



# SiS Mobile Holdings Limited

## 新龍移動集團有限公司\*

*(Incorporated in the Cayman Islands with limited liability)*  
Stock Code: 1362

# 2015 | ANNUAL REPORT



\*For identification purpose only

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# CORPORATE INFORMATION

## DIRECTORS

### Executive Directors

Lim Kiah Meng  
Fong Po Kiu  
Wong Yi Ting

### Non-executive Directors

Lim Kia Hong (*Chairman*)  
Lim Hwee Hai

### Independent Non-executive Directors

Chu Chung Yi  
Ng See Wai Rowena  
Doe Julianne Pearl

## AUDIT COMMITTEE

Chu Chung Yi (*Chairlady*)  
Ng See Wai Rowena  
Doe Julianne Pearl

## REMUNERATION COMMITTEE

Ng See Wai Rowena (*Chairlady*)  
Lim Kia Hong  
Lim Kiah Meng  
Chu Chung Yi  
Doe Julianne Pearl

## NOMINATION COMMITTEE

Lim Kia Hong (*Chairman*)  
Lim Kiah Meng  
Chu Chung Yi  
Ng See Wai Rowena  
Doe Julianne Pearl

## SECRETARY

Wong Yi Ting

## SOLICITORS

Cleary Gottlieb Steen & Hamilton (Hong Kong)

## COMPLIANCE ADVISER

Haitong International Capital Limited

## AUDITORS

Deloitte Touche Tohmatsu

## PRINCIPAL BANKERS

Hang Seng Bank Limited  
The Hongkong and Shanghai Banking  
Corporation Limited  
Oversea-Chinese Banking Corporation Ltd.  
Standard Chartered Bank (Hong Kong) Ltd.  
United Overseas Bank Limited

## REGISTERED OFFICE

Clifton House  
75 Fort Street  
Grand Cayman KY1-1108  
Cayman Islands

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Appleby Trust (Cayman) Ltd  
Clifton House  
75 Fort Street  
Grand Cayman KY1-1108  
Cayman Islands

## PRINCIPAL PLACE OF BUSINESS

4/F Contempo Place  
81 Hung To Road  
Kwun Tong  
Kowloon, Hong Kong  
Telephone: (852) 2138 3938  
Fax: (852) 2138 3928

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

## STOCK CODE

1362

## INVESTOR RELATIONS

[www.sismobile.com.hk](http://www.sismobile.com.hk)  
[enquiry@sismobile.com.hk](mailto:enquiry@sismobile.com.hk)

# COMPANY PROFILE

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

It has been listed on the Main Board of the Stock Exchange of Hong Kong Limited (“Stock Exchange”) since 15 January 2015 (Stock Code: 1362).

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SiS Mobile believes the Group has the following competitive strengths that will continue to drive future success of the Group:

- One of the market leaders in the mobile phones distribution business in Hong Kong supported by a sizable and growing distribution network
- Established relationship with major suppliers
- Wide and diversified customer base with long and established relationships with distribution customers
- Experienced management team with proven track record and focus on human capital

# CHAIRMAN'S STATEMENT

## Dear Shareholders

I am pleased to present to our shareholders the financial results of the Group for the year ended 31 December 2015.

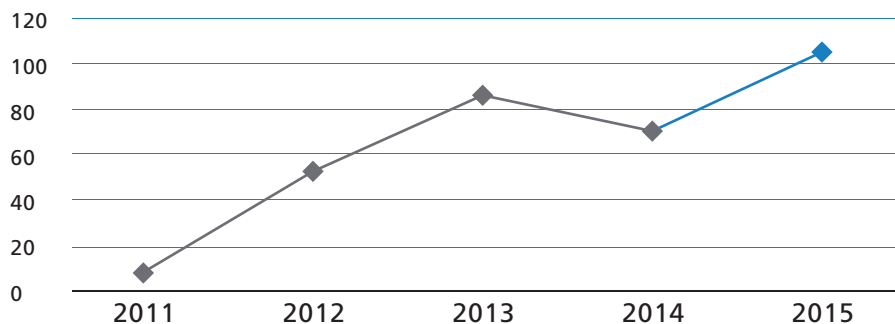
The Group reported a net profit \$641,000 for the year ended 31 December 2015 when compared with HK\$15.8million loss in 2014.



Our first year as a public company has been extremely eventful on both the business and financial front. Our listing on The Hong Kong Exchange on 15 January 2015 received overwhelming response with 172 times oversubscription. We have made healthy progress with our financial results, turning around a net loss in 2014 to a net profit for the year ended 31 December 2015.

### Net assets

HK\$ million



# CHAIRMAN'S STATEMENT

## BUSINESS REVIEW AND PROSPECT

Due to weaker sales demand as a result of sluggish inbound tourism and the intensive competition in mobility products, our revenue reduced to HK\$832 million. Despite the headwinds, the Group reported a net profit \$641,000 for the year. This is testament to the Group's innate strengths and experience in managing a focused distribution model, and also speaks for our strong relationships and wide reseller network.

As the world of mobility continues to evolve, the proliferation of mobile devices continues to drive growth and innovation. While we believe that competition in mature areas such as mobile phones will become more intensive, this also bodes well for the sector and the overall adoption of mobile as more innovative products will arise. This ongoing trend will also bring about fresh opportunities in new segments, such as the Internet of Things (IOT), wearable technologies, etc.

In light of the rapidly changing industry, and whilst the local economic outlook remains challenging and uncertain, we look upon every challenge as a potential new opportunity. The Group is well positioned with a strong management team, a strong financial position and an extensive reseller network to explore and identify new opportunities and avenues to add to our income streams.

The Group will continue to move ahead with confidence.

During 2015, the Company granted share options to qualified grantees as incentives and benefits for their continuing support to the Group.

## APPRECIATION

We would like to express our appreciation to our dedicated staff for their contributions and hard work and to our customers, business partners, shareholders and directors for their continued support.

On behalf of the Board  
SiS Mobile Holdings Limited

**LIM Kia Hong**  
*Chairman*

Hong Kong, 14 March 2016

# MANAGEMENT DISCUSSION AND ANALYSIS

## LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2015, the Group had total assets of HK\$157,394,000 which were financed by total equity of HK\$105,113,000 and total liabilities of HK\$52,281,000. The Group had current ratio of approximately 3.0 compared to that of approximately 1.8 at 31 December 2014.

As at 31 December 2015 the Group had HK\$29,661,000 (31 December 2014: HK\$51,674,000) bank balances and cash. The Group's working capital requirements were mainly financed by internal resources and bank borrowings. As at 31 December 2015, the Group had short term borrowings of total HK\$30,500,000 (31 December 2014: HK\$5,000,000). All borrowings were denominated in Hong Kong Dollars and were charged by banks at floating interest rate.

At the end of December 2015, the Group had net borrowings (total borrowing less bank balances and cash) of HK\$839,000 (31 December 2014: net cash surplus HK\$46,674,000).

Gearing ratio, as defined by total borrowings to total equity as at 31 December 2015 was 29% (31 December 2014: 7%).

## CHARGES ON GROUP ASSETS

There was no pledged asset as at 31 December 2015 (31 December 2014: Nil).

## NUMBER AND REMUNERATION OF EMPLOYEES, REMUNERATION POLICIES, BONUS AND SHARE OPTION SCHEMES

The number of staff of the Group as at 31 December 2015 was 47 (31 December 2014: 49) and the salaries and other benefits paid and payable to employees, excluding Directors' emoluments, amounted to HK\$13,253,000 (31 December 2014: HK\$14,140,000). In addition to the contributory provident fund and medical insurance, the Company adopts share option scheme and may grant shares to eligible employees of the Group. The Directors believe that the Company's share option schemes could create more incentives for directors and employees to work with commitment towards enhancing the value of the Company and its shareholders and therefore the Company can retain high caliber executives and employees. During the year, 7,890,000 share options were granted to directors, employees and eligible persons. Fair value of the options determined at the date of grant was approximately HK\$7,418,000 and in which HK\$3,674,000 had been charged off during 2015 as equity-settled share option expense. The Group's remuneration policy is to relate performance with compensation. The Group's salary and discretionary bonus system is reviewed annually. There are no significant changes in staff remuneration policies from last year.

# MANAGEMENT DISCUSSION AND ANALYSIS

## **ENVIRONMENTAL, SOCIAL AND CORPORATE RESPONSIBILITY**

As a responsible organization, the Group is committed to maintain high environmental and social standards to ensure sustainable development of its business. The Group has complied with all relevant laws and regulations in relation to its business including employment, workplace conditions, health and safety and the environment. The Group understands a better future depends on everyone's participation and contribution. It has encouraged employees and other stakeholders to participate in environmental and social activities which benefit the community as a whole.

The Group maintains strong relationship with its employees, has enhanced cooperation with its vendors and has provided high quality products and services to its customers and resellers so as to ensure sustainable development.

## **CURRENCY RISK MANAGEMENT**

Certain purchase of goods, other receivables and bank balances of the Group are denominated in United States Dollar (US\$), the currency other than the functional currencies of the relevant group entities. As Hong Kong Dollars are pegged to US\$, the management of the Group does not expect that there would be any material currency risk exposure between these two currencies. The Group currently does not have currency hedging policy. However, the management monitors the currency fluctuation exposure and will consider hedging significant currency risk exposure should the need arise.

## **CONTINGENT LIABILITIES**

At 31 December 2015 the Group did not have any material contingent liabilities or guarantees (31 December 2014: Nil).



# CORPORATE GOVERNANCE REPORT

## CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining good standards of corporate governance to safeguard the interests of the shareholders and to enhance corporate value and responsibility. The Company has adopted the Corporate Governance Code (the “Code”) as set out in the Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (“Stock Exchange”) (the “Listing Rules”). During the year, the Company has complied with the code provisions under the Code.

## BOARD OF DIRECTORS

The Board is responsible for formulating business strategies, and monitoring the performance of the business of the Group. Other than the daily operational decisions which are delegated to the management of the Group, most of the decisions are taken by the Board. All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

The Board of the Company currently constituted by eight members, including three executive Directors, two non-executive Directors and three independent non-executive Directors. The composition of the Board is as follows:

### ***Executive Directors:***

Mr. Lim Kiah Meng  
Mr. Fong Po Kiu  
Ms. Wong Yi Ting  
Ms. Cheng Wai Yee (*retired on 15 December 2015*)

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

Mr. Lim Kia Hong (*Chairman*)  
Mr. Lim Hwee Hai

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

Ms. Chu Chung Yi  
Ms. Ng See Wai, Rowena  
Ms. Doe Julianne Pearl

Biographical details of each Director and relationship between board members are set out on page 15 to 16 of the annual report.

Each of the Independent Non-Executive Director (“INED”) has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company is of the view that all INEDs meet the independence guidelines set out in Rule 3.13 of the Listing Rules and are independent in accordance with the terms of the guidelines. One of the INED possesses the appropriate professional accounting qualifications and financial management expertise.

# CORPORATE GOVERNANCE REPORT

The nomination, appointment and removal of Directors are considered by the Nomination Committee. The Nomination Committee shall make recommendations to the Board whenever they consider appropriate. During the year 2015, the Nomination Committee considered that the experience, expertise, leadership and qualification of the existing Directors are sufficient to maintain corporate governance of the Company and manage the operations of the Group.

The Board has established three Committees. The table below provides the membership information of these Committees on which certain Board members serve:

<b>Director</b>	<b>Audit Committee</b>	<b>Nomination Committee</b>	<b>Remuneration Committee</b>
Mr. Lim Kia Hong	–	C	M
Mr. Lim Kiah Meng	–	M	M
Ms. Chu Chung Yi	C	M	M
Ms. Ng See Wai Rowena	M	M	C
Ms. Doe Julianne Pearl	M	M	M

*Notes:*

*C – Chairman of the relevant Committee*

*M – Member of the relevant Committee*

## AUDIT COMMITTEE

The Audit Committee was set up with written terms of reference with effect from 15 January 2015 and is comprised of all INEDs. Ms. Chu Chung Yi was appointed as the Chairlady.

The main duties of the Audit Committee include:

- to consider the appointment, reappointment and removal of the external auditors, the audit fee and terms of engagements, and any questions of resignation or dismissal of that auditors;
- to monitor integrity of half-yearly and annual financial statements before submission to the Board;
- to review the Company's financial controls, internal controls and risk management systems; and
- to review the Group's financial and accounting policies and practices.

The Audit Committee has met four times during the year and has reviewed the management accounts, half-year and annual financial results of the Group and its subsidiaries. Audit Committee had met with external auditors of the Company without the present of Executive Directors on reviewing the annual financial results of the Group.

# CORPORATE GOVERNANCE REPORT

## NOMINATION COMMITTEE

The Nomination Committee was set up with written terms of reference with effect from 15 January 2015 and is comprised of all INEDs, a non-executive Director and an executive Director, namely Messrs. Lim Kia Hong and Lim Kiah Meng. Mr. Lim Kia Hong is the Chairman of the Nomination Committee.

The duties of the Nomination Committee shall be:

- review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;
- identify individuals suitably qualified to become board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;
- assess the independency of independent non-executive Directors; and
- make recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors, in particular the chairman and the chief executive.

During the year 2015, the Nomination Committee held two meetings to review and discuss the composition of the Board of the Company, and to assess the independency of independent non-executive Directors.

## REMUNERATION COMMITTEE

The Remuneration Committee was set up on 15 January 2015 and is comprised of all INEDs, a non-executive Director and an executive Director namely Messrs. Lim Kia Hong and Lim Kiah Meng, with Ms. Ng See Wai Rowena as Chairlady.

The Committee is mainly responsible for making recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management, and reviewing and approving the compensation payable to executive Directors and senior management. During the year 2015, the Remuneration Committee held two meetings, and the members had reviewed the remuneration policy and determined remuneration of Directors and senior management.

Pursuant to Code Provision B.1.5 of the Code, details of the annual remuneration of the directors and senior management by band for the year ended 31 December 2015 are as follows:

<b>Remuneration band</b>	<b>Number of individuals</b>
HK\$0 to HK\$1,000,000	6
HK\$1,000,001 to HK\$2,000,000	2
HK\$2,000,001 to HK\$3,000,000	1

Details of the remuneration of each director for the year ended 31 December 2015 are set out in note 12 to the consolidated financial statements.

# CORPORATE GOVERNANCE REPORT

## DIRECTORS' SECURITIES TRANSACTIONS

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

## DIRECTORS' AND AUDITORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for preparing the financial statements which give a true and fair view of the state of affairs of the Group. The statement of the external auditors of the Company about their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report on pages 27 and 28.

## AUDITORS' REMUNERATION

During the year ended 31 December 2015, the Group had engaged external auditors, Deloitte Touche Tohmatsu, to provide the following services.

	<b>Service fee</b> <i>HK\$'000</i>
Audit services	720
Tax advisory	<u>10</u>
	<u>730</u>

# CORPORATE GOVERNANCE REPORT

## ATTENDANCE OF MEETINGS

The following table shows the attendance of each Director at general meeting, meetings of the Board and the above committees during the year 2015:

	General Meeting	Board	Audit Committee	Nomination Committee	Remuneration Committee
Number of meetings during the year	1	6	4	2	2
<b>Executive Directors</b>					
Lim Kiah Meng	1	6	N/A	2	2
Fong Po Kiu	1	6	N/A	N/A	N/A
Wong Yi Ting	1	6	N/A	N/A	N/A
Cheng Wai Yee ( <i>retired on 15 December 2015</i> )	1	6	N/A	N/A	N/A
<b>Non-executive Directors</b>					
Lim Kia Hong	1	6	N/A	2	2
Lim Hwee Hai	1	6	N/A	N/A	N/A
<b>Independent Non-executive Directors</b>					
Chu Chung Yi	1	6	4	2	2
Ng See Wai Rowena	1	6	4	2	2
Doe Julianne Pearl	1	6	4	2	2

## INTERNAL CONTROLS

System of internal controls is defined as a system of internal controls procedures which is used to help the achievement of business objectives, and safeguard the Group's assets; to ensure proper maintenance of accounting records and compliance with relevant legislation and regulations.

The management of the Group would evaluate the risk management and internal controls systems periodically and enhance the systems when necessary. The Company has internal control system. The internal auditors would review the internal controls system on an ongoing basis covering all major operations of the Group on a rotational basis, and reported directly to the Audit Committee and Board on a regular basis.

Through the internal control functions of the Group, the Directors conduct reviews of the effectiveness of the systems of the risk and internal control of the Group during the year. The Directors considered that the risk management and internal control systems are effective and adequate.

# CORPORATE GOVERNANCE REPORT

## DIRECTORS' TRAINING AND PROFESSIONAL DEVELOPMENT

The Company is responsible for arranging and funding suitable training for its directors. The Company had organised training regarding the Listing Rules for the directors in 2015. In addition, individual directors also participated in other courses relating to the roles, functions and duties of a listed company director or further enhancement of their professional development by way of attending training courses or via online aids or reading relevant materials. The Company Secretary reports from time to time the latest changes and development of the Listing Rules, corporate governance practices and other regulatory regime to the Directors with written materials.

During the year, all the Directors participated in continuous professional development activities as set out below:

	<b>Attending trainings/briefings/ seminars relevant to the Group's business and directors' duties</b>
<b>Executive Directors</b>	
Lim Kiah Meng	✓
Fong Po Kiu	✓
Wong Yi Ting	✓
Cheng Wai Yee ( <i>retired on 15 December 2015</i> )	✓
<b>Non-executive Directors</b>	
Lim Kia Hong	✓
Lim Hwee Hai	✓
<b>Independent Non-executive Directors</b>	
Chu Chung Yi	✓
Ng See Wai Rowena	✓
Doe Julianne Pearl	✓

## COMPANY SECRETARY

Ms. Wong Yi Ting has been appointed as company secretary of the Company since 16 December 2014. She is a Certified Public Accountant and a member of Hong Kong Institute of Chartered Secretaries. She has fulfilled the 15 hours of relevant professional training requirements under the Rule 3.29 of the Listing Rules for the year ended 31 December 2015.

## NON-COMPETITION UNDERTAKING

The controlling shareholder of the Company entered into Deed of Non-Competition in favour of the Company dated 24 December 2014 ("Deed of Non-Competition") as set out in the section of the "Relationship with Controlling Shareholders" under the Prospectus. The controlling shareholder confirmed its compliance of all the undertakings provided under the Deed of Non-Competition. There are no matters which required to be deliberated by the INEDs in relation to the compliance and enforcement of the Deed of Non-Competition and it is considered that the terms of the Deed of Non-Competition have been complied by the controlling shareholder.

# CORPORATE GOVERNANCE REPORT

## INVESTOR RELATIONS AND COMMUNICATION WITH SHAREHOLDERS

To enhance the communication with investors, or shareholders, the Company has established several communication channels, including (a) the annual and extraordinary general meetings which provide a forum for shareholders to communicate directly with the Board; (b) printed corporate documents mailing to shareholders; (c) announcement disseminating the latest activities of the Group on the web-sites of the Company and the Stock Exchange; (d) meeting with investment fund managers and investors; and (e) the Company's web-site providing an electronic means of communication.

## SHAREHOLDERS' RIGHTS

To safeguard shareholders' interests and rights, separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual directors, for shareholders' consideration and voting. Besides, pursuant to the Company's Articles, a special general meeting shall be convened on the written requisition of any one or more shareholder(s) holding at the date of the deposit of the requisition in aggregate not less than one-tenth of such of the paid up capital of the Company as at the date of the deposit carries the right of voting at general meetings of the Company. Such requisition must state the objects of the meeting and must be signed by the shareholders and deposited at the Company's office.

For avoidance of doubt, a general meeting other than an annual general meeting or a meeting for the passing of special resolutions shall be called by notice in writing of not less than fourteen days.

Since the Listing Date, the Company has not made any changes to its Memorandum and Articles of Association ("Articles"). An up-to-date version of the Company's Articles is available on web-sites of the Company and the Stock Exchange. Shareholders may refer to the Company's Articles for further details of their rights.

Shareholders may send written enquiries to the Company for putting forward any enquiries or proposals to the Board. Contact details are as follows:

4/F, Contempo Place,  
81 Hung To Road,  
Kwun Tong, Kowloon,  
Hong Kong  
Fax: (852) 2138 3928  
Email: [enquiry@sismobile.com.hk](mailto:enquiry@sismobile.com.hk)

All resolutions put forward at general meetings will be voted by poll pursuant to the Listing Rules and the poll voting results will be posted on the web-sites of the Company ([www.sismobile.com.hk](http://www.sismobile.com.hk)) and the Stock Exchange of Hong Kong ([www.hkexnews.hk](http://www.hkexnews.hk)) immediately after the relevant general meetings.

# DIRECTORS' AND SENIOR MANAGEMENT PROFILES

**Mr. LIM Kia Hong**, aged 59, is a non-executive Director and chairman of the Group, brother of Mr. Lim Kiah Meng and brother-in-law of Mr. Lim Hwee Hai. Mr. Lim is one of the co-founders of the Group and had joined SiS International Holdings Limited (“SiS International”) since 1983. Together with a team of committed management and staff, Mr. Lim is credited with the success of transforming the SiS International from a small privately-owned family business in Singapore to one of the leading distributors of I.T. products in the SiS International’s key market of Hong Kong, Singapore and Thailand and a publicly listed company on the Stock Exchange.

Mr. Lim is the chairman and an executive director of parent group, SiS International, whose shares are listed on the Main Board (Hong Kong Stock Code: 0529). Since 2004, Mr. Lim has also been a non-executive director of SiS Distribution (Thailand) Public Co., Ltd. (“SiS Thailand”), a company whose shares are listed on the Stock Exchange of Thailand (BKK: SIS). In addition, Mr. Lim is a director of Information Technology Consultants Limited (“ITCL”) whose shares are listed on The Dhaka Stock Exchange (“DSE”) and The Chittagong Stock Exchanges (“CSE”) on 10 January 2016 (stock code: ITC). He is responsible for the corporate strategic planning and development of the Group. Mr. Lim graduated from University of Washington, US with a bachelor’s degree in business administration in December 1981.

**Mr. LIM Kiah Meng**, aged 63, is an executive Director and managing director of the Company, brother of Mr. Lim Kia Hong and brother-in-law of Mr. Lim Hwee Hai. Mr. Lim is one of the co-founders of the Group and had joined SiS International in Hong Kong since 1987. He has twenty nine years’ experience in the information and communication technology industry (“ICT”), and is responsible for the Group’s operations.

Mr. Lim is also an executive director of SiS International. Since April 2013, Mr. Lim has also been a non-executive director of SiS Thailand, a company whose shares are listed on the Stock Exchange of Thailand (BKK: SIS). He is a director of ITCL whose shares are listed on DSE and CSE on 10 January 2016 (stock code: ITC). Mr. Lim obtained a master’s degree in international management from the American Graduate School of International Management, US in August 1980.

**Mr. FONG Po Kiu**, aged 47, is an executive Director and general manager of the Group. Mr. Fong is responsible for the general management and business operations and development of the Group. Mr. Fong has been working for Synergy Technologies (Asia) Limited since April 2004 and has over twenty years of working experience in the ICT industry in Hong Kong. Mr. Fong has been a full member of The Hong Kong Computer Society since June 2004. Mr. Fong is also a fellow member of both The Institute of Chartered Secretaries and Administrators, United Kingdom and The Hong Kong Institute of Company Secretaries since August 2001. Mr. Fong graduated from Hong Kong Polytechnic with professional diploma in company secretaryship and administration in November 1990.

**Ms. WONG Yi Ting**, aged 41, is an executive Director and the company secretary of the Company. Ms. Wong is responsible for the financial and accounting management of the Group. From September 1997 to April 2001, Ms. Wong worked for Deloitte Touche Tohmatsu. Since April 2001, Ms. Wong has been serving the finance department at SiS HK Limited. Ms. Wong has been a member of Hong Kong Institute of Certified Public Accountants since April 2001 and a member of Hong Kong Institute of Chartered Secretaries since February 2008. Ms. Wong obtained a bachelor’s degree in accountancy from City University of Hong Kong in November 1997.



# DIRECTORS' AND SENIOR MANAGEMENT PROFILES

**Mr. LIM Hwee Hai**, aged 66, is a non-executive Director and the brother-in-law of Mr. Lim Kiah Meng and Mr. Lim Kia Hong. Mr. Lim is one of the co-founders of the Group and had joined the SiS International since 1983. He is an executive director of SiS International. He has over thirty years' experience in the ICT industry and is responsible for the operations of SiS International in Malaysia, Thailand and the Asia-Pacific region.

Since 2004, Mr. Lim has been a non-executive director of SiS Thailand, a company whose shares are listed on the Stock Exchange of Thailand (BKK: SIS). Since 2013, Mr. Lim has also been an independent non-executive director of Valuemax Group Limited, a company whose shares are listed on the Stock Exchange of Singapore (SGX: T6I). Mr. Lim is also a director of ITCL whose shares are listed on DSE and CSE on 10 January 2016 (stock code: ITC). Mr. Lim obtained a bachelor's degree in commerce from Nanyang University, Singapore in July 1973 and a master's degree in business administration from the National University of Singapore, Singapore in July 1998.

**Ms. CHU Chung Yi**, aged 49, is an independent non-executive Director of the Company. Ms. Chu worked for Deloitte Touche Tohmatsu from August 1991 to December 1994. From January 1995 to July 1996, Ms. Chu acted as an accounting manager in the finance and accounts department at Moulin Optical Manufactory Limited. From August 1996 to January 2005, Ms. Chu worked as the financial controller and company secretary of the SiS International. Ms. Chu has been an associate of the Chartered Association of Certified Accountants since November 1994, the Hong Kong Institute of Certified Public Accountants since January 1995, the Hong Kong Institute of Company Secretaries since April 1997, the Institute of Chartered Secretaries and Administration since April 1997 and a fellow of the Association of Chartered Certified Accountants since November 1999. Ms. Chu obtained a bachelor's degree in accountancy from City Polytechnic of Hong Kong in November 1991 and a master's degree in business administration from The Chinese University of Hong Kong in December 1999.

**Ms. NG See Wai** Rowena, aged 53, is an independent non-executive Director of the Company. Ms. Ng has over twenty years of experience in corporate finance and investment banking. From July 1999 to May 2001, Ms. Ng served as an executive director of Lai Fung Holdings Limited (Hong Kong Stock Code: 01125). From June 2001 to April 2004, Ms. Ng worked at BOCI Asia Limited where she served as a managing director of the corporate finance department. From May 2004 to January 2007, Ms Ng acted as a director in Cazenove Asia Limited, responsible for deal organization and transaction execution. From August 2011 to December 2013, Ms. Ng served as an executive director and deputy CEO of China Nickel Resources Holdings Co., Ltd. (Hong Kong Stock Code: 02889). From February 2014 to February 2015, Ms. Ng was an independent non-executive director of GreaterChina Professional Services Ltd. (Hong Kong Stock Code: 08193). Since August 2015, Ms. Ng has been a managing director and the head of Financial Solution Specialists Team of BOCI Asia Limited. Ms. Ng has been an ordinary member of the Hong Kong Securities and Investment Institute since November 2012. She obtained a bachelor's degree in science from the Victoria University of Manchester, U.K. in July 1984 and a master's degree in business administration from the University of Hull, U.K. in July 1998.

**Ms. DOE Julianne Pearl**, aged 53, is an independent non-executive Director of the Company. Ms. Doe has been a corporate partner at Dentons Hong Kong since January 2011. Ms. Doe has been a solicitor of the High Court of Hong Kong since September 1988. She obtained the bachelor's degree in laws and postgraduate certificate in laws from the University of Hong Kong in November 1984 and in July 1985, respectively. Ms. Doe also obtained the master's degree in laws from the University of Cambridge, U.K. in October 1986. Ms. Doe is engaged in corporate and commercial legal practice.

# DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 2015.

## PRINCIPAL ACTIVITIES

The Company was incorporated on 4 July 2014 and acts as an investment holding company. The principal activities of its subsidiaries are set out in note 28 to the consolidated financial statements. The shares of the Company were listed on the Main Board of the Hong Kong Stock Exchange on 15 January 2015 (the "Listing Date").

## RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2015 are set out in the consolidated statement of profit or loss and other comprehensive income on page 29.

## BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2015 is set out on pages 4 to 7 of this Annual Report.

## FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the past five financial years, as extracted from the audited consolidated financial statements, is set out on page 64. The summary does not form part of the audited consolidated financial statements.

## PROPERTY, PLANT AND EQUIPMENT

During the year, the Group spent HK\$16,000 (2014: HK\$247,000) on acquisition of property, plant and equipment.

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

## SHARE CAPITAL

Details of the share capital of the Company are set out in note 20 to the consolidated financial statements.

## DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders as at 31 December 2015 were as follows:

	2015 HK\$'000	2014 HK\$'000
Special reserve	3,497	3,497
Retained profits	67,420	66,779
	<u>70,917</u>	<u>70,276</u>

# DIRECTORS' REPORT

## DIRECTORS

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

### **Executive Directors:**

Mr. Lim Kiah Meng  
Mr. Fong Po Kiu  
Ms. Wong Yi Ting  
Ms. Cheng Wai Yee (*retired on 15 December 2015*)

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

Mr. Lim Kia Hong (*Chairman*)  
Mr. Lim Hwee Hai

### **Independent non-executive Directors:**

Ms. Chu Chung Yi  
Ms. Ng See Wai Rowena  
Ms. Doe Julianne Pearl

In accordance with article 108(a) of the Company's Articles, Mr. Lim Kia Hong, Mr. Fong Po Kiu and Ms. Chu Chung Yi retire from office and, being eligible, offer themselves for re-election.

Each of the Executive Directors, Non-executive Directors and Independent Non-executive Directors of the Company has entered into a service contract with the Company for a specific term. Such term is subject to re-election by the Company at an annual general meeting upon retirement. The Articles of the Company provide that any Director appointed by the Board, either to fill a casual vacancy in the Board or as an addition to the existing Board, shall hold office only until the next following annual general meeting of the Company and shall then be eligible for reelection.

## BIOGRAPHIES OF DIRECTORS

The biographical details of the Directors of the Group are disclosed in the section headed "Directors and Senior Management Profiles" on pages 15 to 16 of this annual report.

## DIRECTORS' SERVICE CONTRACTS

No director proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of Compensation (other than statutory compensation).

## DIRECTORS' INTERESTES IN SHARES

At 31 December 2015, the interests of the Directors and their associates, in the shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO"), or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

# DIRECTORS' REPORT

## (i) Long positions in ordinary shares of HK\$0.10 each of the Company

Name of Director	Personal Interests	Family Interests	Joint Interests (Note 1)	Corporate interests (Note 2 and 3)	Total number of issued ordinary shares held	Percentage of the issued share capital of the Company
Lim Kia Hong (Note 4)	1,846,745	161,280	-	203,607,467	205,615,501	73.43%
Lim Kiah Meng (Note 4)	1,729,024	144,000	170,880	203,607,467	205,651,371	73.45%
Lim Hwee Hai	1,065,984	1,145,330	-	-	2,211,314	0.79%

### Notes:

- (1) Shares are jointly held by Mr. Lim Kaih Meng and his spouse.
- (2) 146,442,667 shares are registered in the name of SiS International Holdings Ltd. It is owned as to approximately 50.6% by Gold Sceptre Limited.
- (3) Gold Sceptre Limited holds 44,915,200 shares and Kelderman Limited, Valley Tiger Limited and Swan River Limited each holds 4,083,200 shares in the issued share capital of the Company. Mr. Lim Kiah Meng and his spouse and Mr. Lim Kia Hong and his spouse together own 40.5% and 39.5%, respectively of the issued share capital of Summertown Limited which owns the entire issued share capital of each of the above-mentioned companies.
- (4) In addition to the interests disclosed above, Mr. Lim Kiah Meng and his sister are trustees of an estate and are holding 97,280 shares on behalf of three beneficiaries aged below 18. Out of these 97,280 shares, 64,000 shares and 33,280 shares are beneficially owned by the children of Mr. Lim Kiah Meng and Mr. Lim Kia Hong respectively, and are included in the family interests of Mr. Lim Kiah Meng and Mr. Lim Kia Hong as disclosed above.

## (ii) Share options

Directors of the Company and their associates had interest in share options under the Company's share option scheme, detail of which are set out in "Share Options" below.

## (iii) Long positions in the shares and underlying shares of associated corporation of the Company

Ordinary share of HK\$0.10 each of SiS International Holdings Limited ("SiS International"), which is listed on the Main Board of the Stock Exchange (Stock Code: 0529).

Name of Director	Personal interests	Family interests	Joint interests (Note 1)	Corporate interests (Note 2)	Total number of issued ordinary shares held	Percentage of the issued share capital of SiS International
Lim Kia Hong (Note 3)	5,771,108	504,000	-	178,640,000	184,915,108	66.64%
Lim Kiah Meng (Note 3)	5,403,200	450,000	534,000	178,640,000	185,027,200	66.68%
Lim Hwee Hai	3,331,200	3,579,158	-	-	6,910,358	2.49%
Chu Chung Yi	1,662,000	-	-	-	1,662,000	0.60%

# DIRECTORS' REPORT

**Notes:**

- (1) 534,000 shares are jointly held by Mr. Lim Kiah Meng and his spouse.
- (2) Gold Sceptre Limited holds 140,360,000 shares and Kelderman Limited, Valley Tiger Limited and Swan River Limited each holds 12,760,000 shares in the issued share capital of SiS International. Mr. Lim Kiah Meng and his spouse and Mr. Lim Kia Hong and his spouse together own 40.5% and 39.5%, respectively of the issued share capital of Summertown Limited which owns the entire issued share capital of each of the above- mentioned companies.
- (3) In addition to the interests disclosed above, Mr. Lim Kiah Meng and his sister are trustees of an estate and are holding 304,000 shares on behalf of three beneficiaries aged below 18. Out of these 304,000 shares, 200,000 shares and 104,000 shares are beneficially owned by the children of Mr. Lim Kiah Meng and Mr. Lim Kia Hong respectively, and are included in the family interest of Mr. Lim Kiah Meng and Mr. Lim Kia Hong as disclosed above.

**(iv) Share options of SiS International, an associated corporation of the Company**

The share options of SiS International were granted during the year 2015.

Date of grant	Vesting period	Exercisable period	Exercise price	Outstanding at 31 December 2015
<b>Directors and their associates:</b>				
<b>Lim Kia Hong</b>				
26.06.2015	27.06.2015–31.12.2015	01.01.2016–26.06.2025	4.47	50,000
26.06.2015	27.06.2015–31.12.2016	01.01.2017–26.06.2025	4.47	50,000
26.06.2015	27.06.2015–31.12.2017	01.01.2018–26.06.2025	4.47	50,000
<b>Lim Hwee Hai (Note)</b>				
26.06.2015	27.06.2015–31.12.2015	01.01.2016–26.06.2025	4.47	100,000
26.06.2015	27.06.2015–31.12.2016	01.01.2017–26.06.2025	4.47	100,000
26.06.2015	27.06.2015–31.12.2017	01.01.2018–26.06.2025	4.47	100,000
<b>Lim Kiah Meng</b>				
26.06.2015	27.06.2015–31.12.2015	01.01.2016–26.06.2025	4.47	50,000
26.06.2015	27.06.2015–31.12.2016	01.01.2017–26.06.2025	4.47	50,000
26.06.2015	27.06.2015–31.12.2017	01.01.2018–26.06.2025	4.47	50,000
<b>Wong Yi Ting</b>				
26.06.2015	27.06.2015–31.12.2015	01.01.2016–26.06.2025	4.47	20,000
26.06.2015	27.06.2015–31.12.2016	01.01.2017–26.06.2025	4.47	20,000
26.06.2015	27.06.2015–31.12.2017	01.01.2018–26.06.2025	4.47	20,000
				660,000

Note: Mr. Lim Hwee Hai's interest in the share options includes the deemed interest in his spouse under the SFO.

# DIRECTORS' REPORT

## SHARE OPTIONS

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

The purpose of the Scheme is to provide an incentive for any director, employee and qualified participant to work with commitment towards enhancing the value of the Company and its shares for the benefit of its shareholders, and to maintain or attract business relationship with the qualified participants whose contributions are or may be beneficial to the growth of the Group. Directors believe that Scheme adopted by the Company enables the Group to recruit and retain high caliber executives and employees.

The terms of the Scheme comply with the provisions of Chapter 17 of the Listing Rules.

The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at the date when the Scheme was adopted. The Company may seek approval by its shareholders in general meeting to refresh the limit on the number of shares to be issued upon exercise of all outstanding options granted and yet to be exercised to not exceeding such number of shares as shall represent 30% of the Shares in issue from time to time. The number of shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of the Shares of the Company in issue at any point in time, without prior approval from the Company’s shareholders. Options granted to substantial shareholders or independent non-executive Directors in excess of 0.1% of the Company’s share capital or with a value in excess of HK\$5 million must be approved in advance by the Company’s shareholders.

Options granted must be taken up within thirty business days from the offer letter together with a payment of HK\$100 as consideration of grant. Options may be exercised in a period of time as set out in the offer letter to each grantee. The exercise price is determined by the directors of the Company, and will not be less than the higher of the closing price of the Company’s shares on the date of grant, and the average closing price of the shares for the five business days immediately preceding the date of grant.

The closing price of the Company’s Shares immediately before the date of grant of the share options was HK\$2.17.

# DIRECTORS' REPORT

## SHARE OPTIONS (CONTINUED)

The following table discloses movements in Company's share options during the year:

Date of grant	Vesting period	Exercisable period	Exercise price HK\$	Number of share options		
				Outstanding at 1 January 2015	Granted during the year	Outstanding at 31 December 2015
<b>Directors and their associates:</b>						
<b>Lim Kia Hong</b>						
25.06.2015	26.06.2015–31.12.2015	01.01.2016–30.06.2023	2.36	–	400,000	400,000
25.06.2015	26.06.2015–31.12.2016	01.01.2017–30.06.2023	2.36	–	400,000	400,000
25.06.2015	26.06.2015–31.12.2017	01.01.2018–30.06.2023	2.36	–	400,000	400,000
<b>Lim Hwee Hai (Note)</b>						
25.06.2015	26.06.2015–31.12.2015	01.01.2016–30.06.2023	2.36	–	600,000	600,000
25.06.2015	26.06.2015–31.12.2016	01.01.2017–30.06.2023	2.36	–	600,000	600,000
25.06.2015	26.06.2015–31.12.2017	01.01.2018–30.06.2023	2.36	–	600,000	600,000
<b>Lim Kiah Meng</b>						
25.06.2015	26.06.2015–31.12.2015	01.01.2016–30.06.2023	2.36	–	400,000	400,000
25.06.2015	26.06.2015–31.12.2016	01.01.2017–30.06.2023	2.36	–	400,000	400,000
25.06.2015	26.06.2015–31.12.2017	01.01.2018–30.06.2023	2.36	–	400,000	400,000
<b>Fong Po Kiu</b>						
25.06.2015	26.06.2015–31.12.2015	01.01.2016–30.06.2023	2.36	–	300,000	300,000
25.06.2015	26.06.2015–31.12.2016	01.01.2017–30.06.2023	2.36	–	300,000	300,000
25.06.2015	26.06.2015–31.12.2017	01.01.2018–30.06.2023	2.36	–	300,000	300,000
<b>Wong Yi Ting</b>						
25.06.2015	26.06.2015–31.12.2015	01.01.2016–30.06.2023	2.36	–	150,000	150,000
25.06.2015	26.06.2015–31.12.2016	01.01.2017–30.06.2023	2.36	–	150,000	150,000
25.06.2015	26.06.2015–31.12.2017	01.01.2018–30.06.2023	2.36	–	150,000	150,000
<b>Cheng Wai Yee*</b>						
25.06.2015	26.06.2015–31.12.2015	01.01.2016–30.06.2023	2.36	–	100,000	100,000
25.06.2015	26.06.2015–31.12.2016	01.01.2017–30.06.2023	2.36	–	100,000	100,000
25.06.2015	26.06.2015–31.12.2017	01.01.2018–30.06.2023	2.36	–	100,000	100,000
<b>Chu Chung Yi</b>						
25.06.2015	26.06.2015–31.12.2015	01.01.2016–30.06.2023	2.36	–	93,333	93,333
25.06.2015	26.06.2015–31.12.2016	01.01.2017–30.06.2023	2.36	–	93,333	93,333
25.06.2015	26.06.2015–31.12.2017	01.01.2018–30.06.2023	2.36	–	93,334	93,334

\* Ms. Cheng retired from director on 15 December 2015.

Note: Mr. Lim Hwee Hai's interest in the share options of the Company includes the deemed interest in his spouse under the SFO.

# DIRECTORS' REPORT

## SHARE OPTIONS (CONTINUED)

Date of grant	Vesting period	Exercisable period	Exercise price <i>HK\$</i>	Number of share options		
				Outstanding at 1 January 2015	Granted during the year	Outstanding at 31 December 2015
<b>Ng See Wai Rowena</b>						
25.06.2015	26.06.2015–31.12.2015	01.01.2016–30.06.2023	2.36	–	93,333	93,333
25.06.2015	26.06.2015–31.12.2016	01.01.2017–30.06.2023	2.36	–	93,333	93,333
25.06.2015	26.06.2015–31.12.2017	01.01.2018–30.06.2023	2.36	–	93,334	93,334
<b>Doe Julianne Pearl</b>						
25.06.2015	26.06.2015–31.12.2015	01.01.2016–30.06.2023	2.36	–	93,333	93,333
25.06.2015	26.06.2015–31.12.2016	01.01.2017–30.06.2023	2.36	–	93,333	93,333
25.06.2015	26.06.2015–31.12.2017	01.01.2018–30.06.2023	2.36	–	93,334	93,334
<b>Total directors and their associates</b>				–	6,690,000	6,690,000
<b>Employees and other qualified persons:</b>						
25.06.2015	26.06.2015–31.12.2015	01.01.2016–30.06.2023	2.36	–	400,000	400,000
25.06.2015	26.06.2015–31.12.2016	01.01.2017–30.06.2023	2.36	–	400,000	400,000
25.06.2015	26.06.2015–31.12.2017	01.01.2018–30.06.2023	2.36	–	400,000	400,000
<b>Total employees and other qualified persons</b>				–	1,200,000	1,200,000
<b>Total number of share options</b>				–	7,890,000	7,890,000

Other than disclosed above, no share options were exercised, forfeited or expired during the financial year.

## ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

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



# DIRECTORS' REPORT

## DIRECTORS' INTEREST IN CONTRACTS OF SIGNIFICANCE AND CONNECTED TRANSACTIONS

No contracts of significance to which the Company, its ultimate holding company or any of its subsidiaries or fellow subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

## SUBSTANTIAL SHAREHOLDERS

As at 31 December 2015, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that other than the interests disclosed above in respect of certain directors and the chief executive, the following shareholders had notified the Company of relevant interests and long positions in the issued share capital of the Company.

### Long positions in ordinary shares of HK\$0.10 each of the Company

Name of Shareholder	Corporate interests (Note)	Approximate% of issued share capital of the Company
Summertown Ltd	203,607,467	72.72%
Gold Sceptre Limited	191,357,867	68.34%
SiS International Holdings Limited	146,442,667	52.30%

#### Notes:

146,442,667 shares are registered in the name of SiS International. SiS International is owned as to approximately 50.6% by Gold Sceptre Limited. Gold Sceptre Limited holds 44,915,200 shares and Kelderman Limited, Valley Tiger Limited and Swan River Limited each holds 4,083,200 shares in the issued share capital of the Company. Mr. Lim Kiah Meng and his spouse and Mr. Lim Kia Hong and his spouse together own 40.5% and 39.5%, respectively of the issued share capital of Summertown Limited which owns the entire issued share capital of each of the above-mentioned companies.

Other than as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 31 December 2015.

## MAJOR CUSTOMERS AND SUPPLIERS

The aggregate revenue attributable to the Group's five largest customers was approximately 39% by value of the Group's total goods sales during the year, with the largest customer accounted for 23%. The five largest suppliers of the Group comprised approximately 98% by value of the Group's total purchases during the year, with the largest supplier accounted for 67%.

At no time during the year did a director, an associate of a director or a shareholder (which to the knowledge of the directors owns more than 5% of the Company's issued share capital) has an interest in any of the Group's five largest customers and suppliers.

# DIRECTORS' REPORT

## **EMOLUMENT POLICY AND DIRECTORS' REMUNERATION**

The Company has established the Remuneration Committee in January 2015.

The emoluments of the directors of the Company are reviewed and approved by the remuneration Committee, having regard to the Group's operating results, individual performance and comparable market trends.

The Company has adopted a share option scheme as an incentive to directors and eligible employees, details of the scheme is set out in heading of "Share Options" in this Report.

## **CHARITABLE DONATIONS**

During the year, the Group made charitable and other donations amounting to HK\$30,000.

## **PRE-EMPTIVE RIGHTS**

There are no provisions for pre-emptive rights under the Company's Memorandum and Articles of Association or the laws of Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

## **CORPORATE GOVERNANCE**

The Company has adopted the Corporate Governance Code (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"). Since the listing date up to the end of the reporting period, the Company has complied with the code provision under the Code.

## **MODEL CODE**

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

## **USE OF PROCEEDS FROM INITIAL PUBLIC OFFERING**

On 15 January 2015, the Company's shares were listed on the Main Board of the HKSE. Net proceeds from the global offering were approximately HK\$4.7 million. The Company intends to use the net proceeds in accordance with the proposed applications set out in the section headed "Future Plans and Use of Proceeds" contained in the prospectus of the Company dated 31 December 2014. As at 31 December 2015, the Company has used approximately HK\$0.4 million from such proceeds as working capital per proposed applications.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

Neither the Company nor any subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2015.

# DIRECTORS' REPORT

## **SUFFICIENCY OF PUBLIC FLOAT**

Since the Listing Date and up to the date of this Report, the Company has maintained a sufficient public float.

## **AUDITORS**

A resolution will be submitted to the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board of  
**SiS Mobile Holdings Limited**

**LIM Kiah Meng**

*Director*

Hong Kong, 14 March 2016



## TO THE MEMBERS OF SiS MOBILE HOLDINGS LIMITED

新龍移動集團有限公司

*(incorporated in Cayman Islands with limited liability)*

We have audited the consolidated financial statements of SiS Mobile Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 29 to 63, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

## DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

## AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

# INDEPENDENT AUDITOR'S REPORT

## OPINION

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

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

Hong Kong  
14 March 2016

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2015

	NOTES	2015 HK\$'000	2014 HK\$'000
Revenue	6	832,452	1,412,068
Cost of sales		<u>(795,031)</u>	<u>(1,369,934)</u>
Gross profit		37,421	42,134
Other income	7	1,484	1,473
Fair value gain on derivative financial instruments		–	2,526
Selling and distribution expenses		(10,092)	(13,364)
Administrative expenses		(25,581)	(19,986)
Listing expense	8	(196)	(25,607)
Finance costs	9	<u>(57)</u>	<u>(477)</u>
Profit (loss) before tax	10	2,979	(13,301)
Income tax expense	11	<u>(2,338)</u>	<u>(2,474)</u>
Profit (loss) and total comprehensive income (expense) attributable to owners of the Company for the year		<u>641</u>	<u>(15,775)</u>
Earnings (loss) per share	13		
– Basic (HK cents)		<u>0.23</u>	<u>(6.71)</u>
– Diluted (HK cents)		<u>0.23</u>	<u>N/A</u>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2015

	NOTES	2015 HK\$'000	2014 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	14	124	941
<b>Current assets</b>			
Inventories	15	74,677	48,997
Trade and other receivables, deposits and prepayments	16	52,588	48,686
Tax recoverable		344	3,150
Bank balances and cash	17	29,661	51,674
		<b>157,270</b>	<b>152,507</b>
<b>Current liabilities</b>			
Trade payables, other payables and accruals	18	21,781	78,171
Borrowings	19	30,500	5,000
		<b>52,281</b>	<b>83,171</b>
Net current assets		<b>104,989</b>	<b>69,336</b>
Total assets less current liabilities and net assets		<b>105,113</b>	<b>70,277</b>
<b>Capital and reserves</b>			
Share capital	20	28,000	1
Reserves		77,113	70,276
Equity attributable to owners of the Company and total equity		<b>105,113</b>	<b>70,277</b>

The consolidated financial statements on pages 29 to 63 were approved and authorised for issue by the Board of Directors on 14 March 2016 and are signed on its behalf by:

**Lim Kia Hong**  
Director

**Lim Kiah Meng**  
Director

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2015

	Attributable to the owners of the Company					Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Special reserve HK\$'000 (Note)	Share options reserve HK\$'000	Retained profits HK\$'000	
At 1 January 2014	–	–	3,498	–	82,554	86,052
Issue of share at date of incorporation	–*	–	–	–	–	–
Issue of shares pursuant to group reorganisation	1	–	(1)	–	–	–
Loss and total comprehensive expense for the year	–	–	–	–	(15,775)	(15,775)
At 31 December 2014	<b>1</b>	–	<b>3,497</b>	–	<b>66,779</b>	<b>70,277</b>
Issue of shares	<b>4,480</b>	<b>32,256</b>	–	–	–	<b>36,736</b>
Issue of shares by capitalization	<b>23,519</b>	<b>(23,519)</b>	–	–	–	–
Expenses incurred in connection with issue of shares	–	<b>(6,215)</b>	–	–	–	<b>(6,215)</b>
Profit and total comprehensive income for the year	–	–	–	–	<b>641</b>	<b>641</b>
Recognition of equity settled share-based payment	–	–	–	<b>3,674</b>	–	<b>3,674</b>
At 31 December 2015	<b>28,000</b>	<b>2,522</b>	<b>3,497</b>	<b>3,674</b>	<b>67,420</b>	<b>105,113</b>

\* Represent HK\$0.10

Note: As at 1 January 2014, the special reserve represents the contribution from SiS International Holdings Limited (“SiS”) in relation to the acquisition of Synergy Technologies (Asia) Limited (“Synergy”) in prior year and the aggregate share capital of the companies comprising the Group (“Combined Entities”) before the Group Reorganisation as defined in note 2. As at 31 December 2014, the special reserve represents i) the contribution from SiS in relation to the acquisition of Synergy in prior year and ii) the difference between the nominal value of the shares of the Company issued pursuant to the Group Reorganisation and the aggregate share capital of the Combined Entities as at the date of the Group Reorganisation.



# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2015

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
<b>Operating activities</b>		
Profit (loss) before tax	2,979	(13,301)
Adjustments for:		
Depreciation of property, plant and equipment	814	1,321
Reversal on impairment of inventories	(1,222)	(713)
Interest expense	57	477
Fair value gain on derivative financial instruments	–	(2,526)
Written off of property, plant and equipment	19	–
Equity-settled share option expense	3,674	–
Operating cash flows before movements in working capital	6,321	(14,742)
Movements in work capital:		
(Increase) decrease in inventories	(24,458)	53,442
(Increase) decrease in trade and other receivables, deposits and prepayments	(3,902)	30,349
(Decrease) increase in trade payables, other payables and accruals	(56,390)	6,998
Decrease in derivative financial instruments	–	11,908
<b>Cash (used in) from operations</b>	(78,429)	87,955
Interest paid	(57)	(477)
Tax paid	(1,372)	(10,775)
Tax refunded	1,840	–
<b>Net cash (used in) from operating activities</b>	(78,018)	76,703
<b>Cash used in investing activities</b>		
Additions to property, plant and equipment	(16)	(247)
<b>Financing activities</b>		
Net proceeds from issue of shares	30,521	–
Advances from related companies	–	70,392
Repayment of advances from related companies	–	(92,975)
New bank loans raised	71,500	104,000
Repayment of bank loans	(46,000)	(136,500)
<b>Net cash from (used in) financing activities</b>	56,021	(55,083)
<b>Net (decrease) increase in cash and cash equivalents</b>	(22,013)	21,373
<b>Cash and cash equivalents at 1 January</b>	51,674	30,301
<b>Cash and cash equivalents at 31 December, represented by bank balances and cash</b>	29,661	51,674

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

## 1. GENERAL

The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 4 July 2014 and its shares are listed on The Stock Exchange of Hong Kong Limited (the “HKSE”). The addresses of the registered office and principal place of business of the Company are disclosed in the “Corporate Information” section of the annual report. The Company’s immediate holding company is SiS International Holdings Limited (“SiS”), a company incorporated in Bermuda with its shares listed on the HKSE. SiS which is a subsidiary of Summertown Limited, a limited liability company incorporated in the British Virgin Islands (“BVI”). The directors of the Company and its subsidiaries (collectively referred to as the Group) consider that the Company’s ultimate holding company is Summertown Limited and its ultimate controlling shareholders are Mr. Lim Kiah Meng, Mr. Lim Kia Hong and their respective spouses. Mr. Lim Kiah Meng and Mr. Lim Kia Hong are also the directors of the Company.

The Company is an investment holding company. The principal activities of its principal subsidiaries are set out in note 28.

The consolidated financial statements are presented in Hong Kong Dollar (“HK\$”) which is also the functional currency of the Company.

## 2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

### Group reorganisation

Pursuant to the group reorganisation (“Group Reorganisation”) to rationalise the group structure to prepare for the listing of the shares of the Company, the Company acquired the entire equity interests in the companies comprising the Group from SiS. The Group Reorganisation was completed on 10 October 2014 and since then, the Company became the holding company of the Combined Entities. The Combined Entities and the Company are under common control of SiS before and after the Group Reorganisation. Therefore, the acquisition of the Combined Entities are accounted for as business combination under common control by applying the principles of merger accounting in accordance with Accounting Guidance 5 “Merger Accounting for Common Combinations”.

The consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows of the Group have been prepared to include the results, changes in equity and cash flows of the Combined Entities as if the current group structure had been in existence since 1 January 2014, or since the respective dates of incorporation or acquisition by SiS, whichever period is shorter.

The consolidated statement of financial position of the Group as at 31 December 2014 has been prepared to present the assets and liabilities of the Combined Entities as if the current group structure had been in existence at the end of the preceding financial reporting period.

Details of the Group Reorganisation were set out in section headed “History and Reorganisation” of the Company’s prospectus dated 31 December 2014.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

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

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

Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010 – 2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011 – 2013 Cycle

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

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

HKFRS 9	Financial Instruments <sup>1</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>1</sup>
Amendments to HKAS 1	Disclosure Initiative <sup>2</sup>
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation <sup>2</sup>
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants <sup>2</sup>
Amendments to HKAS 27	Equity Method in Separate Financial Statements <sup>2</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 – 2014 Cycle <sup>2</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception <sup>2</sup>
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations <sup>2</sup>

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

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

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

The directors of the Company do not anticipate that the application of the new and revised HKFRSs and amendments will have a material impact on the results and/or the financial position of the Group.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

## 4. SIGNIFICANT ACCOUNTING POLICIES

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

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

The consolidated financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange of goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The principal accounting policies are set out below.

### Basis of consolidation

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

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

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

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

### Merger accounting for business combination involving entities under common control

The consolidated financial statements incorporate the financial statement items of the combining entities in which the common control combination occurs as if they had been combined from the date when the combining entities first came under the control of the controlling party.

The net assets of the combining entities are consolidated using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of SiS's interest.

The consolidated statement of profit or loss and other comprehensive income includes the results of each of the combining entities from the earliest date presented or since the date when the combining entities first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

### Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition related costs are generally recognised in profit or loss as incurred.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Business combinations (Continued)

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 Income Taxes and HKAS 19 Employee Benefits respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 Share-based Payment at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard.

### Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

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

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

Service income is recognised when the services are provided.

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Leasing

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

Operating lease payments when the Group is the lessee are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

### Property, plant and equipment

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

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

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

### Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

### Financial assets

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Financial instruments (Continued)

#### *Financial assets (Continued)*

##### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables including trade and other receivables and bank balances are measured at amortised cost using the effective interest method, less any impairment losses (see accounting policy on impairment loss on financial assets below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

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

Interest income is recognised on an effective interest basis.

##### *Impairment of financial assets*

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For financial assets carried at amortised cost, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- disappearance of an active market for the financial asset because of financial difficulties.

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



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Financial instruments (Continued)

#### *Financial assets (Continued)*

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

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

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

#### *Financial liabilities and equity instruments*

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

##### *Equity instruments*

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

##### *Financial liabilities*

Financial liabilities (including trade and other payables and borrowings) are subsequently measured at amortised cost using the effective interest method.

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

Interest expense is recognised on an effective interest basis.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Financial instruments (Continued)

#### *Derecognition*

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

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

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

#### **Impairment losses on assets**

At the end of each reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

If the recoverable amount of an asset other than financial assets is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

#### **Inventories**

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity ("foreign currencies") are recognised at the rates of exchange prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise.

### Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

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

### Retirement benefit costs

Payments to defined contribution retirement benefit plans and the Mandatory Provident Fund Schemes are recognised as an expense when employees have rendered service entitling them to the contributions.

### Share-based payment arrangements

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

##### *Share options granted to employees*

Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 21.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share options reserve). For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Taxation

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

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

Deferred tax is recognised on the temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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

Current and deferred tax are recognised in profit or loss.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

## 5. SEGMENTAL REPORTING

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to segments and to assess their performance.

The Group is principally engaged in the sales and distribution of mobile phones and related products in Hong Kong. The consolidated revenue and consolidated gross profit of the Group are the measures reported to the executive directors of the Company, being the chief operating decision maker for the purposes of resource allocation and performance assessment. The executive directors consider that all products distributed by the Group have similar nature and, therefore, concluded that there is only one operating and reportable segment, which is the Group as a whole, and no further analysis for segment information is presented.

### Major customer information

For the year ended 31 December 2015, revenue from customers contributing over 10% of the total revenue of the Group is from one (2014: one) customer with total amount of HK\$191,091,000 (2014: HK\$564,633,000), in relation to the sales and distribution of mobile phones and related products.

### Geographic information

The Group's revenue is substantially generated from sales and distribution of mobile phones and related products to customers in Hong Kong. The Group's non-current assets are substantially situated in Hong Kong. Accordingly, no segment analysis based on geographical locations of the customers and assets is provided.

## 6. REVENUE

Revenue represents the net amount received and receivable for goods sold arising from the distribution and retail sales of mobile phones and related products.

## 7. OTHER INCOME

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Exchange gain, net	1,305	348
Advertising and promotion income	45	993
Others	134	132
	<u>1,484</u>	<u>1,473</u>

## 8. LISTING EXPENSE

The amount represents professional fees and other expenses incurred in preparation for the listing of the Company's shares.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

## 9. FINANCE COSTS

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Interest on bank borrowings	57	367
Interest on amount due to a related company	–	110
	<b>57</b>	<b>477</b>

## 10. PROFIT (LOSS) BEFORE TAX

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Auditor's remuneration	774	662
Directors' remuneration		
– Fee	1,075	172
– Salaries and other emoluments	4,554	2,477
– Contribution to retirement benefit	68	19
– Equity-settled share option expense	2,843	–
	<b>8,540</b>	<b>2,668</b>
Other staff costs		
– Salaries and other emoluments	11,887	13,516
– Contribution to retirement benefit	535	624
– Equity-settled share option expense	831	–
Total staff costs	<b>21,793</b>	<b>16,808</b>
Cost of inventories recognised as an expense	795,031	1,369,934
Depreciation of property, plant and equipment	814	1,321
Written off of property, plant and equipment	19	–
Operating lease rentals in respect of rented premises	5,276	6,933
Reversal on impairment of inventories	(1,222)	(713)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

## 11. INCOME TAX EXPENSE

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Hong Kong:		
Current	2,045	2,056
Underprovision in prior years	293	418
	<u>2,338</u>	<u>2,474</u>

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Profit (loss) before tax	<u>2,979</u>	<u>(13,301)</u>
Tax at applicable statutory tax rate of 16.5%	492	(2,195)
Tax effects of income not taxable in determining taxable profit	–	(620)
Tax effects of expenses not deductible in determining taxable profit	1,083	4,259
Tax effects of deductible temporary differences not recognised	97	–
Tax effects of tax losses not recognised	382	613
Underprovision in prior years	293	418
Others	(9)	(1)
	<u>2,338</u>	<u>2,474</u>

The Group has unutilized tax losses of approximately HK\$8,514,000 (2014: HK\$6,199,000) and unrecognised deductible temporary differences of approximately HK\$588,000 (2014: Nil) available to offset against future profits. No deferred tax assets have been recognised due to the unpredictability of future profit streams as at the end of the reporting period. Such tax losses may be carried forward indefinitely.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

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

### (a) Directors' emoluments

*For the year ended 31 December 2015*

Name of director	Notes	Directors' fees HK\$'000	Salaries and other benefits HK\$'000	Performance bonuses HK\$'000	Contributions to retirement benefit scheme HK\$'000	Equity-settled share option expense HK\$'000	Total HK\$'000
Fong Po Kiu	(a)	120	1,123	791	18	420	2,472
Lim Kiah Meng	(a)	120	1,200	100	17	560	1,997
Lim Kia Hong	(c)	120	-	-	-	560	680
Lim Hwee Hai	(c)	120	-	-	-	560	680
Wong Yi Ting	(a)	120	324	27	15	210	696
Cheng Wai Yee	(b)	115	927	62	18	140	1,262
Chu Chung Yi	(d)	120	-	-	-	131	251
Doe Julianne Pearl	(d)	120	-	-	-	131	251
Ng See Wai Rowena	(d)	120	-	-	-	131	251
		<u>1,075</u>	<u>3,574</u>	<u>980</u>	<u>68</u>	<u>2,843</u>	<u>8,540</u>

Notes:

- (a) Executive Director
- (b) Executive Director retired from directorship effective from 15 December 2015
- (c) Non-executive Director
- (d) Independent Non-executive Director



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

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

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

*For the year ended 31 December 2014*

Name of director	Notes	Directors' fees HK\$'000	Salaries and other benefits HK\$'000	Performance bonuses HK\$'000	Contributions to retirement benefit scheme HK\$'000	Total HK\$'000
Fong Po Kiu	(b)	30	1,160	662	16	1,868
Lim Kiah Meng	(a)	30	306	–	–	336
Lim Kia Hong	(d)	31	–	–	–	31
Lim Hwee Hai	(d)	31	–	–	–	31
Wong Yi Ting	(b)	30	123	–	–	153
Cheng Wai Yee	(c)	5	226	–	3	234
Chu Chung Yi	(e)	5	–	–	–	5
Doe Julianne Pearl	(e)	5	–	–	–	5
Ng See Wai Rowena	(e)	5	–	–	–	5
		<u>172</u>	<u>1,815</u>	<u>662</u>	<u>19</u>	<u>2,668</u>

Notes:

- (a) Executive Director appointed on 4 July 2014
- (b) Executive Director appointed on 29 September 2014
- (c) Executive Director appointed on 16 December 2014
- (d) Non-executive Director appointed on 29 September 2014
- (e) Independent Non-executive Director appointed on 16 December 2014

Mr Lim Kiah Meng is also the Chief Executive of the Company and his emoluments disclosed above include those for services rendered by him as the Chief Executive.

No directors waived any emoluments during the year ended 31 December 2014 and 2015.

The executive directors' emolument show above were mainly for their services in connection with the management of the affairs of the Company and the Group.

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

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

### (b) Five highest paid individuals

The five highest paid individuals included four (2014: one) directors of the Company whose emolument are included in the disclosure above. The emoluments of the remaining one (2014: four) individual for the year ended 31 December 2015 and 2014 are as follows:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Salaries and other benefits	486	2,155
Performance bonuses	42	196
Contributions to retirement benefit scheme	18	63
Equity-settled share option expense	138	–
	<b>684</b>	<b>2,414</b>

*Note: The performance bonuses are determined based on the financial performance and resources of the Group and the performance of the individual during the year.*

Their emoluments were within the following bands:

	2015	2014
HK\$Nil to HK\$1,000,000	1	4
HK\$1,000,001 to HK\$1,500,000	–	–
	<b>1</b>	<b>4</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

## 13. EARNINGS (LOSS) PER SHARE

The calculation of the basic and diluted earnings (loss) per share is based on the Group's profit attributable to owners of the Company of HK\$641,000 (2014: loss of HK\$15,775,000) and the weighted average number of ordinary shares for the purpose of basic earnings (loss) per share of 278,281,644 (2014: 235,200,000).

The calculation of the weighted average number of ordinary shares for the purpose of basic earnings (loss) per share for the years ended 31 December 2015 and 2014 has taken into account the shares issued during the year upon the Group Reorganisation and adjusted for the capitalisation issue on 15 January 2015.

The computation of the diluted earnings per share for the year ended 31 December 2015 does not assume the exercise of the Company's share options as the exercise price of those share options is higher than the average market price of the Company's shares.

Diluted loss per share for the year ended 31 December 2014 is not presented as there were no potential ordinary shares outstanding during the year.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

## 14. PROPERTY, PLANT AND EQUIPMENT

	Furniture and fittings <i>HK\$'000</i>	Office equipment <i>HK\$'000</i>	Office renovations <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>COST</b>				
At 1 January 2014	382	1,068	1,925	3,375
Additions	21	68	158	247
At 31 December 2014	<b>403</b>	<b>1,136</b>	<b>2,083</b>	<b>3,622</b>
Additions	–	16	–	16
Written off	<b>(16)</b>	<b>(188)</b>	<b>(196)</b>	<b>(400)</b>
At 31 December 2015	<b>387</b>	<b>964</b>	<b>1,887</b>	<b>3,238</b>
<b>ACCUMULATED DEPRECIATION</b>				
At 1 January 2014	145	397	818	1,360
Charge for the year	159	387	775	1,321
At 31 December 2014	<b>304</b>	<b>784</b>	<b>1,593</b>	<b>2,681</b>
Charge for the year	<b>93</b>	<b>259</b>	<b>462</b>	<b>814</b>
Write back on written off	<b>(13)</b>	<b>(180)</b>	<b>(188)</b>	<b>(381)</b>
At 31 December 2015	<b>384</b>	<b>863</b>	<b>1,867</b>	<b>3,114</b>
<b>CARRYING VALUES</b>				
At 31 December 2015	<b>3</b>	<b>101</b>	<b>20</b>	<b>124</b>
At 31 December 2014	99	352	490	941

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Furniture and fittings	2 – 4 years
Office equipment	3 – 4 years
Office renovations	Shorter of lease term or 4 years

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

## 15. INVENTORIES

Inventories represent the finished goods purchased from the suppliers for the distribution to wholesalers or for retail-sales.

During the year, a reversal on impairment of inventories of HK\$1,222,000 (2014: HK\$713,000) have been recognised in the profit or loss. The reversal relates to a provision no longer required on the subsequent sales of certain of these inventories which indicated that the circumstance that previously caused inventories to be written down below cost no longer exists.

## 16. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Trade receivables	<u>40,920</u>	<u>24,056</u>
Other receivables	9,540	17,326
Deposits	1,514	2,116
Prepayments	<u>614</u>	<u>5,188</u>
	<u>11,668</u>	<u>24,630</u>
	<u>52,588</u>	<u>48,686</u>

Trade receivables are denominated in HK\$.

Trade receivables comprise amounts receivable from the sales and distribution of mobile phones and related products in Hong Kong.

The Group maintains a defined credit policy. Before accepting any new customers, the Group assesses the potential customer's credit quality and defines credit limits by customers. Limits granted to customers are reviewed periodically. For sales of goods, the Group allows an average credit periods of 30 days to its trade customers. No interest is charged on overdue debts.

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

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

The aging of trade receivables is as follows:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
1 – 30 days	32,281	11,742
31 – 60 days	6,043	8,658
61 – 90 days	2,506	3,646
91 – 120 days	8	–
Over 120 days	82	10
Total	<u>40,920</u>	<u>24,056</u>

Included in the trade receivable balance are debts with total carrying amount of HK\$7,243,000 (2014: HK\$7,761,000) which are past due at the end of the reporting period for which the Group has not provided for impairment loss as the Group considers that the default risk is low after considering the creditworthiness and repayment history of the debtors and settlement after the end of each reporting period. No collateral is held over these receivables. Trade receivables which are neither overdue nor impaired are of good quality.

The aging of those trade receivables at the end of each reporting period which are past due but not impaired, aged from their respective due dates, are as follows:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Overdue:		
1 – 30 days	6,775	7,676
31 – 60 days	305	12
61 – 90 days	77	63
91 – 120 days	12	–
Over 120 days	74	10
Total	<u>7,243</u>	<u>7,761</u>

## 17. BANK BALANCES AND CASH

Bank balances carry interest at market rates at 0.001% per annum with an original maturity of three months or less for both years.

Bank balances that are denominated in United States Dollar (“US\$”), currency other than the functional currency of the Group, amounted to HK\$2,799,000 (2014: HK\$11,009,000).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

## 18. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Trade payables	9,785	45,919
Advance received from customers	478	540
Accrued staff costs	3,207	2,224
Accruals	6,942	6,097
Listing fee payable	–	21,561
Others	1,369	1,830
	<u>21,781</u>	<u>78,171</u>

The average credit period on purchase of goods is 15 to 45 days. Trade payables that are denominated in US\$, currency other than the functional currency of the Group amounted to HK\$6,573,000 (2014: HK\$25,634,000). The following is an aged analysis of the trade payables, based on the invoice date, at the end of each reporting period.

The aging of trade payables is as follows:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Within 30 days	9,328	31,490
31 to 90 days	194	14,107
91 to 120 days	–	79
Over 120 days	263	243
	<u>9,785</u>	<u>45,919</u>

## 19. BORROWINGS

The amounts represent unsecured revolving bank loans denominated in HK\$ bearing interest at variable market interest rates, which are based on Hong Kong Interbank Offer Rate plus a margin with the weighted average effective interest rate at 1.48% (2014: 1.76%).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

## 20. SHARE CAPITAL

	Number of ordinary shares of HK\$0.10 each	Nominal value HK\$'000
Authorised		
At date of incorporation 4 July 2014	3,800,000	380
Increase on 16 December 2014	<u>496,200,000</u>	<u>49,620</u>
At 31 December 2015 and 2014	<u>500,000,000</u>	<u>50,000</u>
Issued and fully paid		
At date of incorporation 4 July 2014	1	—*
Issue of shares on 10 October 2014	<u>9,999</u>	<u>1</u>
At 31 December 2014	10,000	1
Issue of shares		
on 15 January 2015 (a)	235,190,000	23,519
on 15 January 2015 (b)	<u>44,800,000</u>	<u>4,480</u>
At 31 December 2015	<u>280,000,000</u>	<u>28,000</u>

\* Represent HK\$0.10.

The Company was incorporated on 4 July 2014 and upon incorporation, 1 ordinary share was allotted and issued to the immediate holding company at par.

On 10 October 2014, the Company issued 9,999 ordinary shares to SiS Distribution Limited, a fellow subsidiary of the Company, pursuant to the Group Reorganisation in exchange for the entire equity interests in the companies comprising the Group as mentioned in note 2.

On 16 December 2014, the Company increased the authorised share capital from HK\$380,000 divided into 3,800,000 ordinary shares to HK\$50,000,000 divided into 500,000,000 ordinary shares by the creation of additional 496,200,000 new ordinary shares which shall, when issued and paid, rank pari passu in all respects with the then existing issued ordinary shares.

On listing of the shares of the Company on the HKSE on 15 January 2015,

- (a) an amount of HK\$23,519,000 was capitalised from the share premium account of the Company by the issuance of 235,190,000 ordinary shares of HK\$0.10 each; and
- (b) 44,800,000 ordinary shares of HK\$0.10 each were issued at HK\$0.82 per share to the public for a total gross proceeds of HK\$36,736,000.

All the new shares issued during the year rank pari passu in all respects with the then existing shares.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

## 21. SHARE-BASED PAYMENTS

### Equity-settled share option scheme of the Company

Pursuant to the SiS Mobile Share Option Scheme adopted by the Company on 16 December 2014, the Company may grant options to qualified persons, including employees and directors of the Company, its subsidiaries and associates, and third parties with a view to maintain business relationship with such persons to subscribe for shares of the Company.

During the year, share options were granted by the Company on 25 June 2015 to directors, certain employees and eligible persons of the Group. The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of shares of the Company in issue, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which option granted and may be granted to any individual in aggregate within any 12-month period is not permitted to exceed 1% of the Company's issued share capital, without prior approval from the Company's shareholders.

HK\$100 is payable by each eligible participant to the Company on acceptance of an offer of options.

The fair values of the options determined at the date of grant using the Binomial model was approximately HK\$7,418,000 (2014: nil). The Group recognised an expense of HK\$3,674,000 (2014: nil) for the year ended 31 December 2015 in related to share options granted by the Company.

Details of the share options are as follows:

No. of share options	Vesting period	Exercise period	Exercise price	
2,630,000	25.6.2015 – 31.12.2015	1.1.2016 – 30.6.2023	HK\$2.36	
2,630,000	25.6.2015 – 31.12.2016	1.1.2017 – 30.6.2023	HK\$2.36	
2,630,000	25.6.2015 – 31.12.2017	1.1.2018 – 30.6.2023	HK\$2.36	
		<b>Outstanding at 16 December 2014 and 31 December 2014</b>	<b>Granted during the year</b>	<b>Outstanding at 31 December 2015</b>
<b>Grantee</b>				
Directors		–	6,690,000	6,690,000
Employees		–	1,200,000	1,200,000
		–	7,890,000	7,890,000

No options were exercised, exercisable, lapsed or forfeited during the year ended 31 December 2015.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

## 21. SHARE-BASED PAYMENTS (CONTINUED)

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

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

Grant date share price	HK\$2.17
Exercise price	HK\$2.36
Expected life	8 years
Expected volatility	54.75%
Dividend yield	0%
Risk-free interest rate	1.64%
Sub-optimal	1.80 to 1.83

The Binomial model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. Changes in variables and assumptions may result in changes in the fair value of the options.

## 22. DIVIDEND

No dividend or distribution has been declared or made by the Company since incorporation or any of the companies comprising the Group during the years ended 31 December 2014 and 2015 and up to the date of issue of these consolidated financial statements.

## 23. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged for both years.

The capital structure of the Group consists of bank borrowings and equity attributable to owners of the Company, comprising issued capital, special reserve and retained profits.

The directors review the capital structure periodically. As part of this review, the directors assess budgets of its operations taking into account of the provision of funding. Based on the operating budgets, the directors consider the cost of capital and the risks associated with each class of capital and balance its overall capital structure through the issue of debts.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

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

### Categories of financial instruments

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Financial assets		
Loans and receivables:		
Trade and other receivables	50,460	41,382
Bank balances and cash	29,661	51,674
	<u>80,121</u>	<u>93,056</u>
Financial liabilities		
Other financial liabilities held at amortised cost:		
Trade and other payables	11,154	69,310
Borrowings	30,500	5,000
	<u>41,654</u>	<u>74,310</u>

The Group is exposed to financial risks arising from its business activities and manages them through established risk management processes, proper monitoring and reporting to the management.

#### Interest rate risk

The bank balances comprising short term bank deposits and bank borrowings carry interests at floating rate, thus exposing the Group to cash flow interest rate risk. The Group currently does not have any policy to hedge against interest rate risk and will consider hedging exposure such should the needs arise.

#### Sensitivity analysis

As the interest rates on bank deposits are minimal, no sensitivity analysis was prepared and reported to the management.

If interest rates on bank borrowings had been 50 basis points higher/lower and all other variables were held constant, the Group's pre-tax profit for the year ended 31 December 2015 would decrease/increase by approximately HK\$153,000 (2014: pre-tax loss would increase/decrease by HK\$25,000) respectively. The analysis is prepared assuming the amounts of bank loans outstanding at the end of each reporting period were outstanding for the whole year. A 50 basis points increase or decrease was used when reporting interest rate risk internally to key management personnel and represented management's assessment of the reasonably possible change in interest rates.

In the management's opinion, the sensitivity analysis is unrepresentative of the inherent interest rates risk as the year end exposure does not reflect the exposure during the year.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

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

### Credit risk

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

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

The Group has concentration of credit risk over its trade receivables of which 73% (2014: 80%) of the total trade receivables was due from the Group's 5 largest customers. The Group's concentration of credit risk by geographical location of customers are solely in Hong Kong which accounted for majority of the trade receivables for both years. The Group has concentration of credit risk on loans and receivable of which 37% (2014: 51%) are liquid funds deposited with several banks. The credit risk on liquid funds is limited because the counterparties are banks with high credit-standings.

### Foreign exchange risk

Certain purchase of goods, other payables, other receivables and bank balances of the Group are denominated in US\$, the currency other than the functional currencies of the relevant group entities.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of each reporting period are as follows:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Assets	5,771	12,782
Liabilities	<u>6,861</u>	<u>25,634</u>

The Group currently does not have currency hedging policy. However, the management monitors the currency fluctuation exposure and will consider hedging significant currency risk exposure should the need arise.

### Sensitivity analysis

As HK\$ are pegged to US\$, the management of the Group does not expect that there would be any material currency risk exposure between these two currencies. As such, no sensitivity analysis is performed.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

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

### Liquidity risk

The Group's exposure to liquidity risk is minimal and is managed by maintaining a level of cash and cash equivalents deemed adequate by the management to finance the Group's operation. In addition, any shortfall in the funding requirements of the Group's operations may be obtained from bank borrowings.

The following table details the Group's remaining contractual maturity for its financial liabilities with agreed repayment periods. Specifically, borrowings 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 of financial liabilities are based on the agreed repayment dates:

	Weighted average effective interest rate %	On demand or within 3 months HK\$'000	Total undiscounted cashflow HK\$'000	Total HK\$'000
<b>At 31 December 2015</b>				
<b>Financial liability</b>				
Non-interest bearing				
Trade and other payables	–	11,154	11,154	11,154
<b>Interest bearing</b>				
Borrowings	1.48	30,509	30,509	30,500
	Weighted average effective interest rate %	On demand or within 3 months HK\$'000	Total undiscounted cashflow HK\$'000	Total HK\$'000
<b>At 31 December 2014</b>				
<b>Financial liability</b>				
Non-interest bearing				
Trade and other payables	–	69,310	69,310	69,310
<b>Interest bearing</b>				
Borrowings	1.76	5,002	5,002	5,000

The above table has been drawn up based on the undiscounted cash flows of financial liability (including principal and interest cash flows) based on the earliest date on which the Group can be required to pay (including principal and interest cash flows).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

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

### Liquidity risk (Continued)

Borrowings with a repayment on demand clause are included in the “on demand or within 3 months” time band in the above maturity analysis. As at 31 December 2015, the borrowings amounted to HK\$30,500,000 (2014: HK\$5,000,000). Taking into account the Group’s financial position, the directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors believe that such borrowings will be repaid within 3 months after the end of the reporting period in accordance with the scheduled repayment dates set out in the loan agreements. At that time, the aggregate principal and interest cash outflows will amount to HK\$30,509,000 (2014: HK\$5,002,000).

### Fair values

The directors consider that the carrying amounts of other financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values. The fair values of other financial assets and financial liabilities have been determined in accordance with generally accepted pricing models based on discounted cash flow analysis with the most significant inputs being the discount rate that reflects the credit risk of counterparties.

## 25. RELATED PARTIES TRANSACTIONS

The directors are of the opinion that all the related party transactions have been established under terms as negotiated between the related parties.

### (a) Transactions with holding company and fellow subsidiary companies

Except for the interest expense to a related company as disclosed in note 9, the Group sold goods to a fellow subsidiary of approximately HK\$Nil (2014: HK\$15,000) and paid license fee to its immediate holding company of HK\$12,000 (2014: Nil) during the year.

### (b) Compensation of key management personnel

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group and of the Company either directly or indirectly.

The directors considered the key management personnel of the Group are the directors. The remuneration of members of key management personnel of the Group are disclosed in note 12.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

## 26. OPERATING LEASE COMMITMENTS

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Within one year	3,630	3,551
In the second to fifth year inclusive	804	1,059
	<b>4,434</b>	<b>4,610</b>

Operating lease payments represents rental payable by the Group for its offices and shops. Leases are negotiated for an average term of three years and rentals are fixed throughout the lease period.

## 27. FINANCIAL POSITION OF THE COMPANY

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
<b>Assets</b>		
Interest in unlisted subsidiaries	1	1
Other receivables and prepayments	225	4,924
Amount due from intermediate holding company	-	8
Amount due from subsidiaries	13,257	-
Bank balances	4,595	-
	<b>18,078</b>	<b>4,933</b>
<b>Liabilities</b>		
Payables and accruals	(1,738)	(21,734)
Amounts due to subsidiaries	-	(9,500)
Borrowings	(15,000)	-
	<b>1,340</b>	<b>(26,301)</b>
Net assets (liabilities)	<b>1,340</b>	<b>(26,301)</b>
<b>Share capital</b>		
Share capital	28,000	1
Share premium	2,522	-
Reserves (Note below)	(29,182)	(26,302)
	<b>1,340</b>	<b>(26,301)</b>
Total equity	<b>1,340</b>	<b>(26,301)</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

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

Note: The movement in reserves are presented below:

	Accumulated losses HK\$'000	Share options reserve HK\$'000	Total HK\$'000
At incorporation – 4 July 2014	–	–	–
Loss for the period	(26,302)	–	(26,302)
At 31 December 2014	<b>(26,302)</b>	–	<b>(26,302)</b>
Loss for the year	<b>(6,554)</b>	–	<b>(6,554)</b>
Recognition of equity settled share-based payment	–	<b>3,674</b>	<b>3,674</b>
At 31 December 2015	<b>(32,856)</b>	<b>3,674</b>	<b>(29,182)</b>

## 28. PARTICULAR OF SUBSIDIARIES

Details of the Company's principal subsidiaries at the end of the reporting period are as follows:

Name of subsidiary	Place of incorporation or registration/operation	Issued and fully paid ordinary share capital	Proportion of nominal value of issued capital held by the Company		Principal activities
			2015 %	2014 %	
<b>Direct subsidiaries:</b>					
Synergy Technologies (Asia) Limited	Hong Kong	HK\$5,000,000	100	100	Distribution of mobile phone and related products
Qool International Limited	Hong Kong	HK\$1	100	100	Distribution of mobile phone products
<b>Indirect subsidiaries</b>					
Sun Well Limited	Hong Kong	HK\$1	100	100	Retail sales of mobile phone and related products

None of the subsidiaries had issued any debt securities during the year no held at the end of the year.



# FINANCIAL SUMMARY

## RESULTS

	For the year ended 31 December				
	2011 <i>HK\$'000</i>	2012 <i>HK\$'000</i>	2013 <i>HK\$'000</i>	2014 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
<b>Revenue</b>	<u>513,600</u>	<u>1,376,575</u>	<u>1,274,845</u>	<u>1,412,068</u>	<u><b>832,452</b></u>
Profit (loss) before taxation	6,571	53,001	38,196	(13,301)	<b>2,979</b>
Income tax expense	<u>(1,446)</u>	<u>(8,304)</u>	<u>(4,705)</u>	<u>(2,474)</u>	<u><b>(2,338)</b></u>
Profit (loss) for the year	<u>5,125</u>	<u>44,697</u>	<u>33,491</u>	<u>(15,775)</u>	<u><b>641</b></u>
Attributable to Owners of the Company	<u>5,125</u>	<u>44,697</u>	<u>33,491</u>	<u>(15,775)</u>	<u><b>641</b></u>

## ASSETS AND LIABILITIES

	At 31 December				
	2011 <i>HK\$'000</i>	2012 <i>HK\$'000</i>	2013 <i>HK\$'000</i>	2014 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Total assets	123,179	134,637	222,459	153,448	<b>157,394</b>
Total liabilities	<u>(115,315)</u>	<u>(82,076)</u>	<u>(136,407)</u>	<u>(83,171)</u>	<u><b>(52,281)</b></u>
Net assets	<u>7,864</u>	<u>52,561</u>	<u>86,052</u>	<u>70,277</u>	<u><b>105,113</b></u>
Attributable to Owners of the Company	<u>7,864</u>	<u>52,561</u>	<u>86,052</u>	<u>70,277</u>	<u><b>105,113</b></u>