIT	—	(29)
	(18)	111
Income tax expense	2,769	1,359

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

Accordingly, the Hong Kong Profits Tax is calculated at 8.25% on the first HK$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK$2 million.

Under the Law of the PRC on EIT (the "EIT Law") and Implementation Regulation of the EIT Law, the Group's PRC subsidiaries are subject to PRC EIT at the statutory rate of 25%, except that Shenzhen Hi-Level Technology Development Limited was recognised as a High and New Technology Enterprise by the PRC tax authorities on 25 October 2015 such that it was entitled to a concessionary tax rate of 15% for three consecutive years beginning from 2016 to 2019.

7. 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:

	2019 HK$'000	2018 HK$'000
Profit before taxation	**17,421**	5,537
Tax at Hong Kong Profits Tax rate of 16.5%	**2,874**	914
Tax effect of expenses not deductible for tax purpose	**183**	441
Tax effect of income not taxable for tax purpose	**(61)**	—
Tax effect of tax losses not recognised	**—**	61
Tax effect of deductible temporary differences not recognised	**19**	—
Utilisation of tax losses previously not recognised	**(43)**	—
Utilisation of deductible temporary differences previously not recognised	**—**	(3)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**115**	—
Tax effect of concessionary tax rate granted	**(300)**	(165)
(Over) underprovision in prior years	**(18)**	111
Income tax expense for the year	**2,769**	1,359

As 31 December 2019, the Group has unused tax losses of approximately HK$2,155,000 (2018: HK$2,413,000) 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$483,000 (2018: HK$744,000) arising from the PRC which may be carried forward for five years.

8. PROFIT FOR THE YEAR

	2019 HK$'000	2018 HK$'000
Profit for the year has been arrived at after charging (crediting):		
Directors' remuneration (Note 9)	4,052	4,619
Staff costs:		
Salaries and other allowances	26,699	18,845
Retirement benefit scheme contributions	1,518	1,875
Share-based payment expenses (note i)	—	10
	28,217	20,730
Total staff costs	32,269	25,349
Auditor's remuneration	1,360	1,440
Bank interest income	(446)	(127)
Net exchange loss	12	1,059
Cost of inventories recognised as an expense	1,688,566	1,750,883
(Reversal of) allowance for inventories	(5,412)	12,075
Impairment loss under expected credit loss mode, net of reversal		
— Trade receivables (note iii)	80	(1,033)
Depreciation of property, plant and equipment	951	623
Depreciation of right-of-use assets	3,147	—
Loss on disposal of property, plant and equipment	25	3
Government grants (note ii)	(1,037)	1,299
Operating lease rental in respect of offices and warehouses paid/payable to		
— a substantial shareholder	—	393
— a related party	—	127
— third parties	—	3,709

notes:

(i) During the year ended 31 December 2019, share-based payment expenses of Nil (2018: HK$11,000) were recognised under the pre-IPO share option scheme of the Company.

(ii) The amount represents unconditional government grants to High and New Technology Enterprise in the PRC. The Group recognised these grants as other income upon receipt.

(iii) Details of impairment assessment for the years ended 31 December 2019 and 2018 are set out in Note 28.

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the applicable Listing Rules and Hong Kong Companies Ordinance, is as follows:

	2019					
	Directors' fees HK$'000	Salaries and other benefits HK$'000	Performance related incentive payments (note b) HK$'000	Retirement benefits scheme contributions HK$'000	Share-based payment expenses HK$'000	Total emoluments HK$'000
Executive Directors:						
Dr. Yim Yuk Lun, Stanley *BBS JP*	—	960	80	18	—	1,058
Mr. Chang Wei Hua (note c)	—	985	82	18	—	1,085
Mr. Wei Wei	—	688	58	45	—	791
Mr. Tong Sze Chung	—	538	45	17	—	600
Non-Executive Directors:						
Mr. Wong Wai Tai	—	192	16	10	—	218
Independent Non-Executive Directors:						
Mr. Shea Chun Lok, Quadrant	100	—	—	—	—	100
Mr. Fung Cheuk Nang, Clement	100	—	—	—	—	100
Mr. Tsoi Chi Ho, Peter	100	—	—	—	—	100
Total	300	3,363	281	108	—	4,052

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

	2018				
	Directors' fees HK$'000	Salaries and other benefits HK$'000	Retirement benefits scheme contributions HK$'000	Share-based payment expenses HK$'000	Total emoluments HK$'000
Executive Directors:					
Dr. Yim Yuk Lun, Stanley *BBS JP*	—	1,200	18	—	1,218
Mr. Chang Wei Hua (note c)	—	1,231	18	—	1,249
Mr. Wei Wei	—	861	48	—	909
Mr. Tong Sze Chung	—	672	18	—	690
Non-Executive Directors:					
Mr. Wong Wai Tai	240	—	12	1	253
Independent Non-Executive Directors:					
Mr. Shea Chun Lok, Quadrant	100	—	—	—	100
Mr. Fung Cheuk Nang, Clement	100	—	—	—	100
Mr. Tsoi Chi Ho, Peter	100	—	—	—	100
Total	540	3,964	114	1	4,619

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. The non-executive and independent non-executive directors' emoluments shown above were for their services as directors 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. 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.

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.

10. EMPLOYEES' REMUNERATION

Of the five highest paid individuals in the Group, three (2018: three) were directors of the Company whose remuneration are set out in Note 9 above. The remuneration of the remaining two (2018: two) individuals are as follows:

	2019	2018
	HK$'000	HK$'000
Salaries and other benefits	**1,088**	1,367
Performance related incentive payments	**91**	—
Retirement benefits scheme contributions	**24**	24
	1,203	1,391

Their remunerations were within the following bands:

	2019	2018
	No. of employees	No. of employees
Nil to HK$1,000,000	**2**	2

During the years ended 31 December 2019 and 2018, no emoluments were paid by the Group to these individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

11. DIVIDENDS

	2019	2018
	HK$'000	HK$'000
Dividends for ordinary shareholders of the Company recognised as distribution during the year:		
2019 Interim of HK$0.01 per share was declared and paid	**6,528**	—
2018 Final of HK$0.01 (2018: 2017 Final of HK$0.02) per share was declared and paid	**6,527**	12,970
	13,055	12,970

Note: Subsequent to the end of the reporting period, a final dividend of HK$0.01 in respect of the year ended 31 December 2019 (2018: final dividend of HK$0.01 in respect of the year ended 31 December 2018) per share, in aggregate amount of HK6,528,000 (2018: HK$6,527,000) has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming general meeting.

12. 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:

	2019 HK$'000	2018 HK$'000
Earnings:		
Profit for the year for the purpose of basic earnings per share	**14,652**	4,178

	'000	'000
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**652,565**	645,723
Effect of dilutive potential shares:		
Share options	**20**	2,611
Weighted average number of shares for the purpose of diluted earnings per share	**652,585**	648,334

13. 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 2018	1,829	202	295	3,402	5,728
Exchange realignment	(50)	(6)	(9)	(35)	(100)
Additions	1,657	543	—	865	3,065
Disposal	—	—	—	(10)	(10)
At 31 December 2018	3,436	739	286	4,222	8,683
Exchange realignment	(112)	(26)	(14)	(56)	(208)
Additions	242	1	—	126	369
Disposal	(52)	—	—	(248)	(300)
At 31 December 2019	3,514	714	272	4,044	8,544

13. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Leasehold improvements HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Office equipment HK$'000	Total HK$'000
DEPRECIATION					
At 1 January 2018	1,790	200	295	2,804	5,089
Exchange realignment	(47)	(6)	(9)	(26)	(88)
Provided for the year	204	33	—	386	623
Elimination upon disposal	—	—	—	(7)	(7)
At 31 December 2018	1,947	227	286	3,157	5,617
Exchange realignment	(56)	—	(12)	(29)	(97)
Provided for the year	576	1	—	374	951
Elimination upon disposal	(31)	—	(2)	(130)	(163)
At 31 December 2019	2,436	228	272	3,372	6,308
CARRYING VALUES					
At 31 December 2019	1,078	486	—	672	2,236
At 31 December 2018	1,489	512	—	1,065	3,066

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	8% – 33%
Motor vehicles	18% – 33%
Office equipment	18% – 33%

14. RIGHT-OF-USE ASSETS

	Offices HK$'000	Warehouses HK$'000	Total HK$'000
As at 1 January 2019			
Carrying amount	715	5,234	5,949
As at 31 December 2019			
Carrying amount	503	3,228	3,731
For the year ended 31 December 2019			
Depreciation charge	437	2,710	3,147
Expense relating to short-term leases and other leases with lease terms end within 12 months of the date of initial application of HKFRS 16			601
Total cash outflow for leases			3,882
Additions to right-of-use assets			1,156

For both years, the Group leases various offices and warehouses for its operations. Lease contracts are entered into for fixed term of twelve months to three years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

15. CLUB MEMBERSHIP

	2019 & 2018 HK$'000
Golf club membership in the PRC at cost	266

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

16. INVENTORIES

	2019 HK$'000	2018 HK$'000
Finished goods	246,552	287,310

17. TRADE AND OTHER RECEIVABLES

	2019 HK$'000	2018 HK$'000
Trade receivables	143,813	161,981
Less: allowance for credit losses	(701)	(781)
	143,112	161,200
Other receivables, deposits and prepayments	32,093	39,000
Total trade and other receivables	175,205	200,200
Less: receivables within twelve months shown under current assets	(175,195)	(199,353)
Rental deposits shown under non-current assets	10	847

As at 1 January 2018, trade receivables from contracts with customers amounted to HK$139,072,000 (net of allowance for credit losses of HK$4,809,000).

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

The following is an ageing analysis of trade receivables net of allowance for credit losses presented based on due date at the end of each reporting period:

	2019 HK$'000	2018 HK$'000
Not past due	105,964	86,430
Overdue by:		
1–30 days	32,886	61,976
31–60 days	4,162	5,685
61–90 days	98	3,034
Over 90 days	2	4,075
	143,112	161,200

As at 31 December 2019, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK$37,148,000 (2018: HK$74,770,000) which are past due as at the reporting date. Out of the past due balances, HK$2,000 (2018: HK$4,075,000) has been past due 90 days or more and is not considered as in default 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.

As at 31 December 2019 and 2018, the trade receivables that are not past due have the best credit ratings attributable under the internal credit rating system used by the Group.

17. TRADE AND OTHER RECEIVABLES (Continued)

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.

Details of impairment assessment of trade and other receivables for the year ended 31 December 2019 are set out in Note 28.

18. DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2019 HK$'000	2018 HK$'000
Trade receivables held for collecting contractual cash flows or factoring to banks	8,256	3,943

Details of impairment assessment are set out in Note 28.

19. AMOUNT DUE TO A RELATED PARTY

	2019 HK$'000	2018 HK$'000
Amount due to a related party (note)	384	32

note: The amount due to a related party represented an amount due to a subsidiary of S.A.S. Dragon. It is trade-related, unsecured, interest free with an average credit period of 60 days and denominated in HK$ which is other than the functional currency of the relevant group entities.

The following is an ageing analysis of the amount due to a related party presented based on the due date at the end of each reporting period:

	2019 HK$'000	2018 HK$'000
Not past due	384	32

20. 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 (2018: 0.01% to 0.30% per annum).

For the year ended 31 December 2019, the Group performed impairment assessment on bank balances and concluded that the probability of defaults of the counterparty banks are insignificant and accordingly no allowance for credit losses is provided. Details of impairment assessment of bank balances for the year ended 31 December 2019 are set out in note 28.

20. BANK BALANCES AND CASH (Continued)

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:

	2019 HK$'000	2018 HK$'000
HK$	19,583	17,245
RMB	452	42

21. TRADE AND OTHER PAYABLES

	2019 HK$'000	2018 HK$'000
Trade payables	239,400	147,536
Other payables and accruals	12,808	10,435
Total trade and other payables	252,208	157,971

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

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

	2019 HK$'000	2018 HK$'000
Not past due	135,745	85,850
Overdue by:		
1–30 days	81,692	30,617
31–90 days	21,949	30,876
Over 90 days	14	193
	239,400	147,536

22. CONTRACT LIABILITIES

As at 1 January 2018, contract liabilities amounted to HK$5,245,000.

The amounts represented advance payments from customers for goods. HK$11,581,000 represented the entire contract liabilities balances at the beginning of the year that were recognised as revenue during the year ended 31 December 2019 (2018: HK$5,245,000). The management expects that the unsatisfied performance obligations will be recognised as revenue within one year according to the contract period.

23. LEASE LIABILITIES

	31.12.2019 HK$'000
Lease liabilities payable:	
Within one year	3,436
Within a period of more than one year but not more than two years	360
	3,796
Less: Amount due for settlement within 12 months shown under current liabilities	3,436
Amount due for settlement after 12 months shown under non-current liabilities	360

Lease obligations that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	**HK$** HK$'000
As at 31 December 2019	912

24. BANK BORROWINGS

	2019 **HK$'000**	2018 HK$'000
Unsecured bank borrowings:		
Invoice financing, export loan and import loan	**147,577**	304,656
Carrying amount of bank borrowings repayable on demand or within one year (note)	**147,577**	304,656

note: All the bank borrowings are repayable within a period not exceeding one year.

As at 31 December 2019, the bank borrowings of HK$147,577,000 (2018: HK$304,656,000) denominated in USD bear interests ranging from London Interbank Offered Rate ("LIBOR") plus 1.10% (2018: 1.10%) to LIBOR plus 1.50% (2018: 1.50%) per annum, and the average effective interest rate is 2.94% (2018: 3.41%) as at 31 December 2019.

25. 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$0.01 each			
Authorised:			
At 1 January 2018, 31 December 2018 and 2019		2,000,000,000	20,000,000
Issued and fully paid:			
At 1 January 2018		626,660,000	6,266,600
Exercise of share options	*(a)*	23,610,000	236,100
At 31 December 2018		650,270,000	6,502,700
Exercise of share options	*(b)*	2,500,000	25,000
At 31 December 2019		652,770,000	6,527,700
Balance presented in HK$'000			
At 31 December 2019			6,528
At 31 December 2018			6,503

notes:

(a) During the year ended 31 December 2018, 23,610,000 share options were exercised and 23,610,000 ordinary shares were issued at the exercise price of HK$0.31 per share.

(b) During the year ended 31 December 2019, 2,500,000 share options were exercised and 2,500,000 ordinary shares were issued at the exercise price of HK$0.31 per share.

The new shares rank passu with the existing shares in all respect.

26. OPERATING LEASE COMMITMENTS

The Group as lessee

At 31 December 2018, 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:

	2018
	HK$'000
Within one year	3,862
In the second to fifth year inclusive	3,189
	7,051

At 31 December 2018, operating lease payments represents rentals payable by the Group for certain of its office premises and warehouse. Leases are negotiated for lease term ranged from 1 year to 3 years.

27. 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 bank borrowings disclosed in Note 24 and lease liabilities disclosed in Note 23, 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 debts.

28. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2019	2018
	HK$'000	HK$'000
Financial assets		
Debt instruments at FVTOCI	8,256	3,943
Financial assets at amortised cost	286,083	305,380
Financial liabilities		
Amortised cost	393,672	457,645

28. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies

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

Market risk

(i) Currency risk

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

	Liabilities		Assets	
	2019	2018	**2019**	2018
	HK$'000	HK$'000	**HK$'000**	HK$'000
HK$	**384**	32	**19,583**	17,258
Renminbi ("RMB")	**—**	—	**452**	42
Intra-group balances				
Renminbi ("RMB")	**—**	—	**1,702**	7,281

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

As at 31 December 2019, the outstanding foreign currency denominated monetary items includes only bank balances and intra-group balances denominated in RMB amounted to HK$452,000 and HK$1,702,000 (2018: HK$42,000 and HK$7,281,000) respectively. No sensitivity analysis for the Group's sensitivity to changes in RMB against HK$ is presented as the directors of the Company consider that the exposure to exchange fluctuation in respect of RMB is insignificant.

No sensitivity analysis for the Group's sensitivity to change in USD, which is the functional currency of the Company and certain subsidiaries, against HK$ is presented as HK$ is currently pegged to USD. The directors of the Company consider that the exposure to exchange fluctuation in respect of HK$ is insignificant.

28. 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 lease liabilities (see Note 23 for details). The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank borrowings (see Note 24 for details of the bank borrowings). The directors of the Company considered that the interest rate risk on variable-rate bank balances is insignificant. 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 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-rate bank borrowings. The analysis is prepared assuming the variable-rate bank borrowings at the end of the reporting period were outstanding for the whole year. For variable-rate bank borrowings, 50 basis points (2018: 50 basis points) increase or decrease are used.

If interest rates have been 50 basis points (2018: 50 basis points) higher/lower for variable-rate bank balances and 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:

	2019	2018
	HK$'000	HK$'000
Decrease in profit for the year	**616**	1,272

Credit risk and impairment assessment

As at 31 December 2019 and 2018, 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 arises from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

Trade receivables arising from contracts with customers

In order to minimise the credit risk, the directors of the Company have delegated a team responsible for determination of credit limits and credit approvals. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In addition, the Group performs impairment assessment under ECL model on trade balances individually. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

28. FINANCIAL INSTRUMENTS (Continued)

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

Credit risk and impairment assessment (Continued)

Other receivable/rental deposits

The Group assessed the impairment for its other receivables and rental deposits individually based on internal credit rating and ageing of these debtors which, in the opinion of the directors of the Company, have no significant increase in credit risk since initial recognition. ECL is estimated based on historical observed default rates over the expected life of debtors and is adjusted for forward-looking information that is available without undue cost or effort. Based on the impairment assessment performed by the Group, the management of the Group considers the loss allowance for other receivables and rental deposits within lifetime ECL as at 31 December 2018 and 2019 was insignificant and accordingly no allowance for credit losses is provided.

Bank balances

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Debt instruments at FVTOCI

Group's debt instruments at FVTOCI are the trade receivables that the Group would collect contractual cash flows or factor some of the them to financial institutions. The Group performed impairment assessment under ECL model on trade balances individually. Based on the impairment assessment performed by the Group, the management of the Group considers the loss allowance for debt instruments at FVTOCI within lifetime ECL as at 31 December 2018 and 2019 was insignificant and accordingly no allowance for credit losses is provided.

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.

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

Internal credit rating	Description	Trade receivables and debt instruments at FVTOCI	Other financial assets
Performing	The counterparty has a low risk of default and usually settle before due date	Lifetime ECL — not credit-impaired	12m ECL
Watch list	Debtor frequently repays after due dates but usually settle after due date	Lifetime ECL — not credit-impaired	12m ECL
Doubtful	There has been a significant increase in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL — not credit-impaired	Lifetime ECL — not credit-impaired

28. FINANCIAL INSTRUMENTS (Continued)

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

Credit risk and impairment assessment (Continued)

Internal credit rating	Description	Trade receivables and debt instruments at FVTOCI	Other financial assets
In default	There is evidence indicating that the asset is credit-impaired	Lifetime ECL — credit-impaired	Lifetime ECL — credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

The table below detail the credit risk exposure of the Group's financial assets and debt instruments at FVTOCI, which are subject to ECL assessment:

	Notes	Internal credit rating	12-month or Lifetime ECL	Gross carrying amount	
				2019	2018
				HK$'000	HK$'000
Debt instruments at FVTOCI	*18*	Performing	Lifetime ECL — not credit-impaired	8,256	3,943
Financial assets at amortised costs					
Trade receivables	*17*	Performing	Lifetime ECL — not credit-impaired	143,205	161,154
		Watch list	Lifetime ECL — not credit-impaired	76	272
		In default	Credit-impaired	532	555
				143,813	161,981
Other receivables	*17*	Performing	12m ECL	27,682	29,098
Rental deposits	*17*	Performing	12m ECL	804	—
Bank balances	*20*	Performing	12m ECL	113,816	109,316

28. FINANCIAL INSTRUMENTS (Continued)

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

Credit risk and impairment assessment (Continued)

Debt instruments at FVTOCI (Continued)

Based on the impairment assessment performed by the Group as at 31 December 2019, the Group applied average loss rates of 0.11% and 2.21% (2018: 0.23% and 2.15%) to trade receivables under internal credit ratings of performing and watch list, respectively.

The following table shows the movement in lifetime ECL that has been recognised for trade receivables under the simplified approach.

	Lifetime ECL (not credit-impaired) HK$'000	Lifetime ECL (credit-impaired) HK$'000	Total HK$'000
As at 1 January 2018	139	4,670	4,809
Changes due to financial instruments recognised as at 1 January 2018:			
— Impairment losses reversed	(139)	(1,675)	(1,814)
— Write-offs	—	(2,995)	(2,995)
New financial assets originated	226	555	781
As at 31 December 2018	226	555	781
Changes due to financial instruments recognised as at 1 January 2019:			
— Impairment losses reversed	(226)	(23)	(249)
New financial assets originated	169	—	169
As at 31 December 2019	169	532	701

Changes in the loss allowance for trade receivables are mainly due to:

	Increase (decrease) in lifetime ECL Credit-impaired	
	2019 HK$'000	2018 HK$'000
Settlement in full of a trade debtor with a gross carrying amount of HK$23,000 (2018: HK$1,675,000)	**(23)**	(1,675)

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over two years past due, whichever occurs earlier.

28. FINANCIAL INSTRUMENTS (Continued)

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

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 Group relies on bank borrowings as a significant source of liquidity. As at 31 December 2019, the Group has available unutilised bank facilities of approximately HK$495,123,000 (31 December 2018: HK$366,098,000). Details of the bank borrowings are set out in Note 24.

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

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

Liquidity and interest risk table

	Weighted average effective interest rate %	On demand or less than 1 month HK$'000	1–3 months HK$'000	3 months to 1 year HK$'000	1–2 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31 December 2019 HK$'000
2019							
Trade and other payables	—	245,711	—	—	—	245,711	245,711
Amount due to a related party	—	384	—	—	—	384	384
Bank borrowings	2.94	147,577	—	—	—	147,577	147,577
Lease liabilities	4.02	301	602	2,606	382	3,891	3,796
		393,973	602	2,606	382	397,563	397,468

28. FINANCIAL INSTRUMENTS (Continued)

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

Liquidity risk (Continued)

Liquidity and interest risk table (Continued)

	Weighted average effective interest rate	On demand or less than 1 month	Total undiscounted cash flows	Carrying amount at 31 December 2019
	%	HK$'000	HK$'000	HK$'000
2018				
Trade and other payables	—	152,957	152,957	152,957
Amount due to a related party	—	32	32	32
Bank borrowings	3.41	304,656	304,656	304,656
		457,645	457,645	457,645

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 2019, the aggregate carrying amounts of these bank borrowings amounted to HK$147,577,000 (2018: HK$304,656,000). 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. 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	1–3 months	4–6 months	Total undiscounted cash flows	Carrying amount at 31 December
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
2019						
Bank borrowings	**2.94**	**141,966**	**—**	**5,668**	**147,634**	**147,577**
2018						
Bank borrowings	3.41	294,905	10,664	—	305,569	304,656

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.

28. FINANCIAL INSTRUMENTS (Continued)

(c) Fair value measurements of financial instruments

This note provides information about how the Group determines fair values of various financial assets.

Some of the Group's financial instruments are measured at fair value for financial reporting purposes.

In estimating the fair value, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group will perform the valuation by establishing the appropriate valuation techniques and inputs to the model.

(i) Fair value of the Group's financial assets that are measured at fair value on a recurring basis

Debt instruments at FVTOCI are measured at fair value at the end of each reporting period and their fair value classified as Level 2 in fair value hierarchy was HK$8,256,000 as at 31 December 2019 (2018: HK$3,943,000).

The fair value was estimated by discounted cash flow. Future cash flows are estimated based on the future cash collection discounted at a rate that reflects the credit risk of various counterparties. The management considers the fluctuation in the discount rate would not result in a significant change in the fair value. No fair value change on debt instruments at FVTOCI for the years ended 31 December 2018 and 2019.

(ii) Fair value of financial instruments that are recorded at amortised cost

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.

29. 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.

The total expense of HK$1,626,000 (2018: HK$1,989,000) was recognised in profit or loss during the year.

30. SHARE-BASED PAYMENT TRANSACTIONS

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.

30. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

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	Outstanding at 1.1.2018	Options exercised during 2018	Outstanding at 31.12.2018	Options exercised during the year	Options lapsed during the year	Outstanding at 31.12.2019
The Company										
Employees	50%	6.1.2017	7.1.2017 to 6.1.2019	HK$0.31	90,000	(40,000)	50,000	–	(50,000)	–
	50%	6.1.2018	7.1.2018 to 6.1.2019	HK$0.31	13,750,000	(13,700,000)	50,000	–	(50,000)	–
Directors	50%	6.1.2017	7.1.2017 to 6.1.2019	HK$0.31	300,000	–	300,000	–	(300,000)	–
	50%	6.1.2018	7.1.2018 to 6.1.2019	HK$0.31	1,800,000	(1,200,000)	600,000	(300,000)	(300,000)	–
S.A.S. Dragon										
Employees	50%	6.1.2017	7.1.2017 to 6.1.2019	HK$0.31	1,195,000	(295,000)	900,000	(100,000)	(800,000)	–
	50%	6.1.2018	7.1.2018 to 6.1.2019	HK$0.31	8,825,000	(7,175,000)	1,650,000	(800,000)	(850,000)	–
Directors	50%	6.1.2017	7.1.2017 to 6.1.2019	HK$0.31	–	–	–	–	–	–
	50%	6.1.2018	7.1.2018 to 6.1.2019	HK$0.31	3,500,000	(1,200,000)	2,300,000	(1,300,000)	(1,000,000)	–
					29,460,000	(23,610,000)	5,850,000	(2,500,000)	(3,350,000)	–
Exercisable at the end of the years					1,585,000		5,850,000			–
Weighted average exercise price					HK$0.31	HK$0.31	HK$0.31	HK$0.31	HK$0.31	N/A

In respect of the share options exercised during the year, the weighted average share price at the dates of exercise was HK$0.39 (2018: HK$0.56).

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.

30. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

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

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$11,000 for the year ended 31 December 2018 under the Pre-IPO Share Option Scheme of the Company.

No expense have been recognised for the year ended 31 December 2019 under the Pre-IPO Share Option Scheme of the Company.

Expenses of approximately HK$131,000 previously recognised under the Pre-IPO Share Option Scheme of the Company were transferred to retained profits upon forfeiture of the share options.

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 GEM 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 2018 and 2019, no share option has been granted under this scheme.

31. RELATED PARTY TRANSACTIONS AND BALANCES

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

Name of parties	Nature of transactions	2019 HK$'000	2018 HK$'000
S.A.S Investment Company Limited ("S.A.S Investment") (note 1)	Rental expense paid	—	393
	Interest expenses on lease liabilities	16	—
	Lease liabilities	404	—
Subsidiaries of S.A.S. Dragon (note 2)	Sales of electronic products	349	2,562
	Management fee paid	120	—
	Rental expense paid	—	150
	Interest expenses on lease liabilities	14	—
	Lease liabilities	341	—

note 1: S.A.S. Investment is a substantial shareholder of the Company, who held 204,663,000 (2018: 211,963,000) of the issued share capital of the Company as at 31 December 2019. The Company is an associate of S.A.S. Investment as SAS Investment can exercise significant influence over the Company.

note 2: S.A.S. Dragon is the ultimate holding company of S.A.S. Investment and is therefore deemed to be interested in the equity interests held by S.A.S. Investment. The Company is an associate of a subsidiary of S.A.S. Dragon.

(b) Details of the outstanding balances with related party are set out in the consolidated statement of financial position and in Note 19.

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

Compensation of key management personnel

	2019 HK$'000	2018 HK$'000
Salaries and other benefits	4,334	5,723
Performance related incentive payments	363	—
Retirement benefits scheme contributions	153	161
Share-based payment expenses	—	1
	4,850	5,885

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

32. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

The statement of financial position of the Company as at 31 December 2019 is as follows:

	2019	2018
	HK$'000	HK$'000
Non-current Assets		
Amount due from subsidiaries	**66,783**	59,715
Investment in a subsidiary	**102,849**	101,700
	169,632	161,415
Current Assets		
Prepayment	**187**	42
Bank balances and cash	**371**	181
	558	223
Current Liabilities		
Accruals	**4**	29
Amounts due to subsidiaries	**5,774**	23
Taxation payable	**402**	238
	6,180	290
Net Current Liabilities	**(5,622)**	(67)
Total Assets less Current Liabilities	**164,010**	161,348
Capital and Reserves		
Share capital	**6,528**	6,503
Share premium and reserves (note)	**157,482**	154,845
Total Equity	**164,010**	161,348

32. 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 HK$'000	Total HK$'000
At 1 January 2018	44,550	100,152	1,143	12,533	2,511	160,889
Loss for the year	—	—	—	—	(168)	(168)
Issue of shares upon exercise of share options	8,007	—	(924)	—	—	7,083
Dividend paid	—	—	—	(12,533)	(437)	(12,970)
Recognition of equity-settled share-based payment	—	—	11	—	—	11
At 31 December 2018	52,557	100,152	230	—	1,906	154,845
Profit for the year	—	—	—	—	14,942	14,942
Issue of shares upon exercise of share options	849	—	(99)	—	—	750
Dividend declared	—	—	—	13,055	(13,055)	—
Dividend paid	—	—	—	(13,055)	—	(13,055)
Lapse of equity-settled share-based payment	—	—	(131)	—	131	—
At 31 December 2019	53,406	100,152	—	—	3,924	157,482

33. PARTICULARS OF SUBSIDIARIES

Particulars of the Company's subsidiaries as at 31 December 2019 and 31 December 2018 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
			2019	2018	
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 with/ without the provision of independent design house services
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	100%	100%	Sales of electronic products with/ without the provision of independent design house services
Hi-Level (Shanghai) Technology Limited (上海揚禹電子貿易有限公司) (note)	The PRC 21 September 2007	HK$6,000,000 (2018: HK$1,500,000) (note a)	100%	100%	Sales of electronic products

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

note a: An additional HK$4,500,000 share capital was issued and fully paid during the year ended 31 December 2019.

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

34. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Lease liabilities HK$'000	Dividend payable HK$'000	Bank borrowings HK$'000	Total HK$'000
At 1 January 2018	—	—	161,282	161,282
Financing cash flows (note)	—	—	135,717	135,717
Dividend declared	—	12,970	—	12,970
Dividend paid	—	(12,970)	—	(12,970)
Interest expenses	—	—	7,657	7,657
At 31 December 2018	—	—	304,656	304,656
Amendment upon application of HKFRS 16	5,949	—	—	5,949
As at 1 January 2019 (restated)	5,949	—	304,656	310,605
New lease entered	1,156	—	—	1,156
Financing cash flows (note)	(3,281)	—	(165,476)	(168,757)
Dividend declared	—	13,055	—	13,055
Dividend paid	—	(13,055)	—	(13,055)
Interest expenses	199	—	8,397	8,596
Exchange realignment	(227)	—	—	(227)
At 31 December 2019	3,796	—	147,577	151,373

note: The cash flows represent the proceeds from and repayment of bank borrowings, repayment of lease liabilities and the interests paid in the consolidated statement of cash flows.

35. EVENTS AFTER REPORTING PERIOD

The outbreak of COVID-19 and the subsequent quarantine measures as well as the travel restrictions imposed by many countries have had a severe negative impact on the operations of the Group, as part of the Group's operations are located in the PRC. The Group had to stop part of its operating activities since the beginning of February 2020 due to mandatory government quarantine and voluntary measures in an effort to contain the spread of the epidemic and had resumed its operating activities at its full capacity by mid of February 2020.

Given the dynamic nature of these circumstances, the related impact on the Group's consolidated results of operations, cash flows and financial condition could not be reasonably estimated at this stage and will be reflected in the Group's 2020 interim and annual financial statements.

Financial Summary

RESULTS

	For the year ended 31 December				
	2015 HK$'000	2016 HK$'000	2017 HK$'000	2018 HK$'000	**2019 HK$'000**
Revenue	1,309,764	1,798,674	2,254,447	1,855,277	**1,801,130**
Profit before taxation	17,013	37,306	45,468	5,537	**17,421**
Income tax expense	(4,530)	(6,616)	(8,256)	(1,359)	**(2,769)**
Profit for the year	12,483	30,690	37,212	4,178	**14,652**

ASSETS AND LIABILITIES

	At 31 December				
	2015 HK$'000	2016 HK$'000	2017 HK$'000	2018 HK$'000	**2019 HK$'000**
Total Assets	328,460	544,480	507,266	614,645	**555,090**
Total Liabilities	(239,931)	(433,306)	(363,447)	(475,632)	**(417,173)**
Net Assets and Total Equity	88,529	111,174	143,819	139,013	**137,917**