



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

*Annual  
Report*  
**2020**



This Annual Report is printed on environmentally friendly paper

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

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

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# Corporate Information

## DIRECTORS

### Executive Directors

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

BDO Limited  
Certified Public Accountants  
25th Floor, Wing On Centre  
111 Connaught Road Central  
Hong Kong

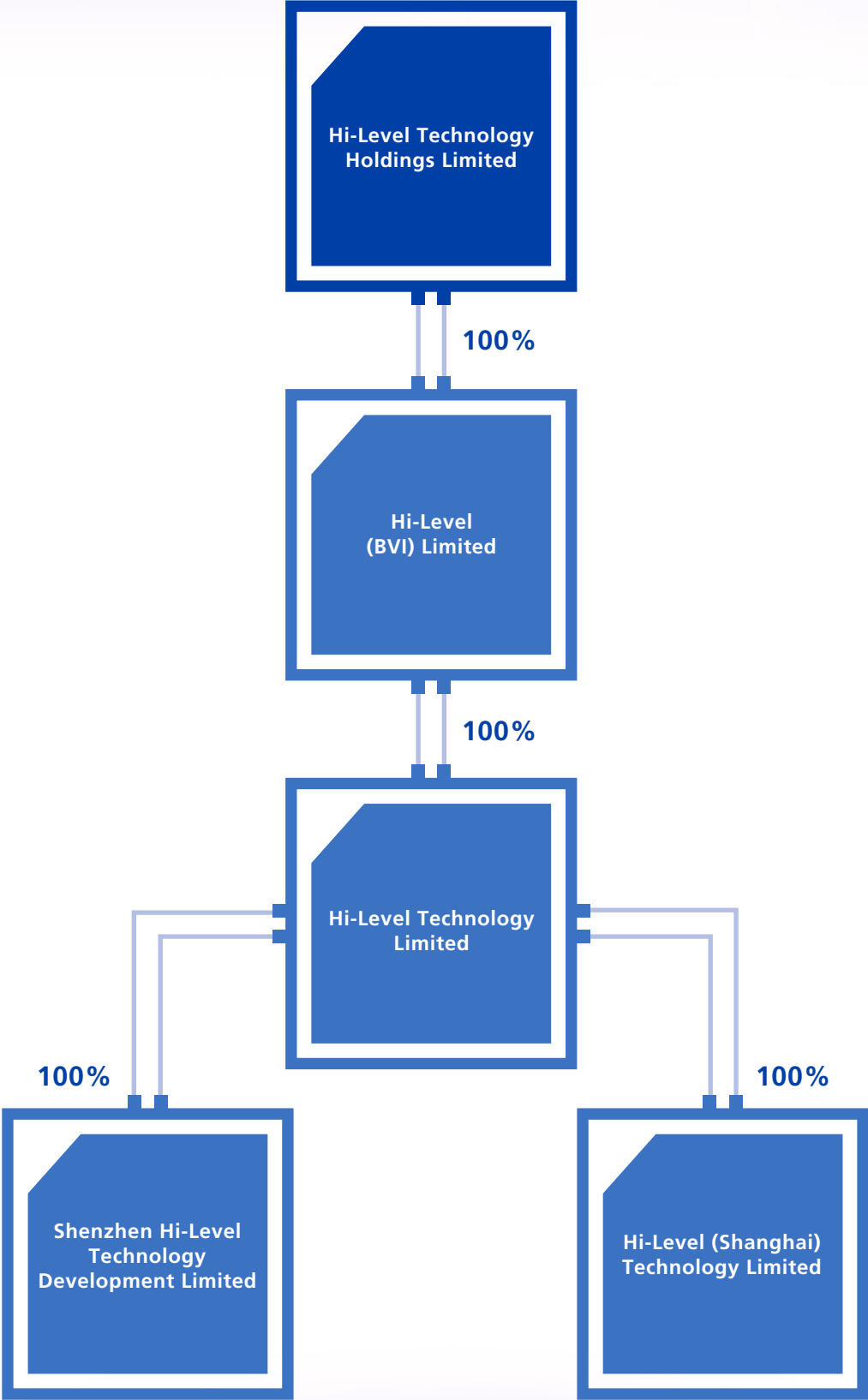
## WEBSITE

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

## STOCK CODE

The Stock Exchange of Hong Kong Limited: 8113

# Group Structure



# Financial Highlights

	2020	2019	Change
Revenue (HK\$ thousand)	<b>2,254,195</b>	1,801,130	+25%
Profit attributable to owners of the Company (HK\$ thousand)	<b>32,127</b>	14,652	+119%
Basic earnings per share (HK cents)	<b>4.92</b>	2.25	+119%
Dividend per share (HK cents)			
– Final proposed	<b>2.5</b>	1.0	
– Interim paid	–	1.0	
Total	<b>2.5</b>	2.0	+25%

# 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 2020.

## DIVIDENDS

The Board has recommended a final dividend of HK2.5 cents per share (2019: final dividend of HK1.0 cent per share) for the year ended 31 December 2020 subject to approval by the shareholders at the forthcoming annual general meeting. Total dividend for the year is HK2.5 cents per share (2019: HK2.0 cents 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.

Our sales of Innolux panel solutions recorded significant growth in 2020 as the lockdown measures formulated for combating the COVID-19 pandemic had encouraged consumers to perform indoor activities, such as working from home and enjoying stay-at-home experience with the use of MID. Moreover, our sales for electronic components of smartphone panel module solutions also increased significantly from the second half of 2020 as smartphone sales in China surged sequentially due to the improvement of the consumption sentiment. However our sales of video imaging device and STB solutions were impacted by the outbreak of COVID-19 throughout the year. In overall, revenue of the Group for 2020 increased 25.1% as compared to last year.

## MID

In 2020, due to the outbreak of COVID-19, the consumers and business sectors made use of tablets to facilitate remote work, learning and leisure activities. Our sales of Innolux panel solutions recorded significant growth as compared to 2019 such that MID segment of tablet and smart speaker products delivered the largest revenue of the Group.

## Smartphone Panel Module

The upgrade of 4G mobile phones to 5G accelerated the smartphones sales in China and our new generation panel modules solutions were well adopted by customers in 2020, therefore the segment delivered the second largest revenue of the Group.

# Chairman's Statement

## ELA

Under the spread of pandemic, the PRC Ministry of Education extended the class suspension arrangements for all primary and secondary schools until May 2020, ELA became the important tools for students to replace traditional textbooks. The sales of our ELA solutions increased as compared to 2019.

## Car Infotainment System

Sales of cars in China fell in the first half of 2020 because of the outbreak of the COVID-19 pandemic. The demand of our car infotainment system gained momentum in the second half of 2020 due to the easing of the COVID-19 control measures. Overall the sales of car infotainment system showed a slight decrease as compared with last year.

## STB

The Company's main sales market of STB solutions is in the Middle East, South America and North Africa. Our sales of STB solutions decreased compared to 2019 as the above three geographical areas were severely affected by the COVID-19 pandemic throughout the year.

## 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. Our sales of video Image device solutions decreased as compared to 2019 as the above two geographical areas were severely affected by the COVID-19 pandemic throughout the year.

## OUTLOOK

Looking forward, the Group will closely monitor the economic uncertainties coupling with the COVID-19 pandemic and the escalating U.S.-China tensions. To overcome these challenges and difficulties, the Group will endeavor to broaden its revenue sources, enhance its product diversity, widen its customer base and search for new suppliers from different areas. The Group will also maintain a flexible business strategy to explore new business opportunities for its developments.

The Group will continue to invest resources in the development of Artificial Intelligence of Things solutions for anti-epidemic and 5G applications.

## FINANCIAL REVIEW

### Revenue

For the year ended 31 December 2020, the Group achieved sales revenue of HK\$2,254,195,000, increased by 25.1% from HK\$1,801,130,000 as recorded in 2019. The increase was primarily attributable to our increased sales to MID and Smartphone Panel Modules customers.



# Chairman's Statement

## Gross Profit

For the year ended 31 December 2020, gross profit was HK\$81,591,000, increased by 26.6% from HK\$64,465,000 as recorded last year. Gross profit margin was 3.62%, increased from 3.58% as recorded in 2019.

## Distribution Costs and Administrative Expenses

For the year ended 31 December 2020, the Group's operating costs were HK\$37,995,000 (2019: HK\$39,950,000), representing a decrease by 4.9%, compared to the corresponding period in 2019. The Group exercised cost control measures such as decrease of audit fee and logistic fee after relocation of warehouse.

## Profit Attributable to Owners of the Company

The profit attributable to owners of the Company for the year ended 31 December 2020 was HK\$32,127,000, increased by 119.3%, compared to HK\$14,652,000 as recorded in 2019. Such increase was mainly attributable to, as compared to the same recorded during the year ended 31 December 2019, the success of the increase in the Group's revenue and the reduction in the Group's overall expenses during the year ended 31 December 2020.

## APPRECIATION

On behalf of the Board of Directors, I would like to thank all of 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, 18 March 2021

# Management Discussion and Analysis

## Liquidity and Financial Resources

The Group's principal sources of funds are cash generated from operations and bank borrowings. As at 31 December 2020, the Group's current ratio was 140.4% (31 December 2019: 131.7%). The Group was in net cash position and maintained sufficient working capital with bank balances and cash of HK\$140,961,000 (31 December 2019: HK\$114,485,000) and bank borrowings of HK\$54,667,000 (31 December 2019: HK\$147,577,000). The Group's total equity of approximately HK\$168,719,000 (31 December 2019: HK\$137,917,000).

The Group recorded debtors turnover of approximately 23 days for the year under review (2019: 31 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 creditor turnover of 41 days and 45 days respectively for the year under review (2019: approximately 56 days and 41 days respectively) based on the amount of the average of beginning and ending inventory and creditors as at 31 December 2020, divided by cost of sales for the respective year and multiplied by 365 days.

## Employee and Remuneration Policy

As 31 December 2020, 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 requirement;
- 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.

# Directors and Senior Management Profiles

## Executive Directors

**Dr. Yim Yuk Lun, Stanley** *BBS JP* (嚴玉麟), aged 61, is 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 appointed as independent non-executive director and a member of the audit committee and the nomination committee of Asia Allied Infrastructure Holdings Limited (stock code: 711, a company listed on the Main Board of the Stock Exchange) on 15 May 2020.

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 56, is appointed as an executive Director and chief executive officer of the Company on 1 October 2015. He is appointed as general manager of Hi-Level Technology Limited in 2000 and is appointed as a managing director of Hi-Level Technology Limited in 2003. He graduated from Tunghan University in Taiwan with a Bachelor's degree in Electronics Engineering in June 1985.

Mr. Chang has over 20 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 51, is appointed as an executive Director of the Company on 1 October 2015. He is the founder of Hi-Level Technology Limited. He is 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 52, is 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 20 years' experience in accounting and financial management.

# Directors and Senior Management Profiles

## Non-Executive Director

**Mr. Wong Wai Tai, (黃維泰)**, aged 49, is appointed as 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 is 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 Director

**Mr. Shea Chun Lok, Quadrant (佘俊樂)**, (alias Martin, former name, Shea Chi Lap, Quadrant), aged 54, is 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 Chartered 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 44, is appointed as an independent non-executive Director of the Company on 21 December 2015. He is a member of Audit Committee, Remuneration Committee and Nomination Committee. He has extensive management experience in development and manufacturing of consumer products.

Mr. Fung is also a director of Smarhome Technology Limited and Smarhome Products Limited, both of which are privately-owned consumer electronics companies in Hong Kong. Mr. Fung holds positions in various charitable and social organisations. He is a member of the advisory board of Yan Chai Hospital, of which he was the chairman of the board of directors during the term of year 2018-2019.

## Directors and Senior Management Profiles

**Mr. Tsoi Chi Ho, Peter (蔡子豪)**, aged 34, is 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 56, is 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 55, was appointed as a supervisor of Hi-Level (Shanghai) Technology Limited in August 2007 and is 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 Tungkang 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 48, 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 2020, 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

## RELATIONSHIP BETWEEN BOARD MEMBERS

Both Mr. Shea Chun Lok, Quadrant (“Mr. Shea”) and Dr. Yim Yuk Lun, Stanley (“Dr. Yim”) serve on the boards of the Company and Asia Allied Infrastructure Holdings Limited (“Asia Allied”). Mr. Shea is the executive director, chief financial officer and company secretary of Asia Allied and is an independent non-executive Director of the Company (the “INED”). Dr. Yim is the chairman and executive Director of the Company and is an independent non-executive director of Asia Allied. Taking into consideration their roles in the business activities of, and the relationship between the two companies, the Company considers that such cross-directorship relationship would not affect Mr. Shea in performing his duties as the INED.

Save as disclosed above, there are no financial, business, family or other material/relevant relationship 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 2020 fell within the following bands:

	<b>Number of individual 2020</b>
Below HK\$1,000,000	10
HK\$1,000,001 to HK\$1,500,000	1

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 2020 and 1 December 2020 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 2020 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.

# Corporate Governance Report

Each of the independent non-executive Directors has entered into a letter of appointment for a term of one year commencing from 21 December 2020 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.

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

	Number of Board Meetings attended/eligible to attend	Annual General Meeting
<i>Executive Directors:</i>		
Dr. Yim Yuk Lun, Stanley BBS JP	4/4	1/1
Mr. Chang Wei Hua	4/4	1/1
Mr. Wei Wei	4/4	1/1
Mr. Tong Sze Chung	4/4	1/1
<i>Non-executive Director:</i>		
Mr. Wong Wai Tai	4/4	1/1
<i>Independent non-executive Directors:</i>		
Mr. Shea Chun Lok, Quadrant	4/4	1/1
Mr. Fung Cheuk Nang, Clement	4/4	1/1
Mr. Tsoi Chi Ho, Peter	4/4	1/1



## 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 2020, 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:

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

### Remuneration committee

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

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

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

# Corporate Governance Report

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

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

## Nomination committee

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

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

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

The Board adopted the board diversity policy in accordance with the requirement as set out in the CG Code. The Board recognizes the benefits of having a diverse Board and considers a number of factors which include but are not limited to 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:

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

# Corporate Governance Report

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.

# Corporate Governance Report

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:

Name of Director	Age Group			
	30-39	40 to 49	50 to 59	60 or above
Dr. Yim Yuk Lun, Stanley <i>BBS JP</i>				✓
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 <i>BBS JP</i>	✓	
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:

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

## CORPORATE GOVERNANCE FUNCTIONS

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

## DIRECTORS' CONTINUOUS TRAINING AND PROFESSIONAL DEVELOPMENT

Pursuant to Code Provision A.6.5 of the CG Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. Each Director received induction on the first occasion of his appointment, so as to ensure that he/she has appropriate understanding of the business and operations of the Group and that he/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:

<b>Services rendered in 2020</b>	<b>HK\$'000</b>
Statutory audit services	850
Non-audit services	
– non-audit and tax related service	20

## 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.

# Corporate Governance Report

## 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 2020.

## PRINCIPAL ACTIVITIES

The Company acts as an investment holding company and the activities of its principal subsidiaries are set out in Note 32 to the consolidated financial statements.

## RESULT AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2020 are set out in the consolidated statement of profit or loss and other comprehensive income on page 34.

The directors recommend the payment of a final dividend of HK2.5 cents per share to the shareholders on the register of member on 27 May 2021 (2019: HK1.0 cent per share). Dividend warrants will be dispatched 4 June 2021.

## BUSINESS REVIEW

Business review of the Group for the year ended 31 December 2020 has been stated in the Chairman's Statement on page 5 to 7 of this report.

## MAJOR CUSTOMERS AND SUPPLIERS

The aggregate purchases attributable to the Group's largest supplier and five largest suppliers taken together accounted for 36.06% and 70.12%, respectively, of the Group's total purchases for the year.

The aggregate sales attributable to the Group's largest customer and five largest customers taken together accounted for 14.83% and 31.64%, 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 14 to the consolidated financial statements.

## SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 25 to the consolidated financial statements.

## DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders as at 31 December 2020, 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\$35,549,000 disclosed in note 31 to the consolidated financial statements.

## ANALYSIS OF KEY FINANCIAL PERFORMANCE INDICATORS

For details of the key financial performance indicators to the performance the Group's business, please refer to "Management Discussion and Analysis" on page 8 of this report.



## ENVIRONMENTAL PROTECTION

The Group is committed to acting in an environmentally responsible manner. Using LED lamps for offices and warehouse premises, environmentally friendly paper to print annual, interim and quarterly reports, recycling and use of eco-friendly stationery, plus a series of measures to save paper and energy, resulted in more efficient use of resources, as well as reduction of waste.

## COMPLIANCE WITH REGULATIONS

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

## RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

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

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

The Group encompasses working relationships with suppliers to meet our 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. Tong Sze Chung, Mr. Fung Cheuk Nang, Clement and Mr. Tsoi Chi Ho, Peter 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 2020 and 1 December 2020 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 2020 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 2020 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 2020, 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 <i>BBS JP</i> (Note 1)	Beneficial owner and interest in controlled corporation	252,915,861	38.75
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:

- Dr. Yim Yuk Lun, Stanley *BBS JP* beneficially owns 40,952,861 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.
- 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.
- 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

### Share option scheme of the Company

The share option scheme was conditionally approved and adopted pursuant to a resolution in writing passed by the shareholders of the Company on 23 December 2015, which became effective on the Listing Date. A summary of the principal terms of the share option scheme is set out in Appendix IV to the prospectus of the Company dated 31 December 2015.

No option was granted by the Company under the share option scheme during the year.

# Directors' Report

## EQUITY-LINKED AGREEMENTS

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

## ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

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

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

As at 31 December 2020, 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*

<u>Name of shareholders</u>	<u>Capacity</u>	<u>Number of issued ordinary shares held</u>	<u>Percentage of issued share capital of the Company</u>
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**

During the year ended 31 December 2020, neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## **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 29 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.

## **CONNECTED TRANSACTIONS**

Saved as disclosed in note 30 to the consolidated financial statements which is fully exempted from Chapter 20 of the GEM Listing Rules, the Company was not aware of any other related party transactions which constitute a connected transaction of the Group, nor are there any connected transactions that need to be disclosed in this annual report under the GEM Listing Rules. The Company has complied with the disclosure requirements in accordance with Chapter 20 of the GEM Listing Rules.

## **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.

# Directors' Report

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 2020 (HK\$ million)	Balance as at 31 December 2020 (HK\$ million)	Expected timeline of full utilization of the balance
<b>Upgrading the Group's ERP system</b>	4.6	4.6	0.6	4.0	By end of 2021
<b>Expanding the Group's ELA business by engaging in:</b>					
– Research and development staff expenses	2.5	2.5	2.5	–	N/A
– Equipment purchases	8.7	8.7	1.2	7.5	By end of 2021
	<b>11.2</b>	<b>11.2</b>	<b>3.7</b>	<b>7.5</b>	
<b>Expanding the Group's product range by engaging in:</b>					
– 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	1.3	4.3	By end of 2021
– Others	5.6	–	–	–	N/A
	<b>11.2</b>	<b>11.2</b>	<b>6.9</b>	<b>4.3</b>	
<b>General working capital</b>	<b>3.0</b>	<b>3.0</b>	<b>3.0</b>	<b>–</b>	N/A
<b>Total</b>	<b>30.0</b>	<b>30.0</b>	<b>14.2</b>	<b>15.8</b>	

## AUDITOR

The consolidated financial statements of the Group for the year ended 31 December 2020 have been audited by BDO Limited. BDO Limited was appointed as auditor of the Company on 4 December 2020 following the resignation of Deloitte Touche Tohmatsu on 4 December 2020. A resolution will be submitted to the annual general meeting to re-appoint BDO Limited as auditor of the Company.

Signed on behalf of the Board

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

Hong Kong, 18 March 2021

# Independent Auditor's Report



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## TO THE SHAREHOLDERS 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 34 to 107, which comprise the consolidated statement of financial position as at 31 December 2020, 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 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### BASIS FOR OPINION

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

### KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These 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.

# Independent Auditor's Report

## KEY AUDIT MATTERS (Continued)

### **Estimated allowance of inventories**

Refer to Note 4(g) on significant accounting policies and Note 16 to the consolidated financial statements.

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.

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 2020, the carrying value of inventories was HK\$239,680,000 (net of allowance of HK\$8,372,000).

### **Our response:**

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 2020;
- Testing the accuracy of the inventories ageing analysis as at 31 December 2020, 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.



# Independent Auditor's Report

## **OTHER MATTER**

The consolidated financial statements of the Group for the year ended 31 December 2019 were audited by another auditor who expressed an unmodified opinion on those statements on 30 March 2020.

## **OTHER INFORMATION IN THE ANNUAL REPORT**

The directors 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.

## **DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS**

The directors 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.

The directors are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibility in this regard.

# Independent Auditor's Report

## 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. This report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

# Independent Auditor's Report

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

- 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 the Audit Committee 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 the Audit Committee 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, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, 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.

### **BDO Limited**

*Certified Public Accountants*

### **Lam Tsz Ka**

Practising Certificate no. P06838

Hong Kong, 18 March 2021

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2020

	Notes	2020 HK\$'000	2019 HK\$'000
Revenue	6	2,254,195	1,801,130
Cost of sales		(2,172,604)	(1,736,665)
Gross profit		81,591	64,465
Other income		1,831	1,483
Other gain/(loss)		233	(61)
Impairment losses under expected credit loss model, net of (provision)/reversal	8	(3,545)	80
Distribution costs		(13,381)	(15,632)
Administrative expenses		(24,614)	(24,318)
Finance costs	7	(3,283)	(8,596)
Profit before taxation	8	38,832	17,421
Income tax expense	11	(6,705)	(2,769)
Profit for the year		32,127	14,652
<b>Other comprehensive income/(loss)</b>			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations: – subsidiaries		5,203	(3,468)
Other comprehensive income/(loss) for the year		5,203	(3,468)
Total comprehensive income for the year		37,330	11,184
Earnings per share (HK cents)	13		
– basic		4.92	2.25
– diluted		4.92	2.25

# Consolidated Statement of Financial Position

As at 31 December 2020

	Notes	2020 HK\$'000	2019 HK\$'000
<b>Non-current Assets</b>			
Property, plant and equipment	14	1,806	2,236
Right-of-use assets	22	8,331	3,731
Club membership	15	266	266
Rental deposit	17	777	10
		<b>11,180</b>	6,243
<b>Current Assets</b>			
Inventories	16	239,680	246,552
Trade and other receivables	17	165,558	175,195
Debt instruments at fair value through other comprehensive income	18	1,477	8,256
Taxation recoverable		–	4,359
Bank balances and cash	19	140,961	114,485
		<b>547,676</b>	548,847
<b>Current Liabilities</b>			
Trade and other payables	20	310,335	252,208
Contract liabilities	21	10,279	11,500
Lease liabilities	22	8,194	3,436
Amount due to a related party	23	91	384
Taxation payable		6,429	1,708
Bank borrowings	24	54,667	147,577
		<b>389,995</b>	416,813
<b>Net Current Assets</b>		<b>157,681</b>	132,034
<b>Total Assets less Current Liabilities</b>		<b>168,861</b>	138,277
<b>Non-current Liability</b>			
Lease liabilities	22	142	360
<b>Net Assets</b>		<b>168,719</b>	137,917
<b>Capital and Reserves</b>			
Share capital	25	6,528	6,528
Reserves		162,191	131,389
<b>TOTAL EQUITY</b>		<b>168,719</b>	137,917

The consolidated financial statements on page 34 to 107 were approved and authorised for issue by the Board of Directors on 18 March 2021 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 2020

	Share capital HK\$'000	Share premium HK\$'000 (Note i)	Special reserve HK\$'000 (Note ii)	Translation reserve HK\$'000 (Note iii)	Dividend reserve HK\$'000	Shareholder's contribution reserve HK\$'000 (Note iv)	Share options reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 January 2019	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 income for the year	-	-	-	(3,468)	-	-	-	14,652	11,184
Issue of shares upon exercise of share options (Note 25(a))	25	849	-	-	-	-	(99)	-	775
Lapse of equity-settled share-based payment (Note 29)	-	-	-	-	-	-	(131)	131	-
Dividend declared (Note 12)	-	-	-	-	13,055	-	-	(13,055)	-
Dividend paid (Note 12)	-	-	-	-	(13,055)	-	-	-	(13,055)
At 31 December 2019	6,528	54,329	25,000	(3,495)	-	448	-	55,107	137,917
Profit for the year	-	-	-	-	-	-	-	32,127	32,127
Exchange differences arising on translation of foreign operations – subsidiaries	-	-	-	5,203	-	-	-	-	5,203
Total comprehensive income for the year	-	-	-	5,203	-	-	-	32,127	37,330
Dividend paid (Note 12)	-	-	-	-	-	-	-	(6,528)	(6,528)
At 31 December 2020	6,528	54,329	25,000	1,708	-	448	-	80,706	168,719

## Notes:

- (i) The share premium account of the Group represents the excess of the proceeds received over the nominal value of the Company's shares issued, net of share issue costs.
- (ii) The special reserve represents the difference between the nominal amount of the share capital of Hi-Level Technology Limited ("Hi-Level Hong Kong") and the nominal amount of the share capital issued by the Company pursuant to a group reorganisation completed on 7 December 2015.
- (iii) The translation reserve comprises exchange differences relating to the translation of the financial statements of the foreign operations of the Group from their functional currency to the Group's presentation currency which is recognised directly in other comprehensive income and accumulated in the translation reserve.
- (iv) 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 2020

	Notes	2020 HK\$'000	2019 HK\$'000
<b>OPERATING ACTIVITIES</b>			
Profit before taxation		<b>38,832</b>	17,421
Adjustments for:			
Depreciation of property, plant and equipment	8	<b>709</b>	951
Depreciation of right-of-use assets	8	<b>3,266</b>	3,147
Gain on termination of lease	8	<b>(6)</b>	–
Finance costs	7	<b>3,283</b>	8,596
Interest income	8	<b>(759)</b>	(446)
Provision for/(reversal of) impairment losses under expected credit loss model	8	<b>3,545</b>	(80)
Reversal of allowance for inventories	8	<b>(2,677)</b>	(5,412)
Loss on disposal of property, plant and equipment	8	<b>–</b>	25
<b>Operating cash flows before movements in working Capital</b>		<b>46,193</b>	24,202
Decrease in inventories		<b>9,549</b>	44,713
Decrease in trade and other receivables		<b>5,325</b>	22,210
Decrease/(increase) in debt instruments at fair value through other comprehensive income		<b>6,779</b>	(4,313)
Increase in trade and other payables		<b>58,127</b>	96,260
Decrease in contract liabilities		<b>(1,221)</b>	(81)
(Decrease)/increase in amount due to a related party		<b>(293)</b>	352
<b>Cash generated from operations</b>		<b>124,459</b>	183,343
Hong Kong Profits Tax refunded/(paid)		<b>2,375</b>	(1,984)
<b>NET CASH GENERATED FROM OPERATING ACTIVITIES</b>		<b>126,834</b>	181,359
<b>INVESTING ACTIVITIES</b>			
Purchases of property, plant and equipment	14	<b>(172)</b>	(369)
Proceeds from disposal of property, plant and equipment		<b>–</b>	112
Payments for rental deposits		<b>–</b>	(10)
Refund for rental deposits		<b>–</b>	365
Interest received	8	<b>759</b>	446
<b>NET CASH GENERATED FROM INVESTING ACTIVITIES</b>		<b>587</b>	544

# Consolidated Statement of Cash Flows

For the year ended 31 December 2020

	<i>Notes</i>	<b>2020</b> <b>HK\$'000</b>	2019 HK\$'000
<b>FINANCING ACTIVITIES</b>			
New bank borrowings raised		<b>645,506</b>	797,546
Proceeds from issue of new shares		–	775
Repayment of bank borrowings		<b>(738,416)</b>	(954,625)
Repayment of lease liabilities		<b>(3,320)</b>	(3,082)
Dividend paid	12	<b>(6,528)</b>	(13,055)
Interest paid	7	<b>(3,283)</b>	(8,596)
<b>NET CASH USED IN FINANCING ACTIVITIES</b>		<b>(106,041)</b>	(181,037)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>21,380</b>	866
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR</b>		<b>114,485</b>	115,082
<b>EFFECT OF FOREIGN EXCHANGE RATE CHANGES</b>		<b>5,096</b>	(1,463)
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>		<b>140,961</b>	114,485
<b>Analysis of the balances of cash and cash equivalents:</b>			
Short term bank deposits		<b>26,340</b>	24,540
Bank balances and cash		<b>114,621</b>	89,945
		<b>140,961</b>	114,485



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 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 32.

## 2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

### (a) Adoption of new or amended HKFRSs

The Hong Kong Institute of Certified Public Accountants has issued a number of new or amended HKFRSs that are first effective for the current accounting period of the Group:

- Amendments to HKFRS 3, Definition of a Business
- Amendments to HKAS 1 and HKAS 8, Definition of Material
- Amendments to HKAS 39, HKFRS 7 and HKFRS 9, Interest Rate Benchmark Reform

None of these new or amended HKFRSs has a material impact on the Group’s results and financial position for the current or prior period. The Group has not early applied any new or amended HKFRSs that is not yet effective for the current accounting period.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

### (b) New or amended HKFRSs that have been issued but are not yet effective

The following new or amended HKFRSs, potentially relevant to the Group’s financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group’s current intention is to apply these changes on the date they become effective.

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current <sup>5</sup>
Amendments to HK Interpretation 5 (2020)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause <sup>5</sup>
Amendments to HKAS 16	Proceeds before intended use <sup>3</sup>
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract <sup>3</sup>
Amendments to HKFRS 3	Reference to the Conceptual Framework <sup>4</sup>
Amendment to HKFRS 16	Lease - Covid-19-Related Rent Concessions <sup>1</sup>
Annual Improvements to HKFRS Standards 2018 – 2020	Annual Improvements <sup>3</sup>
Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2 <sup>2</sup>

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

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

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2022.

<sup>4</sup> Effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022.

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2023.

### **Amendments to HKAS 1, Classification of Liabilities as Current or Non-current and HK Interpretation 5 (2020), Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause**

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability and explain that rights are in existence if covenants are complied with at the end of the reporting period. The amendments also introduce a definition of ‘settlement’ to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

HK Int 5 (2020) was revised as a consequence of the Amendments to HKAS 1 issued in August 2020. The revision to HK Int 5 (2020) updates the wordings in the interpretation to align with the Amendments to HKAS 1 with no change in conclusion and do not change the existing requirements.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

### (b) New or amended HKFRSs that have been issued but are not yet effective (Continued)

#### **Amendments to HKAS 16, Proceeds before Intended Use**

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, the proceeds from selling such items, and the cost of producing those items, is recognised in profit or loss.

#### **Amendments to HKAS 37, Onerous Contracts – Cost of Fulfilling a Contract**

The amendments specify that the ‘cost of fulfilling’ a contract comprises the ‘costs that relate directly to the contract’. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (e.g. direct labour and materials) or an allocation of other costs that relate directly to fulfilling contracts (e.g. the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

#### **Amendments to HKFRS 3, Reference to the Conceptual Framework**

The amendments update HKFRS 3 so that it refers to the revised Conceptual Framework for Financial Reporting 2018 instead of the version issued in 2010. The amendments add to HKFRS 3 a requirement that, for obligations within the scope of HKAS 37, an acquirer applies HKAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of HK(IFRIC)-Int 21 Levies, the acquirer applies HK(IFRIC)-Int 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. The amendments also add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

#### **Amendment to HKFRS 16, Covid-19-Related Rent Concessions**

Amendment to HKFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective for annual periods beginning on or after 1 June 2020 with earlier application permitted and shall be applied retrospectively.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

### (b) New or amended HKFRSs that have been issued but are not yet effective (Continued)

#### Annual Improvements to HKFRSs 2018-2020

The annual improvements amend a number of standards, including:

- HKFRS 1, First-time Adoption of Hong Kong Financial Reporting Standards, which permit a subsidiary that applies paragraph D16(a) of HKFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent’s date of transition to HKFRSs.
- HKFRS 9, Financial Instruments, which clarify the fees included in the ‘10 per cent’ test in paragraph B3.3.6 of HKFRS 9 in assessing whether to derecognise a financial liability, explaining that only fees paid or received between the entity and the lender, including fees paid or received by either the entity or the lender on other’s behalf are included.
- HKFRS 16, Leases, which amend Illustrative Example 13 to remove the illustration of reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.
- HKAS 41, Agriculture, which remove the requirement to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

#### Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16, Interest Rate Benchmark Reform – Phase 2

The amendments address issues that might affect financial reporting when a company replaces the old interest rate benchmark with an alternative benchmark rate as a result of the interest rate benchmark reform (the “Reform”). The amendments complement those issued in November 2019 and relate to (a) changes to contractual cash flows in which an entity will not have to derecognise or adjust the carrying amount of financial instruments for changes required by the Reform but will instead update the effective interest rate to reflect the change to the alternative benchmark rate; (b) hedge accounting in which an entity will not have to discontinue its hedge accounting solely because it makes changes required by the Reform if the hedge meets other hedge accounting criteria; and (c) disclosures in which an entity will be required to disclose information about new risks arising from the Reform and how it manages the transition to alternative benchmark rates.

The Group is not yet in a position to state whether these new pronouncements will result in substantial changes to the Group’s accounting policies and financial statements.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 3. BASIS OF PREPARATION

### (a) Statement of compliance

The financial statements have been prepared in accordance with all HKFRSs, Hong Kong Accounting Standards (“HKASs”) and Interpretations (hereinafter collectively referred to as the “HKFRSs”) and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on GEM of the Stock Exchange of Hong Kong Limited.

### (b) Basis of measurement

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.

### (c) Functional and preparation currencies

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.

## 4. SIGNIFICANT ACCOUNTING POLICIES

### (a) Business combination and basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries (the “Group”). Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the dates of acquisition or up to the dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (a) Business combination and basis of consolidation (Continued)

The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business, and control is transferred to the Group. In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, input and substantive processes and whether the acquired set has the ability to produce outputs.

The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by HKFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to owners of the Company. Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (a) Business combination and basis of consolidation (Continued)

Changes in the Group's interests in a subsidiary that do not result in a loss of control of the subsidiary are accounted for as equity transactions. The carrying amount of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

When the Group loses control of a subsidiary, the gain or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for on the same basis as would be required if the relevant assets or liabilities were disposed of.

### (b) Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: (i) power over the investee, (ii) exposure, or rights, to variable returns from the investee, and (iii) the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

De-facto control exists in situations where the Company has the practical ability to direct the relevant activities of the investee without holding the majority of the voting rights. In determining whether de-facto control exists, the Company considers all relevant facts and circumstances, including:

- the size of the Company's voting rights relative to both the size and dispersion of other parties who hold voting rights;
- substantive potential voting rights held by the Company and other parties who hold voting rights;
- other contractual arrangements; and
- historic patterns in voting attendance.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (c) Property, plant and equipment

The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as an expense in profit or loss during the financial period in which they are incurred.

Property, plant and equipment are depreciated so as to write off their cost or valuation net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The useful lives are 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%

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on disposal.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (d) Government grant

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 (including property, plant and equipment) are recognised as deferred income in the statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

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 and are recognised as other revenue, rather than reducing the related expense.

### (e) Lease

#### The Group as a lessee

All leases are required to be capitalised in the statement of financial position as right-of-use assets and lease liabilities, but accounting policy choices exist for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets and leases for which at the commencement date have a lease term of less than 12 months. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (e) Lease (Continued)

#### **Right-of-use asset**

The right-of-use asset is initially recognised at cost and would comprise:

- (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability);
- (ii) any lease payments made at or before the commencement date, less any lease incentives received;
- (iii) any initial direct costs incurred by the lessee; and
- (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Under the cost model, the Group measures the right-to-use at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability.

The Group accounts for leasehold land and buildings which is held for own use under HKAS 16 and are carried at cost.

#### **Lease liability**

The lease liability is recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the lessee's incremental borrowing rate.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (e) Lease (Continued)

#### Lease liability (Continued)

The following payments for the right-to-use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments:

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

Subsequent to the commencement date, the Group measures the lease liability by:

- (i) increasing the carrying amount to reflect interest on the lease liability;
- (ii) reducing the carrying amount to reflect the lease payments made; and
- (iii) remeasuring the carrying amount to reflect any reassessment or lease modification, or to reflect revised in-substance fixed lease payments.

When the Group revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted using a revised discount rate. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised, except the discount rate remains unchanged. In both cases, an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term. If the carrying amount of the right-of-use asset is adjusted to zero, any further reduction is recognised in profit or loss.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (e) Lease (Continued)

#### **Lease liability (Continued)**

When the Group renegotiates the contractual terms of a lease with the lessor, if the renegotiation results in one or more additional assets being leased for an amount commensurate with the standalone price for the additional rights-of-use obtained, the modification is accounted for as a separate lease, in all other cases, where the renegotiated increases the scope of the lease (whether that is an extension to the lease term, or one or more additional assets being leased), the lease liability is remeasured using the discount rate applicable on the modification date, with the right-of-use asset being adjusted by the same amount.

### (f) Financial instruments

#### (i) Financial assets

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue. Trade receivable without a significant financing component is initially measured at the transaction price.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (f) Financial instruments (Continued)

#### (i) Financial assets (Continued)

##### Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

*Amortised cost:* Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

*Fair value through other comprehensive income ("FVTOCI"):* Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVTOCI. Debt instruments at FVTOCI are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

##### Equity instruments

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. Equity investments at FVTOCI are measured at fair value. Dividend income are recognised in profit or loss unless the dividend income clearly represents a recovery of part of the cost of the investments. Other net gains and losses are recognised in other comprehensive income and are not reclassified to profit or loss. All other equity instruments are classified as FVTPL, whereby changes in fair value, dividends and interest income are recognised in profit or loss.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (f) Financial instruments (Continued)

#### (ii) Impairment loss on financial assets

The Group recognises loss allowances for expected credit loss (“ECL”) on trade and other receivables, rental deposit, bank balances and cash and debt instruments at FVTOCI. ECLs are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets’ original effective interest rate.

The Group measured loss allowances for trade receivables and debt instruments at FVTOCI using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. Both ECL on trade receivables and debt instruments at FVTOCI are assessed individually.

For other debt financial assets, ECLs are based on lifetime ECLs except when there has not been a significant increase in credit risk since initial recognition, in which case the allowance will be based on the 12-month ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, 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 reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Group’s historical experience and informed credit assessment and including forward-looking information.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (f) Financial instruments (Continued)

#### (ii) Impairment loss on financial assets (Continued)

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

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

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to action such as realising security (if any is held); or the financial asset is more than 1 year past due.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on an individual basis.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (f) Financial instruments (Continued)

#### (ii) Impairment loss on financial assets (Continued)

The Group considers a financial asset to be credit-impaired when:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or being more than 1 year past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the debtor will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for debt instruments at fair value through other comprehensive income that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in "FVTOCI reserve (recycling)".

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).

The Group considers that default has occurred when a financial asset is more than 1 year past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

The Group writes off a financial asset 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 in the case of trade receivables, when the amounts are over 2 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. Any recoveries made are recognised in profit or loss.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (f) Financial instruments (Continued)

#### (ii) Impairment loss on financial assets (Continued)

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.

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non credit-impaired financial assets, interest income is calculated based on the gross carrying amount.

#### (iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at FVTPL are initially measured at fair value and financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

##### *Financial liabilities at amortised cost*

Financial liabilities at amortised cost including trade and other payables, bank borrowings, lease liability and amount due to a related party are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

#### (iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

#### (v) Effective interest method

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (f) Financial instruments (Continued)

#### (vi) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designated as at FVTPL is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the loss allowance, being the ECL provision measured in accordance with the accounting policy set out in Note 4(f)(ii); and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the principles of HKFRS 15.

#### (vii) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKFRS 9. 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.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

Where the Group issues its own equity instruments to a creditor to settle a financial liability in whole or in part as a result of renegotiating the terms of that liability, the equity instruments issued are the consideration paid and are recognised initially and measured at their fair value on the date the financial liability or part thereof is extinguished. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments are measured to reflect the fair value of the financial liability extinguished. The difference between the carrying amount of the financial liability or part thereof extinguished and the consideration paid is recognised in profit or loss for the year.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (g) Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using first-in first out method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

### (h) Revenue recognition

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, excluding those amounts collected on behalf of third parties. Revenue excludes value added taxes or other sales taxes and is after deduction of any trade discounts.

Depending on the terms of the contract and the laws that apply to the contract, control of the goods or service may be transferred over time or at a point in time. Control of the goods or service is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- 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.

If control of the goods or services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or service.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (h) Revenue recognition (Continued)

For contracts where the period between the payment and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

- (i) Sales of electronic products with/without the provision of independent design house services

Customers obtain control of the electronic products with/without the provision of independent design house services when the goods are delivered to and have been accepted. Revenue is thus recognised upon when the customers accepted the electronic products with/without the provision of independent design house services. There is generally only one performance obligation. Invoices are usually payable within 30 – 60 days.

Some of the Group's contracts with customers from the sale of electronic products with/without the provision of independent design house services provides customers a right of return. The right of return gives rise to variable consideration. The variable consideration is estimated at contract inception and constrained until the associated uncertainty is subsequently resolved. The application of the constraint on variable consideration increases the amount of revenue that will be deferred. In addition, a refund liability and a right to recover returned goods assets are recognised.

- (ii) Interest income

Interest income from financial assets is accrued on a time basis on the principal outstanding at the applicable effective interest rate.

### **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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (h) Revenue recognition (Continued)

#### Refund liabilities

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

#### Contract liabilities

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

### (i) Income taxes

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects any uncertainty related to income tax.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised, provided that the deductible temporary differences are not arises from initial recognition of assets and liabilities in a transaction other than in a business combination that affects neither taxable profit nor the accounting profit. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of reporting period.

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

The carrying amount of deferred tax assets is reviewed at each reporting date 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 assets to be recovered.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income or when they relate to items recognised directly in equity in which case the taxes are also recognised directly in equity.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (j) Foreign currencies

Transactions entered into by the group entities in currencies other than the currency of the primary economic environment in which it operates (the “functional currency”) are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. 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 translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

On consolidation, income and expense items of foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of reporting period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as foreign exchange reserve (attributed to non-controlling interests as appropriate). Exchange differences recognised in profit or loss of group entities’ separate financial statements on the translation of long-term monetary items forming part of the Group’s net investment in the foreign operation concerned are reclassified to other comprehensive income and accumulated in equity as foreign exchange reserve.

On disposal of a foreign operation, the cumulative exchange differences recognised in the foreign exchange reserve relating to that operation up to the date of disposal are reclassified to profit or loss as part of the profit or loss on disposal.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (k) Employee benefits

#### (i) Short term employee benefits

Short term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Short term employee benefits are recognised in the year when the employees render the related service.

#### (ii) Defined contribution retirement plans

Contributions to defined contribution retirement plans are recognised as an expense in profit or loss when the services are rendered by the employees.

#### (iii) Termination benefits

Termination benefits are recognised on the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

### (l) Share-based payments

Where share options are awarded to employees and others providing similar services, the fair value of the services received is measured by reference to the fair value of the options at the date of grant. Such fair value is recognised in profit or loss over the vesting period with a corresponding increase in the share option reserve within equity. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at the end of each reporting period so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all non-market vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also recognised in profit or loss over the remaining vesting period.

The Group also operates a phantom share option scheme which is determined to be a cash-settled share-based payment transaction with employees. An option pricing model is used to measure the Group's liability at grant date and subsequently at the end of each reporting period, taking into account the terms and conditions on which the bonus is awarded and the extent to which employees have rendered service. Movements in the liability (other than cash payments) are recognised in profit or loss.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (m) Impairment of assets (other than financial assets)

At the end of each reporting period, the Group reviews the carrying amounts of the following assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased:

- Property, plant and equipment;
- Right-of-use assets; and
- Club membership.

If the recoverable amount (i.e. the greater of the fair value less costs of disposal and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another HKFRS, in which case the impairment loss is treated as a revaluation decrease under that HKFRS.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at a revalued amount under another HKFRS, in which case the reversal of the impairment loss is treated as a revaluation increase under that HKFRS.

Value in use is based on the estimated future cash flows expected to be derived from the asset, 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 cash generating unit.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (n) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which it is probable will result in an outflow of economic benefits that can be reliably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

### (o) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and short-term deposits and highly liquid investments with maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments. For the purpose of the statement of cash flows, bank overdrafts that are repayable on demand and that form an integral part of the Group's cash management are included in cash and cash equivalents.

### (p) Capitalisation of borrowing costs

Borrowing costs attributable directly to the acquisition, construction or production of qualifying assets which require a substantial period of time to be ready for their intended use or sale, are capitalised as part of the cost of those assets. Income earned on temporary investments of specific borrowings pending their expenditure on those assets is deducted from borrowing costs capitalised. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (q) 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.

### (r) Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided to the Group's chief operating decision makers for the purpose of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of services, the type or class of customers, the methods used to provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (s) Related parties

- (a) A person or a close member of that person's family is related to the Group if that person:
  - (i) has control or joint control over the Company;
  - (ii) has significant influence over the Company; or
  - (iii) is a member of key management personnel of the Company or the Company's parent.
  
- (b) An entity is related to the Group if any of the following conditions apply:
  - (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - (iii) Both entities are joint ventures of the same third party.
  - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - (v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.
  - (vi) The entity is controlled or jointly controlled by a person identified in (a).
  - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).
  - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to the Company's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include (i) that person's children and spouse or domestic partner; (ii) children of that person's spouse or domestic partner; and (iii) dependents of that person or that person's spouse or domestic partner.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 4, 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 2020, the carrying value of inventories was HK\$239,680,000 (2019: HK\$246,552,000), net of allowance of HK\$8,372,000 (2019: HK\$10,987,000).

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

The Group measures ECL for all trade and other receivables 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 and other receivables and debt instruments at FVTOCI are disclosed in Notes 17, 18 and 27.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 6. REVENUE AND SEGMENT INFORMATION

### Revenue

#### (i) Disaggregation of revenue from contracts with customers

	2020 HK\$'000	2019 HK\$'000
<b>Type of goods or services</b>		
Sales of electronic products with/without the provision of independent design house services	2,254,195	1,801,130
<b>Geographical markets</b>		
The PRC	1,343,202	1,344,874
Hong Kong	841,242	419,524
Taiwan	61,347	15,991
Korea	4,846	14,657
Others	3,558	6,084
<b>Total</b>	<b>2,254,195</b>	<b>1,801,130</b>
<b>Timing of revenue recognition</b>		
A point in time	2,254,195	1,801,130

#### (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 design house services directly to customers. Revenue is recognised when independent 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 one month. 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 6. REVENUE AND SEGMENT INFORMATION (Continued)

### Revenue (Continued)

#### (ii) Performance obligations for contracts with customers (Continued)

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.

### 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.

#### (i) 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:

	2020 HK\$'000	2019 HK\$'000
The PRC	9,887	4,752
Hong Kong	516	1,481
	<b>10,403</b>	6,233

#### (ii) Information about major customers

Revenue from one customer of the Group amounted to HK\$334,255,000 (2019: Nil), which contributed over 10% of the Group's revenue.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 7. FINANCE COSTS

	2020 HK\$'000	2019 HK\$'000
Interests on:		
Bank borrowings	3,197	8,397
Lease liabilities	86	199
	<b>3,283</b>	8,596

## 8. PROFIT BEFORE TAXATION

	2020 HK\$'000	2019 HK\$'000
Profit for the year has been arrived at after charging/(crediting):		
Directors' remuneration (Note 9)	4,108	4,052
Staff costs:		
Salaries and other allowances	23,410	26,699
Retirement benefit scheme contributions	843	1,518
	<b>24,253</b>	28,217
Total staff costs	<b>28,361</b>	32,269
Auditor's remuneration	864	1,360
Bank interest income	(759)	(446)
Net exchange loss	233	12
Short-term leases expenses	1,192	601
Cost of inventories recognised as an expense	2,152,997	1,688,566
Reversal of allowance for inventories	(2,677)	(5,412)
Impairment loss under expected credit loss model, net of provision/(reversal)		
– Trade receivables (Note i)	3,545	(80)
Depreciation of property, plant and equipment	709	951
Depreciation of right-of-use assets	3,266	3,147
Gain on termination of lease	(6)	–
Loss on disposal of property, plant and equipment	–	25
Government grants (Note ii)	(977)	(1,037)

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 8. PROFIT BEFORE TAXATION (Continued)

Notes:

- (i) Details of impairment assessment for the years ended 31 December 2020 and 2019 are set out in Note 27.
- (ii) For the year ended 31 December 2020, included in government grants is HK\$934,000 (2019: Nil) obtained from Employment Support Scheme (“ESS”) under the Anti-epidemic Fund launched by the Hong Kong SAR Government supporting the payroll of the Group’s employees. Under the ESS, the Group had to commit to spend these grants on payroll expenses, and not reduce employee head count below prescribed levels for a specified period of time. The Group does not have other unfulfilled obligations relating to this program. For the year ended 31 December 2019, 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.

## 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:

	2020				Total emoluments HK\$’000
	Directors’ fees HK\$’000	Salaries and other benefits HK\$’000	Performance related incentive payments (Note b) HK\$’000	Retirement benefits scheme contributions HK\$’000	
Executive Directors:					
Dr. Yim Yuk Lun, Stanley <i>BBS JP</i>	–	713	–	15	728
Mr. Chang Wei Hua (Note c)	–	1,000	131	17	1,148
Mr. Wei Wei	–	750	101	26	877
Mr. Tong Sze Chung	–	638	168	18	824
Non-Executive Director:					
Mr. Wong Wai Tai	–	200	20	11	231
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
<b>Total</b>	<b>300</b>	<b>3,301</b>	<b>420</b>	<b>87</b>	<b>4,108</b>



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

	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	Total emoluments HK\$'000
Executive Directors:					
Dr. Yim Yuk Lun, Stanley <i>BBS JP</i>	–	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 Director:					
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
<b>Total</b>	<b>300</b>	<b>3,363</b>	<b>281</b>	<b>108</b>	<b>4,052</b>

### Notes:

- The executive directors' emoluments shown above were mainly for their services in connection with the 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.
- Performance related incentive payments were determined with reference to the Group's operating results and individual performance.
- 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 both years.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 10. EMPLOYEES' REMUNERATION

Of the five highest paid individuals in the Group, four (2019: three) were directors of the Company whose remuneration are set out in Note 9 above. The remuneration of the remaining one (2019: two) individuals are as follows:

	<b>2020</b>	2019
	<b>HK\$'000</b>	HK\$'000
Salaries and other benefits	<b>592</b>	1,088
Performance related incentive payments	–	91
Retirement benefits scheme contributions	<b>12</b>	24
	<b>604</b>	1,203

Their remunerations were within the following bands:

	<b>2020</b>	2019
	<b>No. of</b>	No. of
	<b>employee</b>	employees
Nil to HK\$1,000,000	<b>1</b>	2

During the years ended 31 December 2020 and 2019, 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 11. INCOME TAX EXPENSE

	2020 HK\$'000	2019 HK\$'000
Current tax:		
Hong Kong Profits Tax	6,889	2,584
PRC Enterprise Income Tax ("EIT")	22	203
	<b>6,911</b>	2,787
Overprovision in prior years:		
Hong Kong Profits Tax	(64)	(18)
PRC EIT	(142)	–
	<b>(206)</b>	(18)
Income tax expense	<b>6,705</b>	2,769

### Hong Kong Profit Tax

The Hong Kong Profits Tax is calculated at the rate of 16.5% (2019:16.5%) on the estimated assessable profits arising in Hong Kong, except for the first HK\$2,000,000 of qualified entity's assessable profits is calculated at 8.25%, which is in accordance with the two-tiered profits tax rates regime with effect from the year of assessment 2019/20.

### PRC Enterprise Income Tax

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% for the year ended 31 December 2020, except for entities qualified as "High and New Technology Enterprise" ("HNTE") or "Small Low-profit Enterprise" for which preferential tax treatments are granted under the EIT Law:

- Shenzhen Hi-Level Technology Development Limited was recognised as a HNTE 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; and
- Hi-Level (Shanghai) Technology Limited was qualified as a Small Low-profit Enterprise and enjoyed a preferential tax rate of 20% for the years ended 31 December 2020 and 2019. In addition, in accordance with the notice of the Ministry of Finance and the State Administration of Taxation on Preferential Income Tax Policies for Small Low-Profit Enterprises, the subsidiary was also entitled to a 20% tax concession on 25% of its assessable profits for the years ended 31 December 2020 and 2019.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 11. 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:

	2020 HK\$'000	2019 HK\$'000
Profit before taxation	<b>38,832</b>	17,421
Tax at Hong Kong Profits Tax rate of 16.5%	<b>6,407</b>	2,874
Tax effect of expenses not deductible for tax purpose	<b>766</b>	183
Tax effect of income not taxable for tax purpose	<b>(314)</b>	(61)
Tax effect of temporary differences not recognised	<b>205</b>	19
Utilisation of tax losses previously not recognised	<b>(58)</b>	(43)
Tax effect of tax losses not recognised	<b>289</b>	–
Effect of different tax rates of subsidiaries operating in other jurisdictions	<b>(161)</b>	115
Tax effect of concessionary tax rate granted	<b>(223)</b>	(300)
Overprovision in prior years	<b>(206)</b>	(18)
Income tax expense for the year	<b>6,705</b>	2,769

As at 31 December 2020, the Group has unused tax losses of approximately HK\$3,584,000 (2019: HK\$2,155,000) 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\$2,030,000 (2019: HK\$483,000) arising from the PRC which may be carried forward for five years.

As at 31 December 2020, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings of RMB182,000 (equivalent HK\$215,000) (2019: Nil) that is subject to withholding taxes of the Group's subsidiary established in Mainland China. In the opinion of the directors, it is not probable that the subsidiary will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investment in subsidiary in Mainland China for which deferred tax liabilities have not been recognised.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 12. DIVIDENDS

	2020 HK\$'000	2019 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
2019 Final of HK\$0.01 (2019: 2018 Final of HK\$0.01) per share was declared and paid	<b>6,528</b>	6,527
	<b>6,528</b>	13,055

Note: Subsequent to the end of the reporting period and on the date of this report, a final dividend of HK\$0.025 in respect of the year ended 31 December 2020 (2019: final dividend of HK\$0.01 in respect of the year ended 31 December 2019) per share, in aggregate amount of HK\$16,319,000 (2019: HK\$6,528,000) has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming general meeting.

## 13. EARNINGS PER SHARE

The calculation of the basic earnings per share amounts is based on earnings for the year attributable to equity holders of the Company, and the weighted average number of ordinary shares in issue during the year as follows:

	2020 HK\$'000	2019 HK\$'000
Earnings:		
Profit for the year for the purpose of basic earnings per share	<b>32,127</b>	14,652
	<b>2020</b>	2019
	<b>No. of</b>	No. of
	<b>shares '000</b>	shares '000
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	<b>652,770</b>	652,565
Effect of dilutive potential shares:		
Share options	–	20
Weighted average number of shares for the purpose of diluted earnings per share	<b>652,770</b>	652,585

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK\$'000	Furniture and fixtures HK\$'000	Motor vehicles HK\$'000	Office equipment HK\$'000	Total HK\$'000
<b>COST</b>					
At 1 January 2019	3,436	739	286	4,222	8,683
Additions	121	–	–	248	369
Disposal	(52)	–	–	(248)	(300)
Exchange realignment	(112)	(26)	(12)	(58)	(208)
At 31 December 2019	3,393	713	274	4,164	8,544
Additions	18	–	–	154	172
Exchange realignment	112	42	20	100	274
At 31 December 2020	3,523	755	294	4,418	8,990
<b>ACCUMULATED DEPRECIATION</b>					
At 1 January 2019	1,947	227	286	3,157	5,617
Provided for the year	366	96	–	489	951
Elimination upon disposal	(31)	–	–	(132)	(163)
Exchange realignment	(52)	(4)	(12)	(29)	(97)
At 31 December 2019	2,230	319	274	3,485	6,308
Provided for the year	325	96	–	288	709
Exchange realignment	85	21	20	41	167
At 31 December 2020	2,640	436	294	3,814	7,184
<b>NET BOOK VALUE</b>					
At 31 December 2020	883	319	–	604	1,806
At 31 December 2019	1,163	394	–	679	2,236

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 15. CLUB MEMBERSHIP

	2020 HK\$'000	2019 HK\$'000
Golf club membership in the PRC at cost	266	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

	2020 HK\$'000	2019 HK\$'000
Finished goods	248,052	257,539
Less: Net provision for inventories	(8,372)	(10,987)
	<b>239,680</b>	246,552

Movements in the provision for inventories are as follows:

	2020 HK\$'000	2019 HK\$'000
At beginning of the year	10,987	16,399
Reversal of the year (Note 8)	(2,677)	(5,412)
Exchange realignment	62	–
At end of the year	<b>8,372</b>	10,987

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 17. TRADE AND OTHER RECEIVABLES

	2020 HK\$'000	2019 HK\$'000
Trade receivables	<b>146,126</b>	143,813
Other receivables, deposits and prepayments	<b>23,929</b>	32,093
Total trade and other receivables	<b>170,055</b>	175,906
Less: allowance for expected credit losses	<b>(3,720)</b>	(701)
Net trade and other receivables	<b>166,335</b>	175,205
Less: receivables within twelve months shown under current assets	<b>(165,558)</b>	(175,195)
Rental deposit shown under non-current assets	<b>777</b>	10

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 presented based on the invoice date at the end of each reporting period.

	2020 HK\$'000	2019 HK\$'000
1 – 30 days	<b>96,052</b>	103,775
31 – 60 days	<b>35,137</b>	28,932
61 – 90 days	<b>14,715</b>	8,692
91 – 180 days	<b>207</b>	1,769
181 – 365 days	<b>15</b>	113
Over 1 year	<b>–</b>	532
	<b>146,126</b>	143,813

Details of impairment assessment of trade and other receivables for the year ended 31 December 2020 are set out in Note 27.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 18. DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2020 HK\$'000	2019 HK\$'000
Trade receivables held for collecting contractual cash flows or factoring to banks	1,477	8,256

Details of impairment assessment of the debt instruments at fair value through other comprehensive income as at 31 December 2020 are set out in Note 27.

## 19. BANK BALANCES AND CASH

The bank balances and cash of the Group is summarised as follows:

	2020 HK\$'000	2019 HK\$'000
Bank balances and cash	114,621	89,945
Short term bank deposit	26,340	24,540
<b>Total cash and bank balances</b>	<b>140,961</b>	114,485

As at 31 December 2020, the bank balances of the Group denominated in RMB amounted to approximately RMB60,378,000 (equivalent to HK\$71,247,000) (2019: RMB29,673,000 (equivalent to HK\$32,640,000)), which were deposited with the banks and financial institution in the PRC. RMB is currently not a free convertible currency in the international market. The conversion of RMB into foreign currencies and remittance of RMB out of the PRC are subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

The effective interest rates of short term bank deposits and bank balances ranged from 0.01% to 0.30% per annum (2019: ranged from 0.01% to 0.30% per annum) as at 31 December 2020. The short term bank deposits have maturity period within three months. The Group considered that the fair value of the short term bank deposits and bank balances is not materially different from its carrying amount because of the short maturity period on its inception.

For the years ended 31 December 2020 and 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 expected credit losses is provided. Details of impairment assessment of bank balances for the years ended 31 December 2020 and 2019 are set out in Note 27.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 20. TRADE AND OTHER PAYABLES

	2020 HK\$'000	2019 HK\$'000
Trade payables	295,407	239,400
Other payables and accruals	14,928	12,808
Total trade and other payables	310,335	252,208

The credit period on trade payables ranged from 30 days to 120 days.

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

	2020 HK\$'000	2019 HK\$'000
1 – 30 days	207,592	171,264
31 – 60 days	83,570	57,201
61 – 90 days	3,875	10,544
91 – 120 days	–	–
121 – 365 days	5	28
Over 1 year	365	363
	295,407	239,400

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 21. CONTRACT LIABILITIES

	2020 HK\$'000	2019 HK\$'000
<i>Contract liabilities arising from:</i>		
Sales of electronic products with/without the provision of independent design house services	<b>10,279</b>	11,500

The contract liabilities mainly related to the advance considerations received from customers. As at 31 December 2020, the aggregated amount of transaction price allocated to performance obligations under the Group's existing contract is HK\$10,279,000 (2019: HK\$11,500,000).

The performance obligation related to the revenue from customers for contracts that are unsatisfied (or partially unsatisfied) are expected to be recognised within one year after the reporting dates. The Group applies the practical expedient and does not disclose information about any remaining performance obligation that is a part of contract that has original expected duration of one year or less.

Movements in contract liabilities are as follows:

	2020 HK\$'000	2019 HK\$'000
Balance as at 1 January	<b>11,500</b>	11,581
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	<b>(11,530)</b>	(11,571)
Increase in contract liabilities as a result of billing in advance of sales of electronic products with/without the provision of independent design house services	<b>10,208</b>	11,519
Exchange adjustment	<b>101</b>	(29)
Balance as at 31 December	<b>10,279</b>	11,500

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 22. LEASE

### The Group as lessee

Nature of leasing activities

The Group lease a number of office premise, warehouses and carparks in the PRC and Hong Kong where it operates. The leases are fixed over the lease terms. Set out below are the carrying amounts of right-of-use assets recognised and the movements during the year:

	2020 HK\$'000	2019 HK\$'000
<b>Land and building</b>		
At the beginning of the reporting period	3,731	5,949
Additions	7,599	1,156
Depreciation expense	(3,266)	(3,147)
Termination of lease	(298)	–
Exchange realignment	565	(227)
At the end of the reporting period	8,331	3,731

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 22. LEASE (Continued)

### The Group as lessee (Continued)

Set out below are the carrying amounts of lease liabilities and the movements during the year:

	2020 HK\$'000	2019 HK\$'000
At the beginning of the reporting period	3,796	5,949
Additions	7,599	1,156
Accretion of interest	86	199
Payments	(3,406)	(3,281)
Termination of lease	(304)	–
Exchange realignment	565	(227)
At the end of the reporting period	8,336	3,796
Analysed to:		
Current	8,194	3,436
Non-current	142	360

The following amounts are recognised in profit or loss:

	2020 HK\$'000	2019 HK\$'000
Depreciation expense of right-of-use assets	3,266	3,147
Interest expense on lease liabilities	86	199
Expense relating to short-term leases	1,192	601
Gain on termination of lease	(6)	–
Total amount recognised in profit or loss	4,538	3,947

The Group had total cash outflows for leases of HK\$3,406,000 in 2020 (2019: HK\$3,281,000). The Group also had non-cash additions to right-of-use assets and lease liabilities of HK\$7,599,000 (2019: HK\$7,105,000) and HK\$7,599,000 (2019: HK\$7,105,000) respectively in 2020.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 23. AMOUNT DUE TO A RELATED PARTY

	2020 HK\$'000	2019 HK\$'000
Amount due to a related party (Note)	91	384

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:

	2020 HK\$'000	2019 HK\$'000
Not past due	91	384

## 24. BANK BORROWINGS

	2020 HK\$'000	2019 HK\$'000
Unsecured bank borrowings: Invoice financing, export loan and import loan	54,667	147,577
Carrying amount of bank borrowings repayable on demand or within one year (Note)	54,667	147,577

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

As at 31 December 2020, the bank borrowings of US\$5,412,000 (equivalent to HK\$42,209,000) (2019: US\$11,118,000 equivalent to HK\$86,720,000) bear interests ranging from London Interbank Offered Rate ("LIBOR") plus 1.05% to LIBOR plus 1.50% (2019: LIBOR plus 1.10% to LIBOR plus 1.50%) per annum.

As at 31 December 2020, the bank borrowings of HK\$12,458,000 (2019: HK\$30,515,000) bear interests ranging from Hong Kong Interbank Offered Rate ("HIBOR") plus 1.05% to HIBOR plus 1.30% (2019: HIBOR plus 1.05% to HIBOR plus 1.30%) per annum.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 24. BANK BORROWINGS (Continued)

As at 31 December 2019, the bank borrowing of US\$3,890,000 (equivalent to HK\$30,342,000) bear interests ranging from 0.7% to 1% per annum and bank's funding rate.

The average effective interest rate is 1.35% as at 31 December 2020 (2019: 2.94%).

The balance of HK\$52,266,000 as at 31 December 2020 and 2019 are guaranteed by the Company to Hi-Level Technology Limited.

## 25. SHARE CAPITAL

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

	Note	No. of ordinary shares '000	HK\$'000
Ordinary shares of HK\$0.01 each			
<b>Authorised:</b>			
At 1 January 2019, 31 December 2019, 1 January 2020 and 31 December 2020		2,000,000	20,000
<b>Issued and fully paid:</b>			
At 1 January 2019		650,270	6,503
Exercise of share options	(a)	2,500	25
At 31 December 2019, 1 January 2020 and 31 December 2020		652,770	6,528

Note:

- (a) 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 26. 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 debts, which includes bank borrowings disclosed in Note 24 and lease liabilities disclosed in Note 22, and equity attributable to owners of the Company, comprising issued share capital and reserves.

The gearing ratio at the end of the reporting period was as follows:

	<b>2020</b>	2019
	<b>HK\$'000</b>	HK\$'000
Lease liabilities	<b>8,336</b>	3,796
Bank borrowings	<b>54,667</b>	147,577
Total debt	<b>63,003</b>	151,373
Equity	<b>168,719</b>	137,917
Total debt to equity ratio	<b>37%</b>	110%

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.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 27. FINANCIAL INSTRUMENTS

### (a) Categories of financial instruments

	2020 HK\$'000	2019 HK\$'000
<b>Financial assets</b>		
Debt instruments at FVTOCI	1,477	8,256
Financial assets at amortised cost	297,862	286,083
<b>Financial liabilities</b>		
Amortised cost	365,093	393,672

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

The Group's major financial instruments include trade and other receivables, debt instruments at fair value through other comprehensive income, 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 27. FINANCIAL INSTRUMENTS (Continued)

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

#### Market risk

##### (i) Currency risk

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

	Liabilities		Assets	
	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
HK\$	91	384	19,177	19,583
Renminbi ("RMB")	–	–	289	452
Intra-group balances				
RMB	–	–	1,723	1,702

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 2020, the outstanding foreign currency denominated monetary items includes only bank balances and intra-group balances denominated in RMB amounted to HK\$289,000 and HK\$1,723,000 (2019: HK\$452,000 and HK\$1,702,000) 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 US\$, which is the functional currency of the Company and certain subsidiaries, against HK\$ is presented as HK\$ is currently pegged to US\$. The directors of the Company consider that the exposure to exchange fluctuation in respect of HK\$ is insignificant.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 27. 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 22 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 and HIBOR 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 (2019: 50 basis points) increase or decrease are used.

If interest rates have been 50 basis points (2019: 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:

	2020 HK\$'000	2019 HK\$'000
Increase/decrease in profit for the year	228	616

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 27. FINANCIAL INSTRUMENTS (Continued)

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

#### Credit risk and impairment assessment

As at 31 December 2020 and 2019, 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. Based on the impairment assessment performed by the Group, the management of the Group considers the loss allowance for trade receivables under simplified approach within lifetime ECL as at 31 December 2020 and 2019 was HK\$3,720,000 and HK\$701,000, respectively.

#### *Other receivables/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 2020 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*

The Group's debt instruments at FVTOCI are the trade receivables that the Group would collect contractual cash flows or factor some of 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 under simplified approach within lifetime ECL as at 31 December 2020 and 2019 was insignificant and accordingly no allowance for credit losses is provided.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 27. FINANCIAL INSTRUMENTS (Continued)

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

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

##### *Debt instruments at FVTOCI (Continued)*

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	12m ECL
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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 27. FINANCIAL INSTRUMENTS (Continued)

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

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

*Debt instruments at FVTOCI (Continued)*

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	
				2020 HK\$'000	2019 HK\$'000
<b>Debt instruments at FVTOCI</b>	18	Performing	Lifetime ECL – not credit-impaired	<b>1,477</b>	8,256
<b>Financial assets at amortised costs</b>					
Trade receivables	17	Performing	Lifetime ECL – not credit-impaired	<b>66,225</b>	143,205
		Watch list	Lifetime ECL – not credit-impaired	<b>79,901</b>	76
		In default	Lifetime ECL – credit-impaired	<b>–</b>	532
				<b>146,126</b>	143,813
Other receivables	17	Performing	12m ECL	<b>24,398</b>	27,682
Rental deposits	17	Performing	12m ECL	<b>867</b>	804
Bank balances	19	Performing	12m ECL	<b>140,349</b>	113,816

Based on the impairment assessment performed by the Group as at 31 December 2020, the Group applied average loss rates of 0.21% and 4.50% (2019: 0.11% and 2.21%) to trade receivables under internal credit ratings of performing and watch list, respectively.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 27. FINANCIAL INSTRUMENTS (Continued)

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

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

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
<b>As at 1 January 2019</b>	226	555	781
Changes due to financial instruments recognised:			
– Impairment losses reversed	(226)	(23)	(249)
New financial assets originated	169	–	169
<b>As at 31 December 2019</b>	169	532	701
Changes due to financial instruments recognised:			
– Impairment losses reversed	(169)	–	(169)
– Write-offs	–	(532)	(532)
New financial assets originated	3,720	–	3,720
<b>As at 31 December 2020</b>	3,720	–	3,720

The following significant changes in the gross carrying amounts of trade receivables contributed to the increase in the loss allowance during 31 December 2020:

- origination of new trade receivables net of those settled resulted in an decrease in loss allowance of HK\$44,000 (2019: HK\$82,000);
- increase in days past due over 30 days resulted in an increase in loss allowance of HK\$3,595,000 (2019: HK\$2,000); and
- a write-off of trade receivables with a gross carrying amount of HK\$532,000 (2019: Nil) resulted in a decrease in loss allowance of HK\$532,000 (2019: Nil).

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 27. FINANCIAL INSTRUMENTS (Continued)

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

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

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

	Decrease in lifetime ECL Credit-impaired	
	2020	2019
	HK\$'000	HK\$'000
Settlement in full of a trade debtor with a gross carrying amount of nil (2019: HK\$23,000)	–	(23)

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.

#### 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 2020, the Group has available unutilised bank facilities of approximately HK\$613,541,000 (31 December 2019: HK\$495,123,000). 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.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 27. FINANCIAL INSTRUMENTS (Continued)

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

#### Liquidity risk (Continued)

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 contractual undiscounted cash flow HK\$'000	Carrying amount at 31 December 2020 HK\$'000
<b>2020</b>							
Trade and other payables	-	310,335	-	-	-	310,335	310,335
Amount due to a related party	-	91	-	-	-	91	91
Bank borrowings	1.35	37,940	16,727	-	-	54,667	54,667
Lease liabilities	3.96	733	1,467	6,601	150	8,951	8,336
		<b>349,099</b>	<b>18,194</b>	<b>6,601</b>	<b>150</b>	<b>374,044</b>	<b>373,429</b>

	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
<b>2019</b>							
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
		<b>393,973</b>	<b>602</b>	<b>2,606</b>	<b>382</b>	<b>397,563</b>	<b>397,468</b>

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 2020, the aggregate carrying amounts of these bank borrowings amounted to HK\$54,667,000 (2019: HK\$147,577,000). 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 27. 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 HK\$'000	1-3 months HK\$'000	4-6 months HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount at 31 December HK\$'000
<b>2020</b>						
Bank borrowings	1.35	39,870	14,904	–	54,774	54,667
<b>2019</b>						
Bank borrowings	2.94	141,966	–	5,668	147,634	147,577

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.

### (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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 27. FINANCIAL INSTRUMENTS (Continued)

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

#### (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\$1,477,000 as at 31 December 2020 (2019: HK\$8,256,000).

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 2020 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.

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 leasing transactions that are accounted for in accordance with HKFRS 16 (since 1 January 2019), 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 27. FINANCIAL INSTRUMENTS (Continued)

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

## 28. RETIREMENT BENEFIT PLANS

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

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 expenses of HK\$930,000 was recognised in profit or loss during the year end 31 December 2020 (2019: HK\$1,626,000).

# Notes to the Consolidated Financial Statements

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## 29. 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 29. 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 1.1.2019	Options exercised during 2019	Options lapsed during 2019	Outstanding at 31.12.2019
<b>The Company</b>								
Employees	50%	6.1.2017	7.1.2017 to 6.1.2019	HK\$0.31	50,000	-	(50,000)	-
	50%	6.1.2018	7.1.2018 to 6.1.2019	HK\$0.31	50,000	-	(50,000)	-
Directors	50%	6.1.2017	7.1.2017 to 6.1.2019	HK\$0.31	300,000	-	(300,000)	-
	50%	6.1.2018	7.1.2018 to 6.1.2019	HK\$0.31	600,000	(300,000)	(300,000)	-
<b>S.A.S. Dragon</b>								
Employees	50%	6.1.2017	7.1.2017 to 6.1.2019	HK\$0.31	900,000	(100,000)	(800,000)	-
	50%	6.1.2018	7.1.2018 to 6.1.2019	HK\$0.31	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	2,300,000	(1,300,000)	(1,000,000)	-
					5,850,000	(2,500,000)	(3,350,000)	-
Exercisable at the end of the years					5,850,000			-
Weighted average exercise price					HK\$0.31	HK\$0.31	HK\$0.31	N/A

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 29. EQUITY-SETTLED PRE-IPO SHARE OPTION SCHEME OF THE COMPANY (Continued)

In respect of the share options exercised during the year of 2019, the weighted average share price at the dates of exercise was HK\$0.39.

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.

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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 29. EQUITY-SETTLED PRE-IPO SHARE OPTION SCHEME OF THE COMPANY (Continued)

### 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 2019 and 2020, no share option has been granted under this scheme.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 30. 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	2020	2019
		HK\$'000	HK\$'000
S.A.S Investment Company Limited ("S.A.S Investment") (Note 1)	Interest expenses on lease liabilities	4	16
	Lease liabilities	311	404
	Rental expense paid	1,016	–
Subsidiaries of S.A.S. Dragon (Note 2)	Sales of electronic products	584	349
	Management fee paid	180	120
	Interest expenses on lease liabilities	22	14
	Lease liabilities	452	341

Note 1: S.A.S. Investment is a substantial shareholder of the Company, who held 204,663,000 (2019: 204,663,000) of the issued share capital of the Company as at 31 December 2020. 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 23.

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

### Compensation of key management personnel

	2020	2019
	HK\$'000	HK\$'000
Salaries and other benefits	4,363	4,334
Performance related incentive payments	552	363
Retirement benefits scheme contributions	114	153
	<b>5,029</b>	<b>4,850</b>

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

The statement of financial position of the Company as at 31 December 2020 is as follows:

	2020 HK\$'000	2019 HK\$'000
Non-current Assets		
Amounts due from subsidiaries	92,501	66,783
Investment in a subsidiary	102,849	102,849
	<b>195,350</b>	169,632
Current Assets		
Prepayments	189	187
Bank balances and cash	185	371
	<b>374</b>	558
Current Liabilities		
Accruals	4	4
Amounts due to subsidiaries	–	5,774
Taxation payable	85	402
	<b>89</b>	6,180
Net Current Assets/(Liabilities)	<b>285</b>	(5,622)
Total Assets less Current Liabilities	<b>195,635</b>	164,010
Capital and Reserves		
Share capital	6,528	6,528
Share premium and reserves (Note)	189,107	157,482
Total Equity	<b>195,635</b>	164,010

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 31. 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 2019	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 (Note 12)	–	–	–	13,055	(13,055)	–
Dividend paid (Note 12)	–	–	–	(13,055)	–	(13,055)
Lapse of equity-settled share-based payment (Note 29)	–	–	(131)	–	131	–
At 31 December 2019	53,406	100,152	–	–	3,924	157,482
Profit for the year	–	–	–	–	38,153	38,153
Dividend paid (Note 12)	–	–	–	–	(6,528)	(6,528)
At 31 December 2020	53,406	100,152	–	–	35,549	189,107

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 32. PARTICULARS OF SUBSIDIARIES

Particulars of the Company's subsidiaries as at 31 December 2020 and 31 December 2019 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
			2020	2019	
Hi-Level (BVI) Limited	British Virgin Islands 24 September 2015	US\$1	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	100%	100%	Sales of electronic products

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

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

## 33. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Cash and cash equivalents comprise:

	2020 HK\$'000	2019 HK\$'000
Cash available on demand		
Cash and cash equivalents	140,961	114,485

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 33. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(b) Reconciliation of liabilities arising from financing activities:

	Lease liabilities (Note 22) HK\$'000	Interest bearing borrowings (Note 24) HK\$'000	Total HK\$'000
Balances at 1 January 2019	5,949	304,656	310,605
Changes from cash flows:			
New bank and other loans raised	–	797,546	797,546
Repayment during the year	(3,082)	(954,625)	(957,707)
Interest paid	(199)	(8,397)	(8,596)
Total changes from financing cash flows:	(3,281)	(165,476)	(168,757)
Other changes:			
New lease capitalised	1,156	–	1,156
Interest expenses	199	8,397	8,596
Exchange realignment	(227)	–	(227)
Total other changes	1,128	8,397	9,525
At 31 December 2019 and 1 January 2020	3,796	147,577	151,373
Changes from cash flows:			
New bank and other loans raised	–	645,506	645,506
Repayment during the year	(3,320)	(738,416)	(741,736)
Interest paid	(86)	(3,197)	(3,283)
Total changes from financing cash flows:	(3,406)	(96,107)	(99,513)
Other changes:			
New lease capitalised	7,599	–	7,599
Interest expenses	86	3,197	3,283
Termination of lease	(304)	–	(304)
Exchange realignment	565	–	565
Total other changes	7,946	3,197	11,143
At 31 December 2020	8,336	54,667	63,003

## 34. COMPARATIVE FIGURES

Certain comparative figures in the consolidated financial statements have been re-presented to conform with current year presentation.

# Financial Summary

## RESULTS

	For the year ended 31 December				
	2016 HK\$'000	2017 HK\$'000	2018 HK\$'000	2019 HK\$'000	2020 HK\$'000
Revenue	1,798,674	2,254,447	1,855,277	1,801,130	<b>2,254,195</b>
Profit before taxation	37,306	45,468	5,537	17,421	<b>38,832</b>
Income tax expense	(6,616)	(8,256)	(1,359)	(2,769)	<b>(6,705)</b>
<b>Profit for the year</b>	<b>30,690</b>	<b>37,212</b>	<b>4,178</b>	<b>14,652</b>	<b>32,127</b>

## ASSETS AND LIABILITIES

	At 31 December				
	2016 HK\$'000	2017 HK\$'000	2018 HK\$'000	2019 HK\$'000	2020 HK\$'000
Total Assets	544,480	507,266	614,645	555,090	<b>558,856</b>
Total Liabilities	(433,306)	(363,447)	(475,632)	(417,173)	<b>(390,137)</b>
Net Assets and Total Equity	111,174	143,819	139,013	137,917	<b>168,719</b>