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

2019
ANNUAL
REPORT

*For identification purpose only

Contents

Corporate Information

DIRECTORS

Non-executive Directors:

Lim Kia Hong *(Chairman)*
Lim Hwee Hai

Executive Directors:

Lim Kiah Meng
Fong Po Kiu
Wong Yi Ting

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

COMPANY SECRETARY

Wong Yi Ting

AUDITORS

Deloitte Touche Tohmatsu
Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance

SOLICITORS

Cleary Gottlieb Steen & Hamilton (Hong Kong)

PRINCIPAL BANKERS

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

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS

3118 No. 1 Hung To Road, Kwun Tong
Kowloon, Hong Kong
Telephone: (852) 2138 3938
Fax: (852) 2138 3928

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

STOCK CODE

1362

INVESTOR RELATIONS

www.sismobile.com.hk
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 distributor of Samsung, Acer, Black Shark, Honor, Nexstgo, SHURE, 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).

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 Statements

Dear Shareholders,

I am pleased to present to our shareholders the financial results of the Group for the year ended 31 December 2019.

RESULTS

The Group's turnover for 2019 was HK$439,774,000, 2018 was HK$472,535,000, a decline of 7% was due mainly to social unrest & challenging business environment with low demand for mobile products in Hong Kong. Net loss attributable to shareholders amounted to HS$5,003,000. (2018: net profit HK$97,000).

BUSINESS REVIEW

The continuing protests, unrest in Hong Kong in the second half of 2019 had hugely impacted businesses and derailed its economy. These, coupled with intense competition and slowing consumer demand for mobile products has resulted in negative sales revenue.

In light of lower demand & sales, the Group has taken steps to reduce its distribution costs and administrative expenses in 2019. However, a one-time renovation cost of HK$1,101,000 was written off as a result of relocation of office and warehouse from the building which carried out industrial building revitalization plan during the year.

PROSPECT

The year ahead is beset with uncertainties and poses many challenges. The outbreak of the COVID-19 has further aggravated the global economy. Demand for mobility products remained sluggish. Against a backdrop of tough economic and plummeting market environment, the Directors are cautiously moving ahead. The Group will continue to seek opportunities, diversify its portfolio and stand poised to capture the opportunities when the economy rebounds and when the COVID-19 episode dies down.

APPRECIATION

We would like to express our sincere appreciation to our dedicated staff for their contributions and hard work and to our customers, business partners and shareholders and directors for their support and confidence in SiS Mobile.

Lim Kia Hong
Chairman
Hong Kong, 26 March 2020

Management Discussion and Analysis

FINANCIAL REVIEW

For the financial year ended 31 December 2019, revenue of the Group amounted to HK$439,774,000 (2018: HK$472,535,000), representing a decrease of 7% compared to that of last year. This was mainly attributable to lower sales demand during the year. Gross profit margin of smartphone products were more challenging, the net loss attributable to owners of the Company was HK$5,003,000 whereas a net profit of HK$97,000 was recorded for the same period last year.

During the year, the Group's total operating expenditures (including selling and distribution expenses, administrative expenses and finance costs) for the year amount to HK$24,202,000 (2018: HK$23,296,000), representing an increase of 4% compared to that of last year. That is mainly because of increasing of rental expenses during the period of relocation of office and warehouse.

The carrying amount of inventory as at 31 December 2019 amounted to HK$40,981,000, representing a decrease of 18% compared to that of last year. In view of the sluggish market, the Group took necessary steps to reduce inventory level to a healthier level in the second half year 2019.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2019, the Group had total assets of HK$138,409,000 which were financed by total equity of HK$94,463,000 and total liabilities of HK$43,946,000. The Group had current ratio of approximately 2.8 compared to that of approximately 3.4 at 31 December 2018.

As at 31 December 2019 the Group had HK$30,319,000 (31 December 2018: HK$14,925,000) bank balances and cash. The Group's working capital requirements were mainly financed by internal resources and bank borrowings.

As at 31 December 2019 and 2018, the Group did not have any borrowings. At the end of December 2019, the Group had net cash surplus of HK$30,319,000 (31 December 2018: HK$14,925,000).

CHARGES ON GROUP ASSETS

There was no pledged asset as at 31 December 2019 (31 December 2018: Nil).

SIGNIFICANT INVESTMENTS

The listed securities held by the Group are held for long term investment purpose and suffered a 4% decline during the year ended 31 December 2019, as a result of market volatility in both USA and Hong Kong stock markets. The fair value loss HK$795,000 (2018: HK$2,534,000) was accounted for in other comprehensive expense. There was no investment in an investee company with a value of 5% or more of the Group's total assets as at the year end date. During the year ended 2019, there was no addition or disposal to the portfolio except for receiving some script dividend of a listed security in Hong Kong and the Group received dividend income of HK$459,000 (2018: HK$329,000).

Management Discussion and Analysis

List of investments as at 31 December 2019:

Stock Code	Stock Name	As at 31.12.2019 # of share	Fair Value HK$'000	Fair Value Gain/(Loss) credited/(charged) to Investment Reserve during 2019 HK$'000	% to total assets
FEYE: US	Fire Eye Inc.	10,000	1,289	25	0.9%
NTNX.US	Nutanix Inc.	11,480	2,799	(925)	2.0%
1299.HK	AIA Group Limited	25,000	2,045	420	1.5%
939.HK	China Construction Bank, Inc.	300,000	2,019	81	1.5%
6823.HK	HKT Limited	100,000	1,098	(30)	0.8%
11.HK	Hang Seng Bank Limited	15,000	2,415	(222)	1.7%
5.HK	HSBC Holdings Plc	38,178	2,324	(144)	1.7%
			13,989	(795)	10.1%

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

The number of staff of the Group as at 31 December 2019 was 39 (31 December 2018: 40) and the salaries and other benefits paid and payable to employees, excluding Directors' emoluments, amounted to HK$11,257,000 (31 December 2018: HK$11,850,000). 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 end 2019, 300,000 share options were lapsed. 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.

CURRENCY RISK MANAGEMENT

Certain purchase of goods, other receivables and bank balances of the Group are denominated in United Stated 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 2019, the Group did not have any contingent liabilities or guarantees (31 December 2018: 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

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 pages 23 to 24 of the annual report.

Each of the Non-Executive Director (including Independent Non-Executive Director ("INED")) has entered into a service contract with the Company for a specific term range from two to three years and is subject to re-election by the Company at an annual general meeting upon retirement.

Each of the 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

DIRECTORS NOMINATION POLICY

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.

The Company consolidated its nomination procedures and selection criteria of directors into the nomination policy of the Company (the "Directors Nomination Policy"), which was approved and adopted by the Company, and was effective on 1 January 2019. The summary of the Nomination Policy is as follows:

When considering a candidate nominated for directorship or a director's proposed re-appointment, the Board will take into account the following factors as a reference:

- the candidate's character and honesty;
- whether the qualification, skills, experience, industry knowledge of the candidate meet the business needs or are in line with the long term development of the Company;
- effect on the board's composition and diversity in all its aspects, including but not limited to gender, age (18 years or above), cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service, and the compliance with the board diversity policy of the Company;
- commitment of the candidate to devote sufficient time to effectively discharge his/her duties. In this regard, the number and nature of offices held by the candidate in public companies or organizations, and other executive appointments or significant commitments will be considered;
- the requirement of appointing independence non-executive directors to the board under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the independence of a candidate pursuant to Rule 3.13 of the Listing Rules;
- any potential/actual conflicts of interest that may arise if the candidate is selected;
- for the appointment or re-appointment of independent non-executive directors, the independence of the candidate and his/her immediate family from the Company; and
- in the case of a proposed re-appointment of an independent non-executive director, the number of years he/she has already served.

the above factors are for reference only, and not meant to be exhaustive and decisive.

Corporate Governance Report

Subject to the provisions in the Company's Articles of Association, if the Board recognizes the need to appoint an additional director, the following procedures should be adopted:

- the Board shall call a meeting and invite nominations of candidates from the Nomination Committee of the Company for consideration by the Board prior to its meeting;

- the Board may use any process it deems appropriate to assess the suitability of and the potential contribution to the Board by the candidates based on (but not limited to) the criteria set out above, which may include personal interviews, background checks, presentations or written submissions by the candidates and third party references;

- the Board shall hold a physical meeting to consider the matter and avoid the making of decisions by written resolutions unless it is impractical that a physical meeting be held;

- the Board shall provide to the Shareholders for its consideration with all the information required, including information set out in Rule 13.51(2) of the Listing Rules in relation to the candidates;

In order to provide information of the candidates nominated by the Board to stand for election at a general meeting, and to invite nominations from shareholders, a circular accompanying the notice of the relevant general meeting will be sent to shareholders of the Company. The circular will set out the lodgment period for shareholders to make the nominations. The names, brief biographies (including qualifications and relevant experience), independence, proposed remuneration and any other information, as required pursuant to the applicable laws, rules and regulations, of the proposed candidates will be included in the circular to shareholders of the Company.

BOARD DIVERSITY

The Company recognizes and embraces the benefits of having a diverse Board, and sees diversity at Board level as an essential element in maintaining a competitive advantage. A truly diverse Board will include and make good use of differences in the talents, skills, regional and industry experience, background, gender and other qualities of the members of the Board. These differences will be considered in determining the optimum composition of the Board and when possible should be balanced appropriately. All appointments of the members of the Board are made on merit, in the content of the talents, skills and experience the Board as a whole requires to be effective.

The Company considers that the current composition of the Board is characterised by diversity after taking into account its own business model and specific needs, and professional background and skills of the Directors.

Corporate Governance Report

BOARD COMMITTEES

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

Director	Audit Committee	Nomination Committee	Remuneration Committee
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

CHAIRMAN AND CHIEF EXECUTIVE

Mr. Lim Kia Hong is the Chairman of the Company while Mr. Lim Kiah Meng is the Chief Executive. The Chairman provides leadership and is responsible for the effective functioning and leadership of the Board. The Chief Executive focuses on the Company's business development and daily management and operations generally.

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, risk management and internal controls 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, one non-executive Director and one executive Director, namely Messrs. Lim Kia Hong and Lim Kiah Meng respectively. 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 2019, Nomination Committee held two meetings to review and discuss the composition of the Board of the Company, to assess the independency of independent non-executive Directors, and to recommend re-appointment of Directors. 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.

REMUNERATION COMMITTEE

The Remuneration Committee was set up on 15 January 2015 and is comprised of all INEDs, one non-executive Director and one executive Director, namely Messrs. Lim Kia Hong and Lim Kiah Meng respectively, 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, the Remuneration Committee held a meeting, and the members had reviewed the remuneration policy and determined remuneration of Directors and senior management.

Corporate Governance Report

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 2019 are as follows:

Remuneration band	Number of individuals
HK$0 to HK$1,000,000	6
HK$1,000,001 to HK$2,000,000	2

Details of the remuneration of directors and the five highest paid employees for the year ended 31 December 2019 are set out in note 11 to the consolidated financial statements.

CORPORATE GOVERNANCE FUNCTIONS

The Board is collectively responsible for performing the corporate governance duties which have been formalised into the terms of reference of the Board, a summary of which are as follows:

- To develop and review the Company's policies and practices on corporate governance and make any changes it considers necessary to ensure their effectiveness;

- To review and monitor the training and continuous professional development of Directors and senior management;

- To review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

- To develop, review and monitor the code of conduct and compliance manual (if any) applicable to Directors and employees; and

- To review the Company's compliance with the code and disclosure in the Corporate Governance Report.

The Board performed its corporate governance duties and Corporate Governance Report contained in this Annual Report has approved by the Board.

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 35 to 38.

Corporate Governance Report

AUDITORS' REMUNERATION

During the year ended 31 December 2019, the Group had engaged external auditors, Deloitte Touche Tohmatsu, to provide audit service. No non-audit service was provided by the auditor during the financial year. Audit fee is disclosed in Note 9 to the consolidated financial statements.

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 2019:

	General Meeting	Board	Audit Committee	Nomination Committee	Remuneration Committee
Number of meetings during the year	1	5	4	2	1
Executive Directors					
Lim Kiah Meng	1	5	—	2	1
Fong Po Kiu	1	5	—	—	—
Wong Yi Ting	1	5	—	—	—
Non-Executive Directors					
Lim Kia Hong	1	5	—	2	1
Lim Hwee Hai	1	5	—	—	—
Independent Non-Executive Directors					
Chu Chung Yi	1	5	4	2	1
Ng See Wai Rowena	1	5	4	2	1
Doe Julianne Pearl	1	5	4	2	1

RISK MANAGEMENT AND 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 system periodically and enhance the system when necessary. The Company has internal audit function. The internal auditors would review the risk management and 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, two reviews were conducted during the year and reports were reviewed by Audit Committee. The Directors considered that the risk management and internal control systems are adequate and effective.

Corporate Governance Report

DIRECTORS' TRAINING AND PROFESSIONAL DEVELOPMENT

The Company is responsible for arranging and funding suitable training for its directors. During the year 2019, the Company had organised a training regarding the latest developments in Listing Rules and other applicable regulatory requirement for the directors, to ensure compliance and enhance their awareness of good corporate governance practices. 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. The Company has devised a training record to assist the Directors to record the training they have undertaken.

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

	Attending trainings/ briefings/seminars
Executive Directors	
Lim Kiah Meng	✓
Fong Po Kiu	✓
Wong Yi Ting	✓
Non-Executive Directors	
Lim Kia Hong	✓
Lim Hwee Hai	✓
Independent Non-Executive Directors	
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 complied the relevant professional training requirements under the Rule 3.29 of the Listing Rules for the year ended 31 December 2019.

Corporate Governance Report

NON-COMPETITION UNDERTAKING

The controlling shareholder of the Company entered into Deed of Non-Competition in favour of the Company on 24 December 2014 ("Deed of Non-Competition"). The controlling shareholder confirmed its compliance of all the undertakings provided under the Deed of Non-Competition. The independent directors of the Company have reviewed the status of 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.

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.

During the year 2019, 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' 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.

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

3118, No.1 Hung To Road, Kwun Tong, Kowloon, Hong Kong
Fax: (852) 2138 3928
Email: 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) and the Stock Exchange of Hong Kong (www.hkexnews.hk) immediately after the relevant general meetings.

Environmental, Social and Governance Report

ENVIRONMENTAL

Unless otherwise specified, the environmental data covers the Group's operation in Hong Kong.

During the year, the Group has made its best endeavours to protect the environment from its business activities and workplace. The Group also educates its employees on their awareness of promoting a green environment. The Group seeks to identify and manage environmental impacts attributable to its operation, in order to minimise these impacts if possible.

Emissions

The Group is one of the leading mobile phones and related products distributor in Hong Kong. Products are provided by renowned suppliers. The operations of the Group do not have significant impact to the environment. No generation on hazardous waste as we are not manufacturers and there is no vehicle owned or controlled by the Group for operations. Office, shops and warehouse are leased and deliver service is outsourced for cost effectiveness.

However, the Group take steps to monitor and manage the environmental effect of the operations. The Group aims to reduce the energy consumption and carbon emissions and seeks less harmful ways to the environment in the operations.

Emissions of greenhouse gases by the Group were mainly due to the consumption of purchased electricity.

Emission	FY2019	FY2018
Purchased electricity	63 tonnes	39 tonnes
Total greenhouse gas emission	63 tonnes	39 tonnes

Indirect emission is mainly from paper usage and air travel, amounted to 4.6 tonnes (2018: 6.4 tonnes).

Non-hazardous waste produced (paper waste, printer cartridges, tonner bottle) was 788 kg (2018: 880 kg).

USE OF RESOURCES

For year 2019, electricity consumption was 99,787 kWh, 60% higher than 62,331 kWh in 2018 because the Group lease more operation area during relocation period.

Water consumption increased 22% to 99 cubic metre but remains immaterial.

Finished goods were basically delivered to our resellers at original packaging. No material additional packaging materials were required.

Air conditioners, billboards, computers and office lights are switched off during non-business hours, to minimise light pollution and reduce energy consumption.

Environmental, Social and Governance Report

THE ENVIRONMENT AND NATURAL RESOURCES

To create a green workplace, we encourage reducing, reusing and recycling of materials to minimizing office wastage in daily operations. For energy saving and greenhouse emission reduction, air-conditioners filters are cleaned and maintained regularly, recycling bins are provided at our office with waste paper and used toner cartridges collected for recycling. The Group encourages its employees to handle documents electronically. When the use of paper is required, documents are required to use double-sided printing. In addition, we arranged conference calls or video conference instead of face-to-face meetings where possible.

The Producer Responsibility Scheme (PRS) on waste electrical and electronic equipment (WEEE), also known as WPRS, aims to promote recycling and proper disposal of WEEE generated in Hong Kong. With effect from 1 August 2018, our products, including mobile phones, tables, monitors and laptops are covered in the "Regulated Electrical Equipment" or REE. As a distributor or reseller, when we sell REE and if requested by customers, we should arrange for the customer a free removal service to dispose of the same class of equipment abandoned by the customer in accordance with the endorsed plan. We must also provide recycling labels to customers purchasing REE, and a receipt containing the prescribed wording on the recycling levies. We have removal service plan endorsed by the Environmental Protection Department for selling REE. During the period, the Group has complied relevant statutory requirement when selling REE.

SOCIAL

Employment and Labour Practices

Employment, Remuneration and Benefits, Recruitment and promotion

The Group is always complying with the Employment Ordinance and associated guidelines. Our full-time staffs are entitled to paternity and compassionate leaves, healthcare and mandatory provident fund. We apply equal opportunity and non-discrimination in recruitment, promotion and all other aspects of our employment practices. We encourage a healthy work-life balance among staffs. Number of staff was reduced by one when compared with last year. As at 31 December 2019, the Group had a total of 39 permanent staffs and all are located in Hong Kong.

Workforce by gender and age group:

Age/Gender	Male	Female	Total
30 to 50	12	18	30
Over 50	6	3	9
Total no. of staffs	18	21	39

Environmental, Social and Governance Report

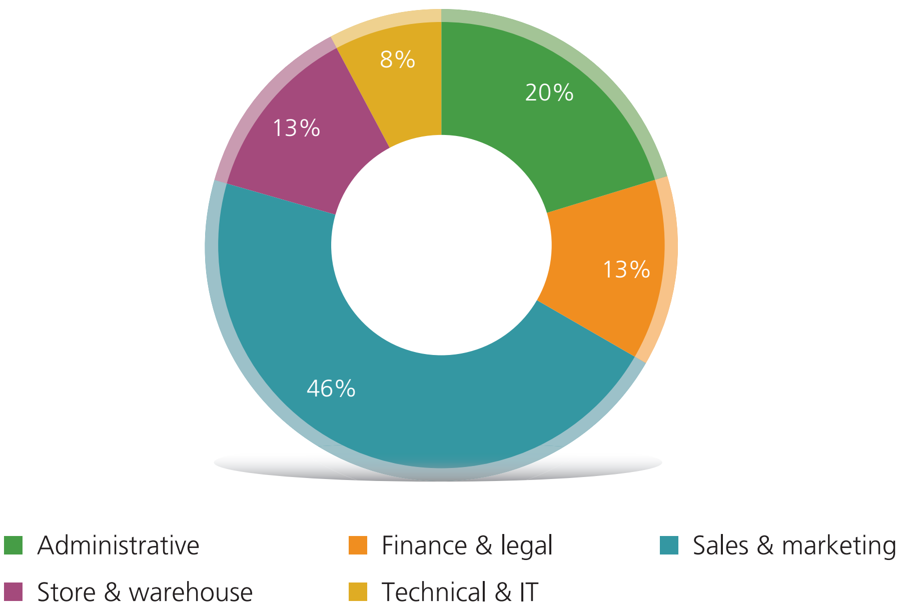
SOCIAL (CONTINUED)

Employment and Labour Practices (Continued)

Employment, Remuneration and Benefits, Recruitment and promotion (Continued)

To attract, motivate and retain experience staffs, we reviewed their pay packages annually with prevailing market conditions to ensure they are competitive under volatile and severe market. To create incentives for directors and senior staffs to work with commitment toward enhancing the value of the Group and its shareholders, the Company adopted share option scheme and grant share options to eligible staffs of the Group in 2015.

FY2019 and FY2018 Workforce by function:



Diversity and Equal Opportunities

The diversity of our employees provides us with a valuable mix of perspectives, skills, experience and knowledge for addressing contemporary business issues. At a senior management level, our board diversity policy in selection of candidates taking into account an extensive range of characteristics, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service.

Environmental, Social and Governance Report

HEALTH AND SAFETY

The Group provided a safe and healthy environment in the work places for all staffs. The staff turnover rate was low and the Group did not encounter any lost days caused by injury. Air purifiers were placed in work place to improve air circulation.

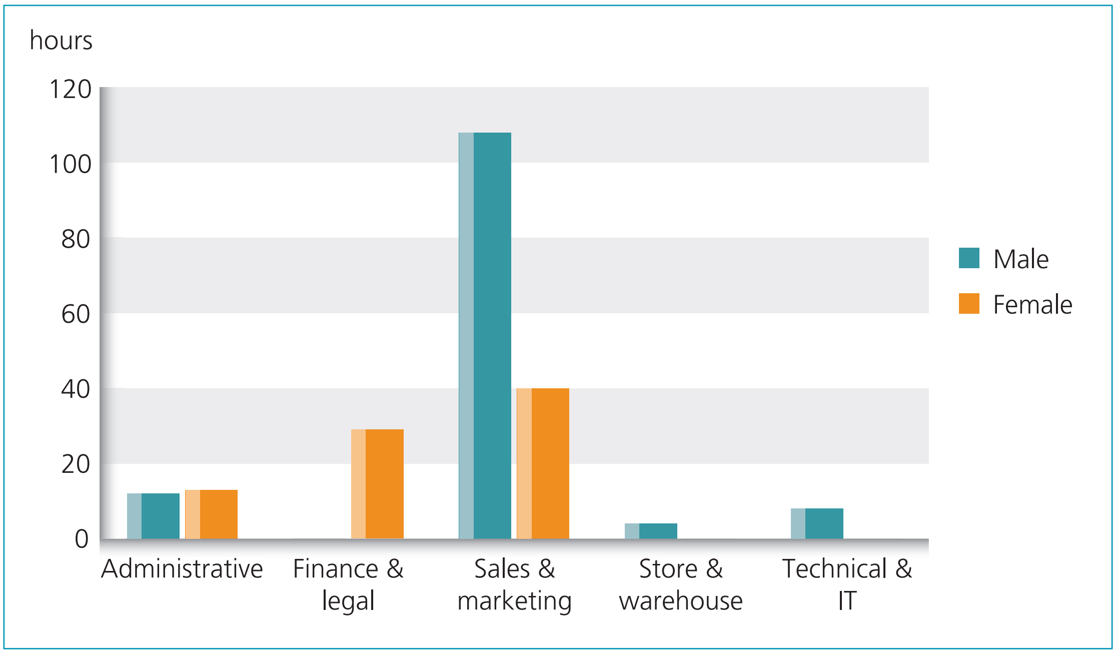
In early 2020, in response to the novel coronavirus (COVID-19) to ensure the safety of our staffs, we are vigilantly monitoring the COVID-19 situation around the clock and have precautions in place to ensure a healthy and safe working environment. Wearing masks, using cleaning gel, temperature measurement twice daily for all staffs and visitors, encourage wash hand frequently, etc. No more business trip to mainland China and Macau since CNY and 14-days quarantine when required.

DEVELOPMENT AND TRAINING

As a distributor of renowned brands mobile phones and related products in Hong Kong, our sales force and technical staffs processes broad knowledge of mobile phones in order to provide the best services to our resellers. We worked closely with suppliers to keep our sales teams updating to the latest technology and features of new products before product launches. The Group understands training and development is one of the keys to success. We offer both internal and external training to our key staffs. In daily operations, the Group provides induction training for new employees. Experienced employees will act as mentors to guide the new comers on jobs.

During the year, total training hours offered in 2019 was 213 hours for 93% staffs (2018: 68%), average 5 hours per trained staff. Those training were focusing on product knowledge, accounting, regulatory compliance update and ethical behaviour. The Group also updates the latest information of the industry and laws and regulations which is essential to the Group's operation and their job responsibilities from time to time.

Training Hours by Gender and Function in 2019:



The Group also encourages and provides subsidies to employees to pursue educational or training opportunities that achieve personal growth and professional development.

Environmental, Social and Governance Report

LABOUR STANDARDS

The Group has complied with Hong Kong labour laws and government regulations. The Group does not employ staffs who are below 21 years of age. No employee is paid less than the minimum wage specified by the government regulations. Monthly salary payments and the Mandatory Provident Fund Scheme payment are made on time.

During recruitment process, verification of applicant's identity information is required and recruitment of child labor is strictly prohibited. Applicant is also required to provide document proofs of academic qualifications and working experience for verifications, applicant who is suspected to have false academic qualifications and working experience will not be employed. The Group enters employment contract with each of its employee in accordance with relevant laws and regulations in Hong Kong and also prohibits forced labor.

SUPPLY CHAIN MANAGEMENT

Sound supply chain management ensures the Group to sustain its business operations and development. As well as leveraging our extensive network of mobile phones distribution, we have maintained strong relationships with our suppliers. When selecting suppliers, the Group takes factors into account such as quality of products and functionality, price, reliability and anticipated market acceptance. The Group expects suppliers to observe the environmental, social, health and safety and governance considerations in their operation.

Currently we mainly procured mobile phones of 5 internationally renowned brands from our suppliers. 95% (2018: 90%) finished goods were supplied domestically, the remaining was supplied from the PRC and Netherlands (2018: the PRC).

PRODUCT RESPONSIBILITY

The marketing of mobile phones and related products to general public are usually devised by suppliers and the Group is also providing marketing services to our suppliers. During holidays and festivals, we work with our suppliers to offer products at promotional prices through print and media advertising campaigns.

Environmental, Social and Governance Report

PRODUCT RESPONSIBILITY (CONTINUED)

Suppliers of products provide warranty on the products they supply to the Group for distribution. Suppliers are responsible for providing or procuring the provision of in-warranty service to the end users. Generally the warranty period providing by suppliers are about one to two years. The Group also adopts the following quality control policies on the products to be sold:

- Inventory management team performs a series of inspections upon the receipt of the products in our warehouse regarding, among others, their appearance, packaging, specification and brand logo, etc. on a sampling basis; and

- If any defects are identified, the relevant product will be returned to the supplier for replacement.

End users safety is always in the top priority. The Group takes speedy action together with our supplier for any quality issues at all time.

During the year, we have not received any cases of infringement of intellectual property rights. We are also not aware of any suspected cases of infringement of intellectual property rights of the products we were distributed during 2019.

The routine work of the Group always involves the intellectual property rights of customers, suppliers and the Group, therefore protection of intellectual property rights is very important. Protective clauses were added to the contracts entered into with customers and suppliers to safeguard the intellectual property rights of all parties.

The Group is also committed to the Personal Data (Privacy) Ordinance. Customer's personal data shall be highly protected. Privacy policy and personal information collection statements in our websites demonstrate a commitment to safeguarding each customer's personal data privacy. Employees are committed not to disclose confidential information, including information related to suppliers and customers whether orally or in writing or in any other media which are not publicly known.

ANTI-CORRUPTION

Ethical and responsible conduct

In our Code of Conduct and Whistle-blowing Policy, which defines the Group's stance on conflicts of interest, intellectual property rights, privacy and confidentiality of information, bribery, corruption and non-competition. All employees are required to adhere.

In addition, seminars would be held to update members of staff on any changes to regulation and to refresh their knowledge on aspects of ethical practices when applicable.

During the year, there were no incidents of corruption reported within the Group.

Environmental, Social and Governance Report

COMMUNITY

In view of the work force and size of the Group, serving the community by way of cash and in-kind donations are considered most direct and effective.

In 2019, no donation was made due to the uncertainty of business environment and poor financial performance of the Group.

Directors' and Senior Management Profiles

Directors Profile (SiS Mobile Holdings Ltd)

Mr. LIM Kia Hong, aged 63, is a non-executive Director and chairman of the Group. He is the 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 most dynamic business groups involving in distribution, ventures, investments and real estate businesses. Mr Lim is involved in all phases of SiS Group's developments and is instrumental in bringing SiS Mobile to be listed on the Hong Kong Stock Exchange.

Mr. Lim is the chairman and CEO of parent group, SiS International, whose shares are listed on the Main Board (Hong Kong Stock Code: 00529). He is also a non-executive director of SiS Distribution (Thailand) Public Co., Ltd. ("SiS Thai"), a public listed company on the Thailand Stock Exchange. In addition, Mr. Lim is a director of Information Technology Consultants Limited ("ITCL") whose is listed on The Dhaka Stock Exchange ("DSE") and The Chittagong Stock Exchanges ("CSE"). Mr. Lim graduated from University of Washington, US with a bachelor's degree in business administration and is responsible in planning and development of SiS Group.

Mr. LIM Kiah Meng, aged 66, 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 cofounders of the Group and had joined SiS International in Hong Kong since 1987. He has over thirty 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 Thai, a company whose shares are listed on the Stock Exchange of Thailand. He is a director of ITCL whose shares are listed on DSE and CSE. 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 51, is an executive Director and Chief Operating Officer 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 45, 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 an associate 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 70, 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 Thailand and the Asia-Pacific region.

Since 2004, Mr. Lim has been a non-executive director of SiS Thai, a company whose shares are listed on the Stock Exchange of Thailand. He is also a director of ITCL whose shares are listed on DSE and CSE. Mr. Lim was an independent non-executive director of Valuemax Group Limited, a company whose shares are listed on the Stock Exchange of Singapore, from September 2013 to May 2018. 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 53, 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 57, 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, a company listed in Hong Kong. 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., a company listed in Hong Kong. From February 2014 to February 2015, Ms. Ng was an independent non-executive director of GreaterChina Professional Services Ltd., accompany listed in Hong Kong. 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 1999. 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 57, 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 report and the audited financial statements for the year ended 31 December 2019.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activities of its subsidiaries are set out in note 31 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2019 are set out in the consolidated statement of profit or loss and other comprehensive income on page 39.

BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2019 is set out in the sections "Chairman's Statement" and "Management Discussion and Analysis" on pages 5 to 6 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 90. The summary does not form part of the audited consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group spent HK$4,385,000 (2018: HK$74,000) on acquisition of property, plant and equipment because of relocation of office and warehouse. Details of the movements during the year in the property, plant and equipment of the Group are set out in note 13 to the consolidated financial statements.

SHARE CAPITAL

Details of the share capital of the Company are set out in note 22 to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company does not have reserves available for distribution to shareholders as at 31 December 2019.

Directors do not recommended payment of dividend for the year ended 31 December 2019 (2018: Nil).

Directors' Report

DIVIDEND POLICY

The Board of the Company may declare and distribute dividends to the shareholders of the Company, provided that the Company records a profit and that the declaration and distribution of dividends do not affect the normal operations of the Company and its subsidiaries (the "Group"). The Board may, subject to the Articles of Association of the Company, make recommendation to the shareholders on the distribution of final dividends and may from time to time pay to the shareholders interim dividends based on the financial position of the Company. The Company's ability to declare dividends will depend on, among others, the operating results and earnings, capital requirements, general financial condition, prevailing economic environment and other factors of the Company which the Board then consider relevant, and the interest of the shareholders and the Company as a whole.

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

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 Kiah Meng, Ms. Wong Yi Ting and Ms. Doe Julianne Pearl 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 re-election.

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 23 to 24 of this annual report.

Directors' 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).

PERMITTED INDEMNITY PROVISION

Pursuant to the Company's Articles of Association, the Directors, Managing Directors, alternate Directors, Auditors, Secretary and other officers for the time being of the Company and the trustees (if any) for the time being acting in relation to any of the affairs of the Company, and their respective executors or administrators, shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them, their or any of their executors or administrators, shall or may incur or sustain.

The Company has put in place appropriate insurance cover in respect of Directors' liability throughout the year.

DIRECTORS' INTERESTS IN SHARES

At 31 December 2019, 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:

(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	1,846,754	128,000	—	203,607,467	205,582,221	73.42%
Lim Kiah Meng	1,729,024	80,000	170,880	203,607,467	205,587,371	73.42%
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 50.5% 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.

Directors' Report

DIRECTORS' INTERESTS IN SHARES (CONTINUED)

(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: 00529).

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	6,933,108	400,000	—	178,640,000	185,973,108	66.90%
Lim Kiah Meng	5,403,200	250,000	534,000	178,640,000	184,827,200	66.49%
Lim Hwee Hai	4,493,200	4,751,158	—	—	9,244,358	3.33%
Chu Chung Yi	1,662,000	—	—	—	1,662,000	0.60%

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.

Directors' Report

DIRECTORS' INTERESTS IN SHARES (CONTINUED)

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

Date of grant	Vesting period	Exercisable period	Exercise price	Outstanding at 31 December 2018 and 2019
Lim Kia Hong				
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
Lim Hwee Hai *(Note)*				
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
Lim Kiah Meng				
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
Wong Yi Ting				
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 interest in the share options of the Company 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.

Directors' Report

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

Date of grant	Vesting period	Exercisable period	Exercise price HK$	No. of share options: Outstanding at 31 December 2018	Lapsed	Outstanding at 31 December 2019
Directors and their associates:						
Lim Kia Hong						
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
Lim Hwee Hai *(Note)*						
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
Lim Kiah Meng						
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
Fong Po Kiu						
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
Wong Yi Ting						
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
Chu Chung Yi						
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
Ng See Wai Rowena						
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
Doe Julianne Pearl						
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
Total directors and their associates				**6,390,000**	**—**	**6,390,000**
Employees and other qualified persons						
25.06.2015	26.06.2015–31.12.2015	01.01.2016–30.06.2023	2.36	500,000	(100,000)	400,000
25.06.2015	26.06.2015–31.12.2016	01.01.2017–30.06.2023	2.36	500,000	(100,000)	400,000
25.06.2015	26.06.2015–31.12.2017	01.01.2018–30.06.2023	2.36	500,000	(100,000)	400,000
Total employees and other qualified persons				**1,500,000**	**(300,000)**	**1,200,000**
Total number of share options				**7,890,000**	**(300,000)**	**7,590,000**

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

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

Directors' Report

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' INTEREST IN TRANSACTION, ARRANGEMENT OR CONTRACTS OF SIGNIFICANCE AND CONNECTED TRANSACTIONS

Rental payment of HK$1,280,000 (2018: Nil) were incurred during the year for the lease of office and warehouse from a subsidiary of immediate holding company SiS International Holdings Limited. The transactions are regarded as De minimis transactions pursuant to Listing Rules 14A.33 and exempted from announcement and shareholders approval.

Other than disclosed above, no transaction, arrangement and/or 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.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or in existence during the year ended 31 December 2019.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2019, 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%

Note:

146,442,667 shares are registered in the name of SiS International. SiS International is owned as to approximately 50.5% 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 2019.

Directors' Report

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate revenue attributable to the Group's five largest customers was approximately 33% by value of the Group's total goods sales during the year. No single customer accounted for 10% or more of the total sales. The five largest suppliers of the Group comprised approximately 97% by value of the Group's total purchases during the year, with the largest supplier accounted for 70%.

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.

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 did not make any charitable and other donation.

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"). During the year, 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 during the year.

COMPLIANCE WITH LAWS AND REGULATION

The Company has complied with relevant laws and regulations that have significant impact on the Company including the laws in Cayman Islands, the Hong Kong Companies Ordinance, SFO and Listing Rules.

Directors' Report

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. The Company has used approximately HK$0.4 million from such proceeds as working capital per proposed applications during 2015 and no movement since then.

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.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31 December 2019.

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, 26 March 2020

Independent Auditor's Report

Deloitte. 德勤

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)

OPINION

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 39 to 89, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTER

Key audit matter is the matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. The matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on the matter.

Independent Auditor's Report

KEY AUDIT MATTER (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
Assessment of allowance on inventories We identified assessment of allowance on inventories as a key audit matter due to the use of judgements in identifying obsolete and slow moving inventories and determining the net realisable value ("NRV") which are based on the ageing, conditions and marketability of the inventories. NRV represents the estimated selling price for inventories less all estimated costs necessary to make the sale. The Group carried out the inventory review at the end of the reporting period and made the necessary allowance on obsolete and slow moving items so as to write off or write down inventories to their NRVs. As disclosed in the consolidated statement of financial position and note 14, the carrying amount of inventories is HK$40,981,000, net of allowance on obsolete and slow moving inventories of HK$187,000 as at 31 December 2019.	Our procedures in relation to assessing the allowance on inventories included: • Obtaining an understanding of how allowance on obsolete and slow moving inventories is estimated by the management; • Testing the accuracy of the ageing of the inventories listed in the system generated report to the goods received notes on a sampling basis; • Discussing with the management on the basis of determining the NRV and evaluate and assess the condition and marketability of the inventories, on a sampling basis; and • Assessing the sufficiency of allowance on obsolete and slow moving inventories made by management where the estimated NRV is lower than the cost with reference to the latest selling price, on a sampling basis.

OTHER INFORMATION

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

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

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

Independent Auditor's Report

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

Independent Auditor's Report

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

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

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

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

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

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

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

The engagement partner on the audit resulting in the independent auditor's report is Tan Wei Ming.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
26 March 2020

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2019

	NOTES	2019 HK$'000	2018 HK$'000
Revenue	6	**439,774**	472,535
Cost of sales		**(420,113)**	(448,937)
Gross profit		**19,661**	23,598
Other income		**853**	347
Other gains and losses	7	**(1,315)**	(564)
Selling and distribution expenses		**(8,916)**	(9,189)
Administrative expenses		**(15,123)**	(14,067)
Finance costs	8	**(163)**	(40)
(Loss) profit before tax	9	**(5,003)**	85
Income tax credit	10	**–**	12
(Loss) profit for the year		**(5,003)**	97
Other comprehensive income			
Item that will not be subsequently reclassified to profit or loss			
Loss from changes in fair value of equity instruments at fair value through other comprehensive income		**(795)**	(2,534)
Loss and total comprehensive expense for the year attributable to owners of the Company		**(5,798)**	(2,437)
(Loss) earnings per share	12		
– Basic (HK cents)		**(1.79)**	0.03
– Diluted (HK cents)		**(1.79)**	0.03

Consolidated Statement of Financial Position

At 31 December 2019

	NOTES	2019 HK$'000	2018 HK$'000
Non-current Assets			
Property, plant and equipment	13	3,356	649
Right-of-use assets	16	5,793	–
Equity instruments at fair value through other comprehensive income	17	13,989	14,638
		23,138	15,287
Current Assets			
Inventories	14	40,981	50,005
Trade and other receivables, deposits and prepayments	15	43,970	55,281
Tax receivable		1	–
Bank balances and cash	18	30,319	14,925
		115,271	120,211
Current Liabilities			
Trade payables, other payables and accruals	19	37,950	33,627
Contract liabilities	20	46	1,607
Lease liabilities	21	2,690	–
Tax payable		–	3
		40,686	35,237
Net Current Assets		74,585	84,974
Total Assets less Current Liabilities		97,723	100,261

Consolidated Statement of Financial Position

At 31 December 2019

	NOTES	2019 HK$'000	2018 HK$'000
Non-current Liability			
Lease liabilities	21	3,260	–
Net Assets		94,463	100,261
Capital and Reserves			
Share capital	22	28,000	28,000
Reserves		66,463	72,261
Equity attributable to owners of the Company and total equity		94,463	100,261

The consolidated financial statements on pages 39 to 89 were approved and authorised for issue by the board of directors on 26 March 2020 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 2019

	Attributable to the owners of the Company						
	Share capital HK$'000	**Share premium** HK$'000	**Special reserve** HK$'000 *(Note)*	**Share options reserve** HK$'000	**Investments reserve** HK$'000	**Retained profits** HK$'000	**Total** HK$'000
At 1 January 2018	28,000	2,522	3,497	7,418	245	61,016	102,698
Profit for the year	–	–	–	–	–	97	97
Loss from changes in fair value of equity instruments at fair value through other comprehensive income	–	–	–	–	(2,534)	–	(2,534)
Profit (loss) and total comprehensive income (expense) for the year	–	–	–	–	(2,534)	97	(2,437)
At 31 December 2018	28,000	2,522	3,497	7,418	(2,289)	61,113	100,261
Loss for the year	**–**	**–**	**–**	**–**	**–**	**(5,003)**	**(5,003)**
Loss from changes in fair value of equity instruments at fair value through other comprehensive income	**–**	**–**	**–**	**–**	**(795)**	**–**	**(795)**
Lapse of share options	**–**	**–**	**–**	**(283)**	**–**	**283**	**–**
Loss and total comprehensive expense for the year	**–**	**–**	**–**	**(283)**	**(795)**	**(4,720)**	**(5,798)**
At 31 December 2019	**28,000**	**2,522**	**3,497**	**7,135**	**(3,084)**	**56,393**	**94,463**

Note: The special reserve represents the contribution from SiS International Holdings Limited in relation to the acquisition of Synergy Technologies (Asia) Limited and the difference between the nominal value of the shares of the Company issued pursuant to the Group Reorganisation as set out in section headed "History and Reorganisation" of the Company's prospectus dated 31 December 2014 and the aggregate share capital of the companies comprising the Group as at the date of the Group Reorganisation.

Consolidated Statement of Cash Flows

For the year ended 31 December 2019

	2019 HK$'000	2018 HK$'000
OPERATING ACTIVITIES		
(Loss) profit before tax	**(5,003)**	85
Adjustments for:		
Depreciation of property, plant and equipment	**577**	400
Depreciation of right-of-use assets	**2,630**	–
Reversal of allowance on obsolete and slow moving inventories	**(353)**	(69)
Allowance for credit losses	**66**	284
Interest expense	**163**	40
Property, plant and equipment written off	**1,101**	–
Gain on derecognition of right-of-use assets and leases liabilities upon termination of leases	**(13)**	–
Operating cash flows before movements in working capital	**(832)**	740
Movements in working capital:		
Decrease (increase) in inventories	**9,377**	(16,887)
Decrease (increase) in trade and other receivables, deposits and prepayments	**11,717**	(25,789)
Increase in trade payables, other payables and accruals	**4,323**	305
(Decrease) increase in contract liabilities	**(1,561)**	1,504
CASH FROM (USED IN) OPERATIONS	**23,024**	(40,127)
Tax paid	**(4)**	(569)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	**23,020**	(40,696)
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(4,385)**	(74)
Purchase of equity instruments at fair value through other comprehensive income	**(146)**	(15,218)
Payments for rental deposits	**(472)**	–
NET CASH USED IN INVESTING ACTIVITIES	**(5,003)**	(15,292)
FINANCING ACTIVITIES		
Interest paid	**(163)**	(40)
New bank loans raised	**14,000**	6,214
Repayment of bank loans	**(14,000)**	(6,214)
Repayment of lease liabilities	**(2,460)**	–
NET CASH USED IN FINANCING ACTIVITIES	**(2,623)**	(40)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**15,394**	(56,028)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	**14,925**	70,953
CASH AND CASH EQUIVALENTS AT 31 DECEMBER, represented by bank balances and cash	**30,319**	14,925

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

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 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 31.

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

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

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

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

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

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

HKFRS 16 Leases

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

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

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

HKFRS 16 Leases (Continued)

Definition of a lease

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

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

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

As at 1 January 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities by applying HKFRS 16.C8(b)(ii) transition.

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

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

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

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

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

v. used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

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

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

HKFRS 16 Leases (Continued)

As a lessee (Continued)

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rate of the relevant group entity at the date of initial application. The incremental borrowing rate applied is 3%.

	At 1 January 2019 HK$'000
Operating lease commitments disclosed as at 31 December 2018	2,032
Lease liabilities discounted at the relevant incremental borrowing rate	1,990
Less: Recognition exemption – leases with terms ending within 12 months of the date of initial application	(47)
	1,943
Analysed as	
Current	1,287
Non-current	656
	1,943

Before the application of HKFRS 16, the Group considered refundable rental deposits paid as rights and obligations under leases to which HKAS 17 applied. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use of the underlying assets and should be adjusted to reflect the discounting effect at transition. As the discounting effect is not significant, no adjustment was made to the refundable rental deposits paid at date of initial application, 1 January 2019.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

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

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

HKFRS 16 Leases (Continued)

As a lessee (Continued)

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

	Carrying amounts reported at 31 December 2018 HK$'000	Adjustments HK$'000	**Carrying amounts under HKFRS 16 at 1 January 2019 HK$'000**
Non-current Assets			
Right-of-use assets	–	1,943	**1,943**
Current Liabilities			
Lease liabilities	–	1,287	**1,287**
Non-current Liabilities			
Lease liabilities	–	656	**656**

Note:

For the purpose of reporting cash flows from operating activities under indirect method for the year ended 31 December 2019, movements in working capital have been computed based on opening consolidated statement of financial position as at 1 January 2019 as disclosed above.

Accounting policies resulting from application of HKFRS 16 are disclosed in note 3.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

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

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17	Insurance Contracts[1]
Amendments to HKFRS 3	Definition of a Business[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1 and HKAS 8	Definition of Material[4]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[4]

1 Effective for annual periods beginning on or after 1 January 2021
2 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020
3 Effective for annual periods beginning on or after a date to be determined
4 Effective for annual periods beginning on or after 1 January 2020

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

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

Amendments to HKAS 1 and HKAS 8 Definition of Material

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

- include the concept of "obscuring" material information in which the effect is similar to omitting or misstating the information;

- replace threshold for materiality influencing users from "could influence" to "could reasonably be expected to influence"; and

- include the use of the phrase "primary users" rather than simply referring to "users" which was considered too broad when deciding what information to disclose in the financial statements.

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

Historical cost is generally based on the fair value of the consideration given in exchange 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 *Share-based Payment*, leasing transactions that are accounted for in accordance with HKFRS 16 (since 1 January 2019) or HKAS 17 (before application of HKFRS 16), and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

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 entirely, 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, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation (Continued)

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

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

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.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

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

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

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue from contracts with customers (Continued)

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

Leasing

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

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

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

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 2)

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone prices.

Short-term leases

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

Right-of-use assets

The cost of right-of-use asset includes:

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leasing (Continued)

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 2) (Continued)

Right-of-use assets (Continued)

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

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

Refundable rental deposits

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

Lease liabilities

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

The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable.

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leasing (Continued)

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

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

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

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. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

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

Financial assets

Classification and subsequent measurement of financial assets

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

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application of HKFRS 9/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income ("OCI") if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 *Business Combinations* applies.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(a) Amortised cost and interest income

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

(b) Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains or losses arising from changes in fair value recognised in OCI and accumulated in the investments reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to retained profits.

Dividends from these investments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "other income" line item in profit or loss.

Impairment of financial assets

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

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

The Group always recognises lifetime ECL for trade receivables. The ECL on trade receivables are assessed collectively using a provision matrix with appropriate groupings and individually for credit impaired balances.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

(a) Significant increase in credit risk

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

(b) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full.

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

(c) Credit-impaired financial assets

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

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

(d) Measurement and recognition of ECL

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

(d) Measurement and recognition of ECL (Continued)

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- nature of financial instruments (i.e. the Group's trade and other receivables are assessed as a separate group);
- past-due status;
- nature, size and industry of debtors; and
- external credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

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

The Group recognised an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables, where the corresponding adjustment is recognised through a loss allowance account.

(e) Write-off policy

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained profits.

Financial liabilities and equity instruments

Classification as debt or equity

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) are subsequently measured at amortised cost using the effective interest method.

Derecognition of financial liabilities

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment and right-of-use assets to determine whether there is any indication that 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.

The recoverable amount of property, plant and equipment and right-of-use assets are estimated individually. 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.

In addition, the Group assesses whether there is indication that corporate assets may be impaired. If such indicators exist, corporate assets are also allocated to individual cash-generating units, when a reasonable and consistent basis of allocation can be identified, 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 (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. The carrying amount of an asset is not reduced below the higher of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value ("NRV"). 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 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (''foreign currencies") are recognised at the rates of 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 arising on the settlement of monetary items, and on the retranslation of monetary items are recognised in profit or loss in the period in which they arise.

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.

Short-term and other long-term employee benefits

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

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

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities' carrying amounts resulting from service cost, interest and remeasurements are recognised in profit or loss except to the extent that another HKFRS requires or permits their inclusion in the cost of an asset.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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

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 ''(loss) 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation (Continued)

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.

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

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

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

In assessing any uncertainty over income tax treatments, the Group considers whether it is probable that the relevant tax authority will accept the uncertain tax treatment used, or proposed to be use by individual group entities in their income tax filings. If it is probable, the current and deferred taxes are determined consistently with the tax treatment in the income tax filings. If it is not probable that the relevant taxation authority will accept an uncertain tax treatment, the effect of each uncertainty is reflected by using either the most likely amount or the expected value.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key source of estimation uncertainty at the end of the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets within the next financial year.

Net realisable value of inventories

The cost of inventories is written down to net realisable value ("NRV") when the cost of inventories is not recoverable. The cost of inventories may not be recoverable if those inventories are damaged, if they have become wholly or partially obsolete, or if their selling prices have declined. When the net realisable value of an item of inventory is less than the carrying amount, the excess is written off immediately in the consolidated statement of profit or loss and other comprehensive income. The management's review and estimation of the NRV is primarily based on the ageing, conditions and marketability of the inventories. The Group carried out the inventory review at the end of the reporting period and made the necessary allowance on obsolete and slow moving items so as to write off or write down inventories to their NRVs. The carrying amount of inventories is HK$40,981,000 (2018: HK$50,005,000), net of allowance on obsolete and slow moving inventories of HK$187,000 (2018: HK$540,000) as at 31 December 2019.

Provision of ECL for trade receivables

The Group performed impairment assessment under the ECL model on trade receivables. The amount of ECL is updated at end of reporting period to reflect changes in credit risk since initial recognition. The ECL on trade receivables are assessed collectively using a provision matrix with appropriate groupings and individually for credit-impaired balances. The provision rates are based on days past due, nature, size and industry of debtors as groupings of various debtors that have similar loss patterns. The provision matrix is based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables are disclosed in notes 26 and 15.

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 executive directors of the Company, being the chief operating decision maker ("CODM") for the purposes of resource allocation and performance assessment focuses mainly on revenue analysis by brand. As no other discrete financial information other than the consolidated revenue and consolidated profit or the Group are provided to CODM, no segment information is presented other than entity-wide disclosures.

Major customer information

For the year ended 31 December 2019, no customers contributed over 10% of the total revenue of the Group (2018: one customer with total revenue of HK$92,029,000), 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 sales and distribution of mobile phones and related products.

For sales of mobile phones and related products, revenue is recognised at a point in time when control of the goods has transferred, being when the goods have been delivered to the customers. Following the delivery, the customers have full discretion over the manner of distribution and price to sell the goods, has the primary responsibility when on selling the goods and bears the risks of obsolescence and loss in relation to the goods. The average credit term is 30 days upon delivery.

7. OTHER GAINS AND LOSSES

	2019 HK$000	2018 HK$000
Exchange loss, net	**161**	280
Property, plant and equipment written off	**1,101**	–
Allowance for credit losses	**66**	284
Gain on derecognition of right-of-use assets and lease liabilities upon termination of leases	**(13)**	–
	1,315	564

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For the year ended 31 December 2019

8. FINANCE COSTS

	2019 HK$000	2018 HK$000
Interest on bank loans	20	40
Interest on leasing	143	–
	163	40

9. (LOSS) PROFIT BEFORE TAX

(Loss) profit before tax has been arrived at after charging (crediting):

	2019 HK$000	2018 HK$000
Auditor's remuneration	773	753
Directors' remuneration		
– Fees	960	960
– Salaries and other emoluments	2,937	3,028
– Contributions to retirement benefit scheme	35	42
	3,932	4,030
Other staff costs		
– Salaries and other emoluments	10,772	11,384
– Contributions to retirement benefit scheme	485	466
Total staff costs	15,189	15,880
Cost of inventories recognised as an expense (including net reversal of allowance on obsolete and slow moving inventories of HK$353,000 (2018: net reversal of allowance HK$69,000))	420,113	448,937
Depreciation of property, plant and equipment	577	400
Expenses related to short-term leases (2018: operating lease rentals in respect of rented premises)	282	1,605
Depreciation of right-of-use assets	2,630	–
Dividend income from equity instruments at FVTOCI	(459)	(329)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

10. INCOME TAX CREDIT

	2019 HK$000	2018 HK$000
Hong Kong:		
Current	–	18
Overprovision in prior year	–	(30)
	–	(12)

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

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

	2019 HK$000	2018 HK$000
(Loss) profit before tax	**(5,003)**	85
Tax at applicable statutory tax rate of 16.5%	**(825)**	14
Tax effects of two-tiered profits tax regime	–	(17)
Tax effects of deductible temporary differences not recognised	**(131)**	47
Tax effects of tax losses not recognised	**978**	272
Tax effect of utilisation of tax losses previously not recognised	**(12)**	(298)
Overprovision in prior year	–	(30)
Others	**(10)**	–
Income tax credit for the year	–	(12)

The Group has unutilised and unrecognised tax losses of approximately HK$22,910,000 (2018: HK$17,055,000) and unrecognised deductible temporary differences of approximately HK$43,000 (2018: assets of approximately HK$837,000) 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.

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For the year ended 31 December 2019

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

(a) Directors' remuneration

For the year ended 31 December 2019

Name of director	*Notes*	Directors' fees HK$'000	Salaries and other benefits HK$'000	Contributions to retirement benefit scheme HK$'000	Total HK$'000
Fong Po Kiu	*(a)*	120	1,403	18	1,541
Lim Kiah Meng	*(a)*	120	1,200	–	1,320
Lim Kia Hong	*(b)*	120	–	–	120
Lim Hwee Hai	*(b)*	120	–	–	120
Wong Yi Ting	*(a)*	120	334	17	471
Chu Chung Yi	*(c)*	120	–	–	120
Doe Julianne Pearl	*(c)*	120	–	–	120
Ng See Wai Rowena	*(c)*	120	–	–	120
		960	2,937	35	3,932

Notes:

(a) Executive Director

(b) Non-executive Director

(c) Independent Non-executive Director

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

(a) Directors' remuneration (Continued)

For the year ended 31 December 2018

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	*(a)*	120	1,250	116	18	1,504
Lim Kiah Meng	*(a)*	120	1,200	100	8	1,428
Lim Kia Hong	*(b)*	120	–	–	–	120
Lim Hwee Hai	*(b)*	120	–	–	–	120
Wong Yi Ting	*(a)*	120	334	28	16	498
Chu Chung Yi	*(c)*	120	–	–	–	120
Doe Julianne Pearl	*(c)*	120	–	–	–	120
Ng See Wai Rowena	*(c)*	120	–	–	–	120
		960	2,784	244	42	4,030

Notes:

(a) Executive Director

(b) Non-executive Director

(c) Independent Non-executive Director

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 for both years.

The performance bonuses are determined based on the financial performance and resources of the Group and the performance of the individual directors. No performance bonuses were granted for the year ended 31 December 2019.

The emoluments of executive directors shown above were for their services in connection with the management of the affairs of the Company and the Group for both years.

The non-executive directors and independent non-executive director shown above were for their service in connection with the management of the affairs of the Company for both years.

There was no arrangement under which a director or the chief executive waived or agreed to waive any emoluments during the year ended 31 December 2018 and 2019.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

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

(b) Five highest paid individuals

The five highest paid individuals included two (2018: two) directors of the Company whose emolument are included in the disclosure above. The emoluments of the remaining three (2018: three) individual for the years ended 31 December 2019 and 2018 are as follows:

	2019 HK$000	2018 HK$000
Salaries and other benefits	1,685	2,125
Performance bonuses *(Note)*	–	125
Contributions to retirement benefit scheme	50	52
	1,735	2,302

Note: The performance bonuses are determined based on the financial performance and resources of the Group and the performance of the individual. No performance bonuses is granted for the year ended 31 December 2019.

Their emoluments were within the following bands:

	2019	2018
HK$1,000,001 to HK$1,500,000	–	1
HK$Nil to HK$1,000,000	3	2
	3	3

12. (LOSS) EARNINGS PER SHARE

The calculation of the basic and diluted (loss) earnings per share is based on the Group's loss attributable to owners of the Company of HK$5,003,000 (2018: profit of HK$97,000) and the weighted average number of ordinary shares of 280,000,000 (2018: 280,000,000).

The computation of the diluted (loss) earnings per share 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 for both years.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

13. PROPERTY, PLANT AND EQUIPMENT

	Furniture and fittings HK$000	Office equipment HK$000	Office renovations HK$000	Total HK$000
COST				
At 1 January 2018	49	319	1,239	1,607
Additions	–	74	–	74
Written off	–	(67)	–	(67)
At 31 December 2018	**49**	**326**	**1,239**	**1,614**
Additions	**175**	**59**	**4,151**	**4,385**
Written off	**(10)**	**(82)**	**(2,093)**	**(2,185)**
At 31 December 2019	**214**	**303**	**3,297**	**3,814**
ACCUMULATED DEPRECIATION				
At 1 January 2018	49	294	289	632
Charge for the year	–	20	380	400
Written off	–	(67)	–	(67)
At 31 December 2018	**49**	**247**	**669**	**965**
Charge for the year	**7**	**31**	**539**	**577**
Written off	**(10)**	**(73)**	**(1,001)**	**(1,084)**
At 31 December 2019	**46**	**205**	**207**	**458**
CARRYING VALUES				
At 31 December 2019	**168**	**98**	**3,090**	**3,356**
At 31 December 2018	–	79	570	649

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

Furniture and fittings	3–5 years
Office equipment	3–4 years
Office renovations	Shorter of lease term or 5 years

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

14. INVENTORIES

	2019 HK$000	2018 HK$000
Finished goods	**41,168**	50,545
Allowance on obsolete and slow moving inventories	**(187)**	(540)
	40,981	50,005

During the year, net reversal of allowance on obsolete and slow moving inventories of HK$353,000 (2018: net reversal of allowance of HK$69,000) has been recognised in the profit or loss. The reversal relates to an allowance no longer required on the subsequent sales of certain inventories which indicated that the circumstance that previously caused inventories to be written down below cost no longer exists.

15. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2019 HK$000	2018 HK$000
Trade receivables	**16,444**	25,075
Allowance for credit losses	**(25)**	(284)
	16,419	24,791
Other receivables	**25,868**	16,817
Rental deposits	**850**	378
Other deposits	**27**	11,118
Prepayments	**806**	2,177
	27,551	30,490
	43,970	55,281

Other receivables that are denominated in United States Dollar ("US$"), currency other than the functional currency of the Group amounted to HK$731,000 (2018: HK$1,209,000). At 31 December 2018, included in other deposits is an amount of HK$10,938,000 (2019: HK$Nil) which represents refundable deposits paid to a supplier for purchase of goods.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

15. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONTINUED)

The following is an aged analysis of trade receivables, net of allowance for credit losses, presented based on the invoice date at the end of each reporting period.

The aging of trade receivables is as follows:

	2019 HK$000	2018 HK$000
Within 30 days	**12,162**	14,818
31–60 days	**3,715**	7,725
61–90 days	**221**	2,208
91–120 days	**308**	40
Over 120 days	**13**	–
Total	**16,419**	24,791

As at 31 December 2019, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK$5,166,000 (2018: HK$10,488,000) which are past due as at the reporting date. Out of the past due balances, HK$13,000 (2018: HK$1,000) has been past due 90 days or more and is not considered as in default after considering the creditworthiness and repayment history of these debtors. The Group does not hold any collateral over these balances.

Movement in the allowance for credit losses deducted from the trade receivable are as follows:

	HK$'000
As at 1 January 2018	—
Credit-impaired	(284)
At 1 January 2019	(284)
Credit-impaired	(66)
Written off	325
At 31 December 2019	(25)

Details of impairment assessment of trade and other receivables are set out in note 26.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

16. RIGHT-OF-USE ASSETS

	Leased properties HK$'000
As at 1 January 2019	
Carrying amount	**1,943**
As at 31 December 2019	
Carrying amount	**5,793**
For the year ended 31 December 2019	
Depreciation charge	**2,630**

Expenses related to short-term leases with lease terms end within 12 months of the date of initial application of HKFRS 16 and short-term leases	282
Total cash outflow for leases	2,885
Additions to right-of-use assets	7,128

During the year, the Group entered into two new lease contracts for an office and a warehouse for its operations. Lease contracts are entered into for fixed term for fixed payment of 11 months to 19 months with a subsidiary of its immediate holding company but may have extension options as described below. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable. There is no variable lease payments nor restrictions or covenants included in these lease agreements.

The Group has extension options in two leases for office and warehouse. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. Additional lease liabilities recognised during the year ended 31 December 2019 as a result of the extension option is HK$3,790,000.

Lease liabilities of HK$5,950,000 are recognised with related right-of-use assets of HK$5,793,000 as at 31 December 2019. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor and the relevant leased assets may not be used as security for borrowing purposes.

Details of the lease maturity analysis of lease liabilities are set out in notes 21 and 26.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

17. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2019 HK$000	2018 HK$000
Listed investments:		
– Equity securities listed overseas	**4,089**	4,989
– Equity securities listed in Hong Kong	**9,900**	9,649
Total	**13,989**	14,638

Note: The above listed equity investments represent ordinary shares of entities listed in overseas and Hong Kong. These investments are not held for trading, instead, they are held for long-term strategic purposes. The directors of the Company have elected to designate these investments in equity instruments as at FVTOCI as they believe that recognising short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes and realising their performance potential in the long run.

18. BANK BALANCES AND CASH

Bank balances carry interest at market rates ranging from 0.001% to 2.6% (2018: 0.001% to 0.01%) per annum with an original maturity of three months or less for both years.

Bank balances that are denominated in US$, currency other than the functional currency of the Group, amounted to HK$1,416,000 (2018: HK$1,549,000).

19. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

	2019 HK$000	2018 HK$000
Trade payables	**27,340**	23,612
Accrued staff costs	**1,853**	3,114
Accruals	**6,692**	5,828
Others	**2,065**	1,073
	37,950	33,627

The average credit period on purchase of goods is 15 to 45 days. Trade payables and other payables that are denominated in US$, currency other than the functional currency of the Group amounted to HK$7,210,000 (2018: HK$8,827,000).

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

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For the year ended 31 December 2019

19. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS (CONTINUED)

The aging of trade payables is as follows:

	2019 HK$000	2018 HK$000
Within 30 days	18,250	15,353
31 to 90 days	2,553	1,976
91 to 120 days	1	–
Over 120 days	6,536	6,283
	27,340	23,612

20. CONTRACT LIABILITIES

As at 1 January 2018, contract liabilities amounted to HK$103,000.

During the year ended 31 December 2019, the Group has recognised revenue of HK$1,607,000 (2018: HK$103,000) that was included in the contract liabilities balance at the beginning of the year.

	2019 HK$000	2018 HK$000
Sales and distribution of mobile phones and related products	46	1,607

The Group receives deposits from certain customers when they issues purchase order. This results in contract liabilities being recognised until the control of the mobile phones and related products is passed to the customers.

21. LEASE LIABILITIES

	2019 HK$'000
Lease liabilities payable:	
– Within one year	2,690
– Within a period of more than one year but not more than two years	2,792
– Within a period of more than two years but not more than five years	468
	5,950
Less: Amount due for settlement with 12 months shown under current liabilities	(2,690)
Amount due for settlement after 12 months shown under non-current liabilities	3,260

22. SHARE CAPITAL

	Number of ordinary shares of HK$0.10 each	Nominal value HK$'000
Authorised		
At 1 January 2018, 31 December 2018 and 2019	500,000,000	50,000
Issued and fully paid		
At 1 January 2018, 31 December 2018 and 2019	280,000,000	28,000

23. 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.

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.

No options were granted by the Company during the years ended 31 December 2019 and 2018.

The Group did recognise any expenses for both years in relation to the 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

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23. SHARE-BASED PAYMENTS (CONTINUED)

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

	Outstanding at 1 January 2018 and 31 December 2018	Lapsed	**Outstanding at 31 December 2019**
Grantee			
Directors	6,390,000	–	**6,390,000**
Employees	1,500,000	(300,000)	**1,200,000**
	7,890,000	(300,000)	**7,590,000**
Exercisable at the end of the year	7,890,000		**7,590,000**

Note: During the year ended 31 December 2019, 300,000 share options for certain full-time employees lapsed after their vesting dates upon their resignation.

For share options outstanding at the end of the reporting period, the weighted average exercise prices is HK$2.36 (2018: HK$2.36) and weighted average remaining contractual life is 3.5 years (2018: 4.5 years).

24. DIVIDEND

No dividend or distribution has been declared or made by the Company during the year ended 31 December 2019 and up to the date of issue of these consolidated financial statements.

25. 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 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.

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26. FINANCIAL INSTRUMENTS, CAPITAL AND RISK MANAGEMENT POLICIES

26a. Categories of financial instruments

	2019 HK$'000	2018 HK$'000
Financial assets		
Amortised cost	**72,606**	67,471
Equity instruments at FVTOCI	**13,989**	14,638
Financial liabilities		
Amortised cost	**29,405**	24,685

26b. Financial risk management objective and policies

The Group's major financial instruments include trade and other receivables, trade and other payables, lease liabilities, equity instruments at FVTOCI and bank balances and cash. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (foreign currency risk, interest rate risk and price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Interest rate risk

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

Sensitivity analysis

As the cash flow for interest rates on bank deposits is minimal, no sensitivity analysis was prepared and reported to the management.

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.

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

26b. Financial risk management objective and policies (Continued)

Foreign exchange risk (Continued)

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:

	2019 **HK$'000**	2018 HK$'000
Assets	**2,147**	2,758
Liabilities	**7,210**	8,827

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.

Price risk

The Group is exposed to equity price risk through its investment in listed equity securities. The management closely keeps watch of the price changes and takes appropriate action when necessary.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risk at the end of the reporting period.

If the price of the respective listed equity securities classified as equity instruments at FVTOCI had been 10% (2018: 10%) higher/lower, the Group's equity instruments at FVTOCI and investment reserve would increase/decrease by HK$1,399,000 (2018: HK$1,464,000).

Credit risk and impairment assessment

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.

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

26b. Financial risk management objective and policies (Continued)

Credit risk and impairment assessment (Continued)

Trade receivables arising from contracts with customers

In order to minimise the credit risk, the management of the Group has delegated certain staffs responsible for determination of credit limits and credit approvals. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In addition, the Group performs impairment assessment under ECL model on trade receivables collectively with appropriate grouping and individually for credit-impaired balances.

The Group has concentration of credit risk over its trade receivables of which 51% (2018: 56%) 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.

Other receivables/bank balances

The credit risks on bank balances are limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Other receivables are considered low risk as these debtors are subsidiaries of high credit rating companies. Thus, no loss allowance for other receivables was recognised as the amount was not significant.

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

Internal credit rating	Description	Trade receivables	Other financial assets
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL – not credit-impaired	12m ECL
Watch list	Debtor frequently repays after due dates but usually settle in full	Lifetime ECL – not credit-impaired	12m ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

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

26b. Financial risk management objective and policies (Continued)

Credit risk and impairment assessment (Continued)

The tables below detail the credit risk exposures of the Group's financial assets, which are subject to ECL assessment:

	Notes	External credit rating	Internal credit rating	12m or lifetime ECL	Gross carrying amount 2019 HK$'000	Gross carrying amount 2018 HK$'000
Trade receivables	*15*	N/A	Low risk *(Note a)*	Lifetime ECL	**14,097**	23,744
		N/A	Watch list *(Note a)*	Lifetime ECL	**2,322**	1,047
		N/A	Loss *(Note a)*	Lifetime ECL credit-impaired	**25**	284
Other receivables	*15*	N/A	Low risk *(Note b)*	12m ECL	**25,868**	16,817
Deposits	*15*	N/A	Low risk *(Note c)*	12m ECL	**–**	10,938
Bank balances	*18*	AA- *(Note d)*	Low risk	12m ECL	**30,290**	14,675

Notes:

a. Except for debtors that are credit-impaired, the Group determined the expected credit losses on the trade receivables collectively using grouping of various debtors that have similar repayment and loss patterns. Estimated loss rates are based on internal credit ratings, computed with reference to historical credit loss experience. Debtors that are large scale and/or with long business relationship with good repayment history are considered as low risk and a minimal default rate is assigned, while debtors which usually settle one to three months after due dates are considered as watch list and a low default rate is assigned.

b. Other receivables amounted to HK$25,868,000 (2018: HK$16,817,000) are not past due or with no fixed repayment terms. The amount mainly represents rebate receivables from suppliers. It has a low risk of default since the counterparties are subsidiaries of high-credit rating companies.

c. For deposits, the counterparty has a low risk of default since the counterparty is a wholly-subsidiary of a high-credit rating company listed in Japan.

d. For bank balances, the ECL is assessed by reference to probability of default, loss given default by credit rating grades published by international credit rating agencies.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

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

26b. Financial risk management objective and policies (Continued)

Credit risk and impairment assessment (Continued)

Based on the ECL assessment, except for credit-impaired, no credit loss allowance was recognised for the financial assets (including trade and other receivables and bank balances) since the ECL amount is not significant.

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. The maturity dates of financial liabilities are based on the agreed repayment dates:

Liquidity tables

	Weighted average effective interest rate %	On demand or within 1 year HK$'000	1 to 2 year HK$'000	Over 2 years HK$'000	Total undiscounted cash flows HK$'000	Total carrying amount HK$'000
At 31 December 2019						
Financial liabilities						
Non-interest bearing						
Trade and other payables	–	29,405	–	–	29,405	29,405
Lease liabilities	3.0	2,830	2,830	472	6,132	5,950
		32,235	2,830	472	35,537	35,355

	Weighted average effective interest rate %	On demand or within 3 months HK$'000	Total undiscounted cashflow HK$'000	Total HK$'000
At 31 December 2018				
Financial liabilities				
Non-interest bearing				
Trade and other payables	–	24,685	24,685	24,685

The above table has been drawn up based on the undiscounted cash flows of financial liabilities (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 2019

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

26b. Financial risk management objective and policies (Continued)

Fair values

Fair values of the Group's financial assets and financial liabilities that are measured at fair values on a recurring basis

Some of the financial assets are measured at fair value at the end of each reporting period. The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Fair value measurements recognised in the consolidated statement of financial position

At 31 December 2019

	Fair value hierarchy Level 1 HK$'000
Listed securities classified as Equity instruments at FVTOCI	**13,989**

At 31 December 2018

	Fair value hierarchy Level 1 HK$'000
Listed securities classified as Equity instruments at FVTOCI	14,638

The fair values of listed securities are determined with reference to quoted market bid prices from relevant stock exchanges.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

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

26b. Financial risk management objective and policies (Continued)

Fair values (Continued)

There were no transfers between Levels 1, 2 and 3 during the year.

The carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate to their fair values which are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

27. 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 immediate holding company

(i) The Group paid license fee to its immediate holding company of HK$12,000 (2018: HK$12,000) during the year.

(ii) During the year ended 31 December 2019, the Group entered into two lease contracts with a fellow subsidiary for an office and warehouse (2018: Nil). The monthly rent payable by the Group under the leases are HK$116,000 and HK$120,000 respectively, the rental being determined by reference to market rental in Hong Kong. At the commencement date of the leases, the Group recognised a right-of-use asset and lease liability of HK$7,128,000 in respect to the leases. For further details, please refer to note 16.

(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 11.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

28. OPERATING LEASES

At the year ended 31 December 2018, the Group had commitments for future minimum lease payments under non- cancellable operating leases which fall due as follows:

	2018 HK$'000
Within one year	1,370
In the second to fifth year inclusive	662
	2,032

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

29. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Bank loans HK$'000	Lease liabilities HK$'000	Total HK$'000
At 1 January 2018	–	–	–
Cash inflow (outflow):			
Interest expense	40	–	40
Financing cash flows	(40)	–	(40)
At 31 December 2018	–	–	–
Adjustment upon application of HKFRS 16	–	1,943	1,943
At 1 January 2019 (restated)	**–**	**1,943**	**1,943**
Cash inflow (outflow):			
Interest expense	**20**	**143**	**163**
Financing cash flows	**(20)**	**(2,603)**	**(2,623)**
New leases entered – non cash transaction	**–**	**7,128**	**7,128**
Derecognition of leases liabilities upon termination of leases – non cash transaction	**–**	**(661)**	**(661)**
At 31 December 2019	**–**	**5,950**	**5,950**

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

30. FINANCIAL POSITION OF THE COMPANY

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

	2019 HK$'000	2018 HK$'000
Non-current Assets		
Interest in unlisted subsidiaries	**102,000**	102,000
Equity instruments at fair value though other comprehensive income	**13,989**	14,638
	115,989	116,638
Current Assets		
Other receivables and prepayments	**150**	225
Bank balances	**1,059**	664
	1,209	889
Current Liabilities		
Payables and accruals	**1,465**	1,450
Amounts due to subsidiaries	**12,913**	11,122
	14,378	12,572
Net Current Liabilities	**(13,169)**	(11,683)
Net Assets	**102,820**	104,955
Capital and Reserves		
Share capital	**28,000**	28,000
Share premium	**2,522**	2,522
Other reserves (Note below)	**72,298**	74,433
Total Equity	**102,820**	104,955

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

30. FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Note: The movement in other reserves are presented below:

	Accumulated losses HK$'000	Special reserve HK$'000	Share options reserve HK$'000	Investments reserve HK$'000	Total HK$'000
At 1 January 2018	(31,077)	101,999	7,418	245	78,585
Loss and total comprehensive expense for the year	(1,618)	–	–	–	(1,618)
Loss from changes in fair value of equity instruments at FVTOCI	–	–	–	(2,534)	(2,534)
At 31 December 2018	**(32,695)**	**101,999**	**7,418**	**(2,289)**	**74,433**
Loss and total comprehensive expense for the year	**(1,340)**	**–**	**–**	**–**	**(1,340)**
Loss from changes in fair value of equity instruments at FVTOCI	**–**	**–**	**–**	**(795)**	**(795)**
Lapse of share options	**283**	**–**	**(283)**	**–**	**–**
At 31 December 2019	**(33,752)**	**101,999**	**7,135**	**(3,084)**	**72,298**

31. 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/ operation	Issued and fully paid ordinary share capital	Proportion of nominal value of issued capital 2019 %	Proportion of nominal value of issued capital 2018 %	Principal activities
Direct subsidiaries:					
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 and IT products
Indirect subsidiary:					
Sun Well Limited	Hong Kong	HK$1	**100**	100	Sales of mobile phone and related products

31. PARTICULAR OF SUBSIDIARIES (CONTINUED)

None of the subsidiaries had issued any debt securities at the end of the reporting period.

The directors of the Company are of the opinion that a complete list of the particulars of all subsidiaries of the Group will be of excessive length and therefore the above list contains only the particulars of subsidiaries which principally affect the results or assets of the Group.

32. EVENTS AFTER THE REPORTING PERIOD

Arising from the COVID-19 outbreak in early 2020, a series of precautionary and control measures have been and continued to be implemented across the globe. The Group is paying close attention to the development of the COVID-19 outbreak and evaluate its impact on the financial position, cash flows and operating results of the Group. Demand for mobility products remained sluggish and fair values of equity instruments at fair value through profit or loss have decreased at the date on which these consolidated financial statements are authorised for issue. The actual financial effects, if any, will be reflected in the Group's future financial statements.

Financial Summary

RESULTS

	For the year ended 31 December				
	2015 HK$'000	2016 HK$'000	2017 HK$'000	2018 HK$'000	**2019 HK$'000**
Revenue	832,452	615,997	445,911	472,535	**439,774**
Profit (loss) before taxation	2,979	(7,767)	1,904	85	**(5,003)**
Income tax (expense) credit	(2,338)	43	(584)	12	**–**
Profit (loss) for the year	641	(7,724)	1,320	97	**(5,003)**
Attributable to Owners of the Company	641	(7,724)	1,320	97	**(5,003)**

ASSETS AND LIABILITIES

	At 31 December				
	2015 HK$'000	2016 HK$'000	2017 HK$'000	2018 HK$'000	**2019 HK$'000**
Total assets	157,394	137,741	136,707	135,498	**138,409**
Total liabilities	(52,281)	(37,667)	(34,009)	(35,237)	**(43,946)**
Net assets	105,113	100,074	102,698	100,261	**94,463**
Attributable to Owners of the Company	105,113	100,074	102,698	100,261	**94,463**