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

ANNUAL REPORT 2020

*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
Registered Public Interest Entity Auditors

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

Windward 3
Regatta Office Park
PO Box 1350
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.
Windward 3
Regatta Office Park
PO Box 1350
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

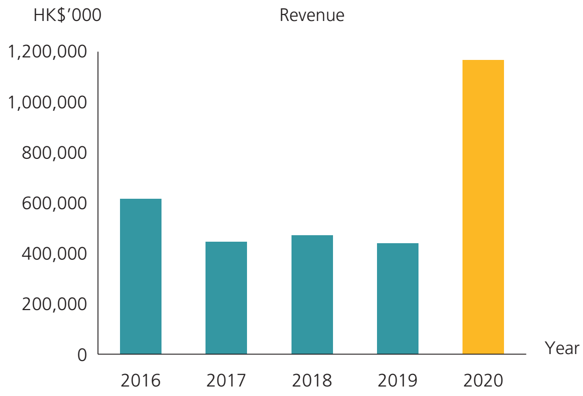
Chairman's Statements

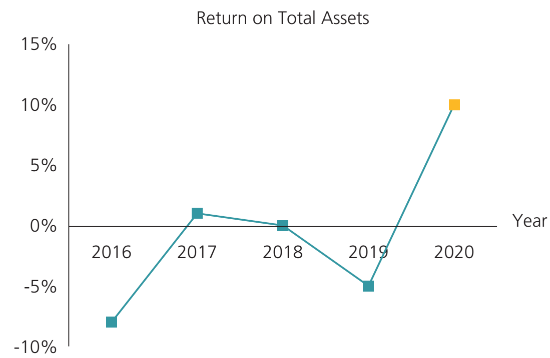
Dear Shareholders,

I am pleased to present the financial results of the Group for the year ended 31 December 2020.

RESUTLS

Revenue for the period ending 31 December 2020 increased 165% to HK$1,166,222,000. Net Profit attributable to the owners of the Company for the year ended 31 December 2020 amounted to HK$10,830,000 as compared to a net loss of HK$5,003,000 in the corresponding year.





BUSINESS REVIEW

The pandemic induced a "new normal" lifestyle for office workers. The Group opened up new channels with many of its online business partners in the area of e-commerce business to capture the increasing demand for office equipment such as laptops, tablets, high quality headphones and other IT peripherals & devices as more office workers moved to work remotely. In addition, the Group continued to expand its mobile phone range and added onto it various 5G devices and high performance phone models with the advent of 5G technology.

PROSPECT

Given the uncertainty brought about by the Covid-19 pandemic and the global economic outlook, the Group will continue to implement stringent cost controls and find ways to trim operations and non-essential costs.

Business and way of life will not be the same again. We are closely monitoring the change and transition. The Group will continue to build new ways of doing business to generate revenue for long term sustainability.

The directors are cautiously moving ahead. The global roll-out of vaccines against the novel coronavirus is expected to gradually lift business and bring about greater optimum and boost consumer confidence.

Chairman's Statements

APPRECIATION

Covid-19 pandemic has presented unprecedented challenges to both individual's health and businesses. We would like to express our sincere appreciation to our committed staff for their contributions and hardworking, together with our customers, business partners and shareholders and directors for their support in SiS Mobile during this time; it is to their credit that we could continue to run our business without significant disruptions in these difficult times.

Lim Kia Hong
Chairman
Hong Kong, 25 March 2021

One of the market leaders in the mobile phones distribution business in Hong Kong supported by a sizable and growing distribution network

Wide and diversified customer base with long and established relationships with distribution customers

Established relationship with major suppliers

Experienced management team with proven track record and focus on human capital

Management Discussion and Analysis

FINANCIAL REVIEW

For the financial year ended 31 December 2020, revenue of the Group amounted to HK$1,166,222,000 (2019: HK$439,774,000), representing an increase of 165% compared to that of last year. This was mainly attributable to the Group actively adjusted its sales strategies to expand product range as well as sales channels. Despite gross profit margin of smartphone products were challenging, the net profit of the Company was HK$10,830,000 whereas a net loss of HK$5,003,000 was recorded for last year.

During the year, the Group's total operating expenditures for the year amount to HK$27,001,000 (2019: HK$24,202,000), representing an increase of 12% compared to that of last year. That was mainly because of increase in logistic and staff costs when sale revenue grew.

The carrying amount of inventory as at 31 December 2020 amounted to HK$28,460,000, representing a decrease of 31% compared to beginning of the year after taking necessary steps to control inventory to a healthier level.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2020, the Group had total assets of HK$165,388,000 which were financed by total equity of HK$104,666,000 and total liabilities of HK$60,722,000. The Group had current ratio of approximately 2.5 compared to that of approximately 2.8 at 31 December 2019.

As at 31 December 2020 the Group had HK$57,489,000 (31 December 2019: HK$30,319,000) bank balances and cash. The Group's working capital requirements were mainly financed by internal resources and bank borrowings. As at 31 December 2020 and 2019, the Group did not have any borrowings.

At the end of December 2020, the Group had net cash surplus of HK$57,489,000 (31 December 2019: HK$30,319,000).

CHARGES ON GROUP ASSETS

There was no pledged asset as at 31 December 2020 (31 December 2019: 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 2020, as a result of market volatility in both USA and Hong Kong stock markets. The fair value loss HK$627,000 (2019: HK$795,000) 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 2020, there was no addition or disposal to the portfolio and the Group received dividend income of HK$297,000 (2019: HK$459,000).

Management Discussion and Analysis

List of investments as at 31 December 2020:

Stock Code	Stock Name	As at 31.12.2020 # of share	Fair Value HK$'000	Fair Value Gain/(Loss) credited/(charged) to Investment Reserve during 2020 HK$'000	% to total assets
FEYE:US	Fire Eye Inc.	10,000	1,799	509	1.1%
NTNX.US	Nutanix Inc.	11,480	2,854	55	1.7%
1299.HK	AIA Group Limited	25,000	2,375	330	1.4%
939.HK	China Construction Bank, Inc.	300,000	1,767	(252)	1.1%
6823.HK	HKT Limited	100,000	1,006	(92)	0.6%
11.HK	Hang Seng Bank Limited	15,000	2,005	(410)	1.2%
5.HK	HSBC Holdings Plc	38,178	1,556	(767)	0.9%
			13,362	(627)	8.1%

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

The number of staff of the Group as at 31 December 2020 was 39 (31 December 2019: 39) and the salaries and other benefits paid and payable to employees, excluding Directors' emoluments, amounted to HK$12,697,000 (31 December 2019: HK$11,257,000). In addition to the mandatory 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. 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 2020, the Group did not have any contingent liabilities or guarantees (31 December 2019: 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 is 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 22 to 23 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 ranging from two to three years and is subject to re-election by the Company at an annual general meeting upon retirement.

Each 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 has 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 Directors 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 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

DIRECTORS NOMINATION POLICY (CONTINUED)

Subject to the provisions in the Company's articles of association ("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; and
- 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 2020 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 2020, 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

REMUNERATION COMMITTEE (CONTINUED)

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 2020 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 2020 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 2020, 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 2020:

	General Meeting	Board	Audit Committee	Nomination Committee	Remuneration Committee
Number of meetings during the year	1	7	4	2	1
Executive Directors					
Lim Kiah Meng	1	7	n/a	2	1
Fong Po Kiu	1	7	n/a	n/a	n/a
Wong Yi Ting	1	7	n/a	n/a	n/a
Non-Executive Directors					
Lim Kia Hong	1	7	n/a	2	1
Lim Hwee Hai	—	6	n/a	n/a	n/a
Independent Non-Executive Directors					
Chu Chung Yi	1	7	4	2	1
Ng See Wai Rowena	1	7	4	2	1
Doe Julianne Pearl	1	7	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 in place an internal audit function, whereby 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 2020 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 2020, the Company organised 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, an associate of Hong Kong Institute of Chartered Secretaries and The Chartered Governance Institute. She has complied the 15 hours of relevant professional training requirements under the Rule 3.29 of the Listing Rules for the year ended 31 December 2020.

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 2020, 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 general 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 (www.hkexnews.hk) immediately after the relevant general meetings.

Environmental, Social and Governance Report

ENVIRONMENTAL

Unless otherwise specified, the environmental data covers all the Group's operation which is 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 distributors in Hong Kong. Products are provided by renowned suppliers. The operations of the Group do not have significant impact to the environment. There is no generation of hazardous waste as we are not manufacturers and there is no vehicle owned or controlled by the Group for operations. Office and warehouse are leased and delivery service is outsourced for cost effectiveness.

However, the Group takes 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.

Indirect emission is mainly from paper usage, amounted to 5.6 tonnes (2019: 4.6 tonnes).

Emission	**FY2020**	FY2019
Purchased electricity	**74 tonnes**	63 tonnes
Total greenhouse gas emission	**80 tonnes**	68 tonnes

Non-hazardous waste produced (paper waste, printer cartridges, tonner bottle) was 1,165 kg (2019: 788 kg).

USE OF RESOURCES

For year 2020, electricity consumption was 118,193 kWh, 18% higher than 99,787 kWh in 2019 because operation scale has been increased and the Group leases more operation area during the year.

Water consumption increased 33% to 132 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, tablets, monitors and laptops are covered in the "Regulated Electrical Equipment" ("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. Our removal service plan is endorsed by the Environmental Protection Department for selling REE. During the year, 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 compliant 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 so as to maintain a healthy lifestyle. Number of staff was remained the same as last year. As at 31 December 2020, 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
Below 30	1	—	1
30 to 50	11	18	29
Over 50	6	3	9
Total no. of staffs	18	21	39

Environmental, Social and Governance Report

SOCIAL (CONTINUED)

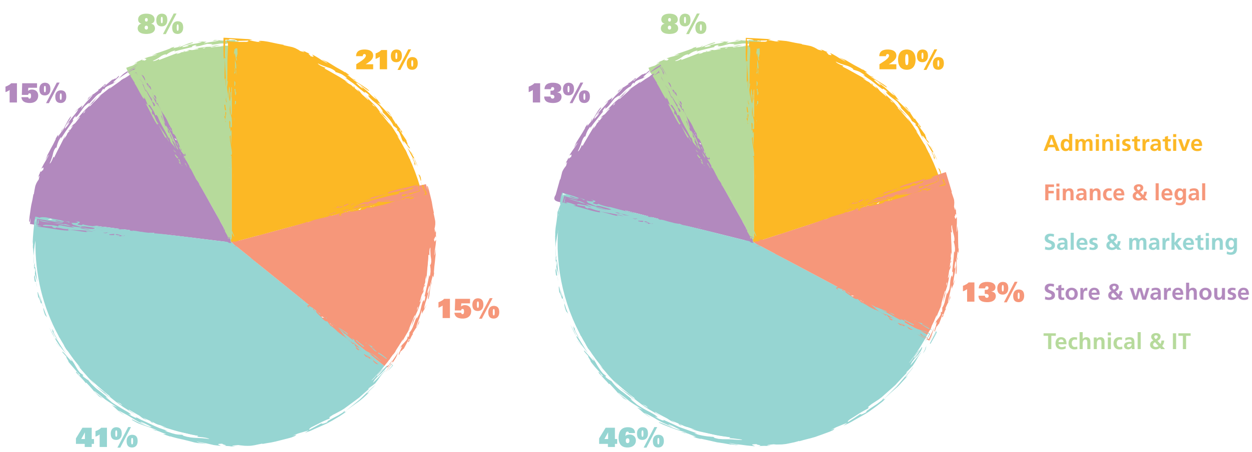
Employment and Labour Practices (Continued)

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

To attract, motivate and retain experienced 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.

Workforce by function:

FY2020 FY2019



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.

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 daily before entering the Company area for all staffs and visitors, encourage wash hand frequently, and virus tests if suspection etc., stopped overseas business trip and 14-days quarantine when required.

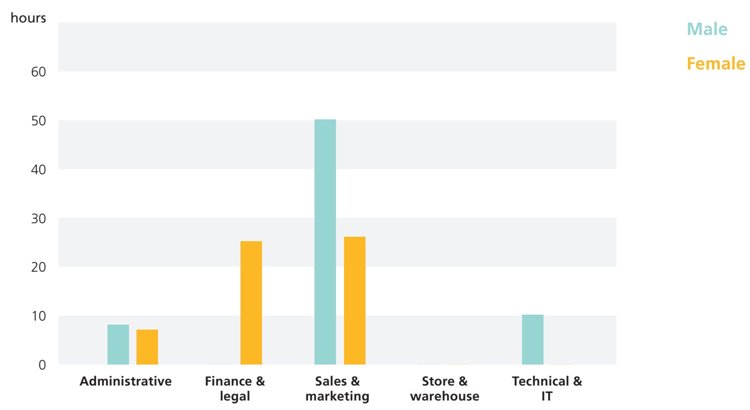
Environmental, Social and Governance Report

DEVELOPMENT AND TRAINING

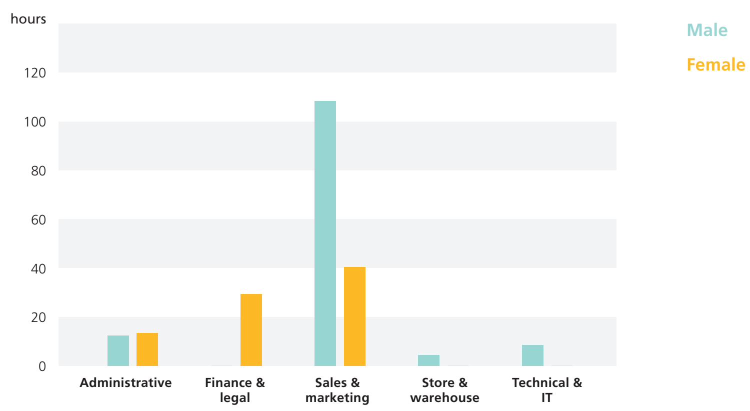
As a distributor of renowned brands mobile phones and related products in Hong Kong, our sales force and technical staffs processes broad knowledge of mobile phones in order to provide the best services to our resellers. We work closely with suppliers to keep our sales teams updated on the latest technology 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 2020 was 126 hours (2019: 213 hours) for 72% staffs (2019: 93%), average 4.5 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 2020:



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. Each applicant is also required to provide document proofs of academic qualifications and working experience for verifications. Any applicant who is suspected to have false academic qualifications and working experience will not be employed. The Group enters into 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 and mobility products of 5 internationally renowned brands from our suppliers. 100% (2019: 95%) finished goods were supplied domestically, in 2019 the remaining was supplied from the PRC and Netherlands.

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.

Suppliers of products provide warranty on the products they supply to the Group for distribution. Suppliers are responsible for provided 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 2020.

Environmental, Social and Governance Report

PRODUCT RESPONSIBILITY (CONTINUED)

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 regulations 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.

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 2020, no donation was made due to the uncertainty of business environment.

Directors' and Senior Management Profiles

Directors Profile

Mr. LIM Kia Hong, aged 64, 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 shares are 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 67, 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 52, 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 46, 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. She is also an associate of Hong Kong Institute of Chartered Secretaries and The Chartered Governance Institute. 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 71, 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. From September 2013 to May 2018. Mr. Lim was an independent non-executive director of Valuemax Group Limited, a company whose shares are listed on the Stock Exchange of Singapore. 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 54, 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 58, 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 58, 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 2020.

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 2020 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 2020 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 92. The summary does not form a part of the audited consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group spent HK$434,000 (2019: HK$4,385,000) on acquisition of property, plant and equipment. Details of the movements during the year in the property, plant and equipment of the Group are set out in note 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 2020.

No payment of dividend for the year ended 31 December 2020 (2019: Nil).

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' Report

DIRECTORS

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

Executive directors:
Mr. Lim Kiah Meng
Mr. Fong Po Kiu
Ms. Wong Yi Ting

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. Fong Po Kiu, Mr. Lim Hwee Hai and Ms. Chu Chung Yi retire from office and, being eligible, offer themselves for re-election.

Each of the Executive Directors, Non-Executive Directors and Independent Non-Executive Directors of the Company has entered into a service contract with the Company for a specific term. Such term is subject to re-election by the Company at an annual general meeting upon retirement. The Articles of Association 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 22 to 23 of this annual report.

DIRECTORS' SERVICE CONTRACTS

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

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' Report

DIRECTORS' INTERESTS IN SHARES

At 31 December 2020, 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 Directors	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%

(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 Directors	Personal Interests	Family Interests	Joint Interests *(Note 1)*	Corporate interests *(Note 4)*	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) 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)

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

Notes: (Continued)

(4) 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.

(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 2019 and 2020
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 INED 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 2019 and 2020
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
25.06.2015	26.06.2015–31.12.2016	01.01.2017–30.06.2023	2.36	400,000
25.06.2015	26.06.2015–31.12.2017	01.01.2018–30.06.2023	2.36	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
25.06.2015	26.06.2015–31.12.2016	01.01.2017–30.06.2023	2.36	600,000
25.06.2015	26.06.2015–31.12.2017	01.01.2018–30.06.2023	2.36	600,000
Lim Kiah Meng				
25.06.2015	26.06.2015–31.12.2015	01.01.2016–30.06.2023	2.36	400,000
25.06.2015	26.06.2015–31.12.2016	01.01.2017–30.06.2023	2.36	400,000
25.06.2015	26.06.2015–31.12.2017	01.01.2018–30.06.2023	2.36	400,000
Fong Po Kiu				
25.06.2015	26.06.2015–31.12.2015	01.01.2016–30.06.2023	2.36	300,000
25.06.2015	26.06.2015–31.12.2016	01.01.2017–30.06.2023	2.36	300,000
25.06.2015	26.06.2015–31.12.2017	01.01.2018–30.06.2023	2.36	300,000
Wong Yi Ting				
25.06.2015	26.06.2015–31.12.2015	01.01.2016–30.06.2023	2.36	150,000
25.06.2015	26.06.2015–31.12.2016	01.01.2017–30.06.2023	2.36	150,000
25.06.2015	26.06.2015–31.12.2017	01.01.2018–30.06.2023	2.36	150,000
Chu Chung Yi				
25.06.2015	26.06.2015–31.12.2015	01.01.2016–30.06.2023	2.36	93,333
25.06.2015	26.06.2015–31.12.2016	01.01.2017–30.06.2023	2.36	93,333
25.06.2015	26.06.2015–31.12.2017	01.01.2018–30.06.2023	2.36	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
25.06.2015	26.06.2015–31.12.2016	01.01.2017–30.06.2023	2.36	93,333
25.06.2015	26.06.2015–31.12.2017	01.01.2018–30.06.2023	2.36	93,334
Doe Julianne Pearl				
25.06.2015	26.06.2015–31.12.2015	01.01.2016–30.06.2023	2.36	93,333
25.06.2015	26.06.2015–31.12.2016	01.01.2017–30.06.2023	2.36	93,333
25.06.2015	26.06.2015–31.12.2017	01.01.2018–30.06.2023	2.36	93,334
Total directors and their associates				**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	400,000
25.06.2015	26.06.2015–31.12.2016	01.01.2017–30.06.2023	2.36	400,000
25.06.2015	26.06.2015–31.12.2017	01.01.2018–30.06.2023	2.36	400,000
Total employees and other qualified persons				**1,200,000**
Total number of share options				**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$2,561,000 (2019: 1,280,000) 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.

During the year 2020, the Company borrowed a short-term unsecured loan of HK$40,000,000 from a connected party at interest rate of 1.35% per annum. Directors Mr. Lim Kia Hong, Mr. Lim Kiah Meng and his spouse have total 80% equity interest in the entity. The interest rate was reference to prevailing market rates offered by banks in Hong Kong. Loan amount and interest expense of total HK$40,069,000 were fully repaid during the year. This transaction constitutes a connected transaction as defined in Chapter 14A of the Listing Rules. However, the transaction is exempt from the disclosure requirements and shareholders approval as it was fully exempt financial assistance received by the Group under Listing Rule 14A.90.

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 2020.

Directors' Report

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2020, 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 Shareholders	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 2020.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate revenue attributable to the Group's five largest customers was approximately 50% by value of the Group's total goods sales during the year, with the largest customer accounted for 14%. The five largest suppliers of the Group comprised approximately 94% by value of the Group's total purchases during the year, with the largest supplier accounted for 53%.

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

Directors' Report

EMOLUMENT POLICY AND DIRECTORS' REMUNERATION

The Company has established the Remuneration Committee in January 2015. The emoluments of the directors of the Company are reviewed and approved by the Remuneration Committee, having regard to the Group's operating results, individual performance and comparable market trends.

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

CHARITABLE DONATIONS

During the year, the Group 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 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 regarding Securities Transactions by Directors 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.

USE OF PROCEEDS FROM INITIAL PUBLIC OFFERING

On 15 January 2015, the Company's shares were listed on the Main Board of the Stock Exchange. Net proceeds from the global offering were approximately HK$4.7 million. The intend use of net proceeds was set out in the section headed "Future Plans and Use of Proceeds", in the prospectus of the Company dated 31 December 2014.

Directors' Report

USE OF SALES PROCEED

The Group has reassessed and noticed changing of customers' consumption patterns. Consequently, rather than acquiring a new ERP system, the Company considers that its business needs would be better met by upgrading its existing information system including online e-commerce. At the same time, the property market in Hong Kong has moved upward continuously since the Listing. Property prices of commercial and industrial buildings remained high and the Group has difficulty in identifying properties for purchase at a reasonable price.

Since the occurrence of social events in Hong Kong in 2019 and after the outbreak of Covid-19 pandemic in 2020, the global market and business environment in Hong Kong have changed dramatically. The Board considered that the Group needs to adopt a more effective policy to develop its existing business operations in responding to the economic uncertainties and market conditions after the Covid-19 pandemic evolved rapidly globally, given its significant and continuing impact on the global economic and financial markets.

In light of the market conditions in 2020, the Board has resolved to reallocate the unutilised Net Proceeds which was originally assigned for acquisition of property to general working capital to meet the Group's business development and allow the Group to deploy its financial resources to cope with the economic uncertainties in the future.

The table below sets out the original allocation of Net Proceeds, the unutilised Net Proceeds at 31.12.2019, the revised position after change in use and the usage during the year 2020.

Planned use of Net Proceeds		Planned amount	Accumulated used amount	Unutilised Net Proceeds at 31.12.2019	Reallocation of Unutilised Net Proceeds during 2020	Used amount during 2020	Unutilised Net Proceeds at 31.12.2020
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
1. Upgrade information system	11.0%	519	—	519	519	(519)	—
2. Acquisition of property	79.7%	3,760	—	3,760	—	—	—
3. General working capital	9.3%	439	(439)	—	3,760	(3,760)	—
	100.0%	4,718	(439)	4,279	4,279	(4,279)	—

Directors' Report

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its 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 2020.

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, 25 March 2021

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 91, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("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
Revenue recognition from sales of goods	
We identified revenue recognition from sales of goods as a key audit matter due to its significance to the consolidated financial statements as a whole. The Group's revenue for the year ended 31 December 2020 in respect of sales of goods amounted to approximately HK$1,166,222,000. As disclosed in note 6 to the consolidated financial statements, for sales of goods (including mobile phones and related products), revenue is recognised when control of the goods has transferred. We focused on this area because of the Group transacts with a large number of customers.	Our procedures in relation to revenue recognition from sales of goods included: • Obtaining an understanding of the revenue recognition processes and testing the Group's key controls over revenue recognition; • Inspecting sales contracts with key customers, on a sample basis, to understand the agreed trade terms and assess whether the related revenue was properly recognised in accordance with respective sales contracts and with reference to the requirements of the prevailing accounting standards; and • Testing recorded sales transactions on a sample basis against corresponding goods delivery notes and acceptance confirmations from customers that evidenced control of the goods have been passed.

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, actions taken to eliminate threats or safeguard applied.

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 Chan, Alan.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
25 March 2021

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2020

	NOTES	2020 HK$'000	2019 HK$'000
Revenue	6	**1,166,222**	439,774
Cost of sales		**(1,130,467)**	(420,113)
Gross profit		**35,755**	19,661
Other income		**2,390**	853
Other gains and losses, net	7	**174**	(1,315)
Selling and distribution expenses		**(10,319)**	(8,916)
Administrative expenses		**(16,406)**	(15,123)
Finance costs	8	**(276)**	(163)
Profit (loss) before tax	9	**11,318**	(5,003)
Income tax expense	10	**(488)**	–
Profit (loss) for the year		**10,830**	(5,003)
Other comprehensive expense			
Item that will not subsequently reclassified to profit or loss			
Loss from changes in fair value of equity instruments at fair value through other comprehensive income		**(627)**	(795)
Profit (loss) and total comprehensive income (expense) for the year attributable to owners of the Company		**10,203**	(5,798)
Earnings (loss) per share	12		
– Basic (HK cents)		**3.87**	(1.79)
– Diluted (HK cents)		**3.87**	(1.79)

Consolidated Statement of Financial Position

At 31 December 2020

	NOTES	2020 HK$'000	2019 HK$'000
Non-current Assets			
Property, plant and equipment	13	2,977	3,356
Right-of-use assets	16	6,700	5,793
Equity instruments at fair value through other comprehensive income	17	13,362	13,989
Rental deposit		418	–
		23,457	23,138
Current Assets			
Inventories	14	28,460	40,981
Trade and other receivables, deposits and prepayments	15	55,982	43,970
Tax receivable		–	1
Bank balances and cash	18	57,489	30,319
		141,931	115,271
Current Liabilities			
Trade payables, other payables and accruals	19	53,033	37,950
Contract liabilities	20	466	46
Lease liabilities	21	2,396	2,690
Tax payable		506	–
		56,401	40,686
Net Current Assets		85,530	74,585
Total Assets less Current Liabilities		108,987	97,723

Consolidated Statement of Financial Position

At 31 December 2020

	NOTES	2020 HK$'000	2019 HK$'000
Non-current Liability			
Lease liabilities	*21*	**4,321**	3,260
Net Assets		**104,666**	94,463
Capital and Reserves			
Share capital	*22*	**28,000**	28,000
Reserves		**76,666**	66,463
Equity attributable to owners of the Company and total equity		**104,666**	94,463

The consolidated financial statements on pages 39 to 91 were approved and authorised for issue by the board of directors on 25 March 2021 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 2020

	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 2019	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)
Loss and total comprehensive expense for the year	–	–	–	–	(795)	(5,003)	(5,798)
Lapse of share options	–	–	–	(283)	–	283	–
At 31 December 2019	28,000	2,522	3,497	7,135	(3,084)	56,393	94,463
Profit for the year	**–**	**–**	**–**	**–**	**–**	**10,830**	**10,830**
Loss from changes in fair value of equity instruments at fair value through other comprehensive income	**–**	**–**	**–**	**–**	**(627)**	**–**	**(627)**
(Loss) profit and total comprehensive (expense) income for the year	**–**	**–**	**–**	**–**	**(627)**	**10,830**	**10,203**
At 31 December 2020	**28,000**	**2,522**	**3,497**	**7,135**	**(3,711)**	**67,223**	**104,666**

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 2020

	2020 HK$'000	2019 HK$'000
OPERATING ACTIVITIES		
Profit (loss) before tax	11,318	(5,003)
Adjustments for:		
Depreciation of property, plant and equipment	810	577
Depreciation of right-of-use assets	2,462	2,630
Gain on derecognition of right-of-use assets and leases liabilities upon termination of leases	(176)	(13)
Impairment losses under expected credit loss model, net of reversal	139	66
Interest expense	276	163
Loss on disposal of property, plant and equipment	3	1,101
Write-down (write-back) of inventories	28	(353)
Operating cash flows before movements in working capital	14,860	(832)
Decrease in inventories	12,493	9,377
(Increase) decrease in trade and other receivables, deposits and prepayments	(12,569)	11,717
Increase in trade payables, other payables and accruals	15,083	4,323
Increase (decrease) in contract liabilities	420	(1,561)
CASH GENERATED FROM OPERATIONS	30,287	23,024
Tax refunded (paid)	19	(4)
NET CASH FROM OPERATING ACTIVITIES	30,306	23,020
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(434)	(4,385)
Purchase of equity instruments at fair value through other comprehensive income	–	(146)
Payment for rental deposits	–	(472)
CASH USED IN INVESTING ACTIVITIES	(434)	(5,003)
FINANCING ACTIVITIES		
Interest paid	(276)	(163)
New bank loans raised	31,851	14,000
Repayments of bank loans	(31,851)	(14,000)
New loan raised from a related company	40,000	–
Repayment of a loan from a related company	(40,000)	–
Repayments of lease liabilities	(2,426)	(2,460)
NET CASH USED IN FINANCING ACTIVITIES	(2,702)	(2,623)
NET INCREASE IN CASH AND CASH EQUIVALENTS	27,170	15,394
CASH AND CASH EQUIVALENTS AT 1 JANUARY	30,319	14,925
CASH AND CASH EQUIVALENTS AT 31 DECEMBER, represented by bank balances and cash	57,489	30,319

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

1. GENERAL

SiS Mobile Holdings Limited (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")

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the *Amendments to References to the Conceptual Framework in HKFRS Standards* and the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the consolidated financial statements:

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

Amendments to HKFRSs that are mandatorily effective for the current year (Continued)

2.1 Impacts on application of Amendments to HKAS 1 and HKAS 8 Definition of Material

The Group has applied the Amendments to HKAS 1 and HKAS 8 for the first time in the current year. The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current year had no impact on the consolidated financial statements.

2.2 Impacts on early application of Amendment to HKFRS 16 Covid-19-Related Rent Concessions

The Group has applied the amendment for the first time in the current year. The amendment introduces a new practical expedient for lessees to elect not to assess whether a Covid-19-related rent concession is a lease modification. The practical expedient only applies to rent concessions occurring as a direct consequence of the Covid-19 that meets all of the following conditions:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying HKFRS 16 *Leases* if the changes were not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

The application of the amendment in the current year had no impact on the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

New and amendments to HKFRSs in issue but not yet effective

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 and the related Amendments[1]
Amendments to HKFRS 3	Reference to the Conceptual Framework[2]
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2[4]
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	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[1]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to HKAS 8	Definition of Accounting Estimates[1]
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use[2]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018 – 2020[2]

1 Effective for annual periods beginning on or after 1 January 2023
2 Effective for annual periods beginning on or after 1 January 2022
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 2021

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. 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 *Leases,* and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies

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.

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.

Revenue from contracts with customers

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Revenue from contracts with customers (Continued)

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

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

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

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 on or after the date of initial application or arising from business combinations, 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Leasing (Continued)

The Group as a lessee

Allocation of consideration to components of a contract

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

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of a warehouse that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets 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 assets 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.

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Leasing (Continued)

The Group as a lessee (Continued)

Refundable rental deposits

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

Lease liabilities

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

The lease payments include:

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

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

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

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment; or
- the lease payments change due to changes in market rental rates following a market rent review/expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Leasing (Continued)

The Group as a lessee (Continued)

Lease liabilities (Continued)

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

Lease modifications

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

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

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

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

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

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Borrowing costs

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

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

Government grants

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

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

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

Employee benefit

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Employee benefit (Continued)

Retirement benefit costs

Payments to the Mandatory Provident Fund Schemes are recognised as an expense when employees have rendered service entitling them to the contributions.

Share-based payments

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 share options reserve.

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

Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from"profit (loss) before tax" 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Taxation (Continued)

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

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

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

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

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

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Taxation (Continued)

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

Current and deferred tax are recognised in profit or loss.

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.

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.

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 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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

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

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 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 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the 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 *Revenue from contracts with customers*. 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 debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets

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

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application/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.

(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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

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 assessment 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 without significant financing component. 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 there has been a significant increase in credit risk since initial recognition, in which case 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.

(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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

(a) Significant increase in credit risk (Continued)

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 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;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

(d) 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

(e) 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 and 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. The Group uses a practical expedient in estimating ECL on trade receivables using a provision matrix taking into consideration historical credit loss experience, adjusted for forward looking information that is available without undue cost or effort.

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.

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- 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 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 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 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 an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

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.

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 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.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Net realisable value of inventories

The cost of inventories is written down to 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 profit or loss. 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 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$28,460,000 (2019: HK$40,981,000). During the year ended 31 December 2020, write-down of inventories of HK$28,000 (2019: write-back of inventories of HK$353,000) was recognised in profit or loss.

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 of the Group are provided to CODM, no segment information is presented other than entity-wide disclosures.

Information about major customers

	2020 HK$000	2019 HK$000
Customer A	**164,001**	N/A[1]
Customer B	**146,820**	N/A[1]

[1] The corresponding revenue did not contribute over 10% of the total revenue of the Group.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

6. REVENUE

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

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 (i) the goods have been picked up by the customers in warehouse; or (ii) the goods have been delivered to the customers' specific location and the Group received acceptance confirmations from customers. Upon the relevant goods are picked up by the customers or delivered to the customers' specific location, 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, NET

	2020 HK$000	2019 HK$000
Exchange gain (loss), net	**140**	(161)
Gain on derecognition of right-of-use assets and lease liabilities upon termination of leases	**176**	13
Impairment losses under expected credit loss model, net of reversal	**(139)**	(66)
Loss on disposal of property, plant and equipment	**(3)**	(1,101)
	174	(1,315)

8. FINANCE COSTS

	2020 HK$000	2019 HK$000
Interest on loan from a related party	**69**	–
Interest on bank loans	**72**	20
Interest on lease liabilities	**135**	143
	276	163

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

9. PROFIT (LOSS) BEFORE TAX

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

	2020 HK$000	2019 HK$000
Auditor's remuneration	797	773
Directors' remuneration		
– Fees	1,050	960
– Salaries and other emoluments	3,167	2,937
– Contribution to retirement benefit scheme	33	35
	4,250	3,932
Other staff costs		
– Salaries and other emoluments	12,258	10,772
– Contribution to retirement benefit scheme	439	485
Total staff costs	16,947	15,189
Cost of inventories recognised as an expense (including write-down of inventories of HK$28,000 (2019: write-back of inventories of HK$353,000))	1,130,467	420,113
Depreciation of property, plant and equipment	810	577
Depreciation on right-of-use assets	2,462	2,630
Expenses related to short-team leases	137	282
Dividend income from equity instruments at FVTOCI	(297)	(459)
Government subsidy income from Employment Support Scheme provided by the Hong Kong government	(1,908)	–

10. INCOME TAX EXPENSE

	2020 HK$000	2019 HK$000
Hong Kong:		
Current year	506	–
Overprovision in prior year	(18)	–
	488	–

10. INCOME TAX EXPENSE (CONTINUED)

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 quantifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

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

No provision for Hong Kong Profits Tax has been made in the financial statements as the Group has no assessable profit for the year ended 31 December 2019.

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

	2020 **HK$000**	2019 HK$000
Profit (loss) before tax	**11,318**	(5,003)
Tax at applicable statutory tax rate of 16.5%	**1,868**	(825)
Income tax at concessionary rate	**(156)**	–
Tax effect of tax losses not recognised	**361**	978
Utilisation of tax losses previously not recognised	**(1,336)**	(12)
Overprovision in prior year	**(18)**	–
Others	**(231)**	(141)
Income tax expense for the year	**488**	–

At the end of reporting period, the Group has unutilised and unrecognised tax losses of approximately HK$17,007,000 (2019: HK$22,910,000) available to offset against future profits. No deferred tax assets have been recognised due to the unpredictability of future profit streams. Such tax losses may be carried forward indefinitely.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

(a) Directors' emoluments

For the year ended 31 December 2020

Name of directors	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	1,359	196	18	1,693
Lim Kiah Meng	*(a)*	120	1,050	200	–	1,370
Lim Kia Hong	*(b)*	180	–	–	–	180
Lim Hwee Hai	*(b)*	150	–	–	–	150
Wong Yi Ting	*(a)*	120	306	56	15	497
Chu Chung Yi	*(c)*	120	–	–	–	120
Doe Julianne Pearl	*(c)*	120	–	–	–	120
Ng See Wai Rowena	*(c)*	120	–	–	–	120
		1,050	2,715	452	33	4,250

For the year ended 31 December 2019

Name of directors	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	1,403	–	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' emoluments (Continued)

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 2020 and 2019.

(b) Five highest paid individuals

The five highest paid individuals included two (2019: two) directors of the Company whose emolument are included in the disclosure above. The emoluments of the remaining three (2019: three) individual for the years ended 31 December 2020 and 2019 are as follows:

	2020 **HK$000**	2019 HK$000
Salaries and other benefits	**1,807**	1,685
Performance bonuses *(Note)*	**176**	–
Contributions to retirement benefit scheme	**53**	50
	2,036	1,735

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

Their emoluments were within the following bands:

	2020	2019
Nil to HK$1,000,000	**3**	3

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

12. EARNINGS (LOSS) PER SHARE

The calculation of the basic and diluted earnings (loss) per share is based on the Group's profit attributable to owners of the Company of HK$10,830,000 (2019: loss of HK$5,003,000) and the number of ordinary shares of 280,000,000 (2019: 280,000,000).

The computation of the diluted earnings (loss) 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.

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 2019	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**
Additions	**55**	**39**	**340**	**434**
Written off	**(41)**	**(22)**	**(146)**	**(209)**
At 31 December 2020	**228**	**320**	**3,491**	**4,039**
DEPRECIATION				
At 1 January 2019	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**
Charge for the year	**44**	**41**	**725**	**810**
Written off	**(41)**	**(19)**	**(146)**	**(206)**
At 31 December 2020	**49**	**227**	**786**	**1,062**
CARRYING VALUES				
At 31 December 2020	**179**	**93**	**2,705**	**2,977**
At 31 December 2019	168	98	3,090	3,356

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 2020

14. INVENTORIES

	2020 HK$000	2019 HK$000
Finished goods	**28,460**	40,981

During the year, write-down of obsolete and slow moving inventories of HK$28,000 (2019: write-back of inventories of HK$353,000) has been recognised in the profit or loss.

15. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2020 HK$000	2019 HK$000
Trade receivables	**25,590**	16,444
Allowance for credit losses	**(161)**	(25)
	25,429	16,419
Other receivables	**17,188**	25,868
Rental deposits	**107**	850
Trade deposits for mobile products	**12,659**	–
Other deposits	**79**	27
Prepayments	**520**	806
	30,553	27,551
	55,982	43,970

Other receivables that are denominated in United States Dollar ("US$"), currency other than the functional currency of the Group amounted to HK$570,000 (2019: HK$731,000).

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 2020

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:

	2020 **HK$000**	2019 HK$000
Within 30 days	**19,596**	12,162
31–60 days	**4,566**	3,715
61–90 days	**1,163**	221
91–120 days	**104**	308
Over 120 days	**–**	13
Total	**25,429**	16,419

As at 31 December 2020, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK$6,699,000 (2019: HK$5,166,000) which are past due as at the reporting date. Out of the past due balances, none of these trade receivables (2019: HK$13,000) 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 doubtful debts deducted from the trade receivable are as follows:

	HK$'000
At 1 January 2019	284
Impairment losses recognised	66
Write-offs	(325)
At 31 December 2019	25
Impairment losses recognised	**139**
Write-offs	**(3)**
At 31 December 2020	**161**

Details of impairment assessment of trade and other receivables are set out in note 27.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

16. RIGHT-OF-USE ASSETS

	Leased properties	
	2020	2019
	HK$000	HK$000
As at 1 January		
Carrying amount	**5,793**	1,943
As at 31 December		
Carrying amount	**6,700**	5,793
For the year ended 31 December		
Depreciation charge	**2,462**	2,630
Expense relating to short-term leases	**137**	282
Total cash outflow for leases	**2,698**	2,885
Additions to right-of-use assets	**7,309**	7,128

During the year, the Group entered into two (2019: 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 6 months to 36 months (2019: 11 months to 19 months) with a subsidiary of its immediate holding company. 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 included in these lease agreements.

As at 31 December 2019, the Group had extension options in two leases for office and warehouse. These were used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The Group did not exercise the extension options and both contracts were expired during the year ended 31 December 2020.

As at 31 December 2020, lease liabilities of HK$6,717,000 (2019: HK$5,950,000) are recognised with related right-of-use assets of HK$6,700,000 (2019: HK$5,793,000). 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 27.

17. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2020	2019
	HK$000	HK$000
Listed investments:		
– Equity securities listed overseas	**4,653**	4,089
– Equity securities listed in Hong Kong	**8,709**	9,900
Total	**13,362**	13,989

Notes to the Consolidated Financial Statements

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17. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (CONTINUED)

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% (2019: 0.001% to 2.6%) 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$947,000 (2019: HK$1,416,000).

19. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

	2020 **HK$000**	2019 HK$000
Trade payables	**31,276**	27,340
Accrued staff costs	**4,459**	1,853
Trade deposits for mobile products	**4,353**	–
Accruals and other payables	**12,945**	8,757
	53,033	37,950

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$7,257,000 (2019: HK$7,210,000).

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

	2020 **HK$000**	2019 HK$000
Within 30 days	**24,982**	18,250
31 to 90 days	**73**	2,553
91 to 120 days	**20**	1
Over 120 days	**6,201**	6,536
	31,276	27,340

Notes to the Consolidated Financial Statements

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20. CONTRACT LIABILITIES

	2020 HK$000	2019 HK$000
Contract liabilities		
Sales of mobiles phones and related products	**466**	46

As at 1 January 2019, contract liabilities amounted to HK$1,607,000.

During the year ended 31 December 2020, the Group has recognised revenue of HK$46,000 (2019: HK$1,607,000) that was included in the contract liabilities balance at the beginning of the year.

The Group receives deposits from certain customers when they issue 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

	2020 HK$000	2019 HK$000
Lease liabilities payable:		
– Within one year	**2,396**	2,690
– Within a period of more than one year but not more than two years	**2,443**	2,792
– Within a period of more than two years but not more than five years	**1,878**	468
	6,717	5,950
Less: Amount due for settlement within 12 months shown under current liabilities	**(2,396)**	(2,690)
Amount due for settlement after 12 months shown under non-current liabilities	**4,321**	3,260

The weighted average incremental borrowing rate applied to lease liabilities was 2% (2019: 3%).

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For the year ended 31 December 2020

22. SHARE CAPITAL

	Number of ordinary shares of HK$0.10 each	Nominal value HK$'000
Authorised		
At 1 January 2019, 31 December 2019 and 31 December 2020	500,000,000	50,000
Issued and fully paid		
At 1 January 2019, 31 December 2019 and 2020	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 year ended 31 December 2020 and 2019.

The Group did not 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
2,530,000	25.6.2015–31.12.2015	1.1.2016–30.6.2023	HK$2.36
2,530,000	25.6.2015–31.12.2016	1.1.2017–30.6.2023	HK$2.36
2,530,000	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)

Movements in share options to subscribe for ordinary shares in the Company under the Scheme during the year ended 31 December 2020 are as follows:

	Outstanding at 1 January 2020	Exercised	Lapsed	Outstanding at 31 December 2020
Grantee				
Directors	**6,390,000**	**–**	**–**	**6,390,000**
Employees	**1,200,000**	**–**	**–**	**1,200,000**
	7,590,000	**–**	**–**	**7,590,000**
Exercisable at the end of the year	**7,590,000**	**–**	**–**	**7,590,000**

Movements in share options to subscribe for ordinary shares in the Company under the Scheme during the year ended 31 December 2019 are as follows:

	Outstanding at 1 January 2019	Exercised	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 (2019: HK$2.36) and weighted average remaining contractual life is 2.5 years (2019: 3.5 years).

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24. RETIREMENT BENEFITS PLANS

The Group participates in defined contribution schemes which are registered under Mandatory Provident Fund Scheme ("MPF Scheme") established under the Mandatory Provident Fund Ordinance in December 2000 in Hong Kong. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees.

For members of the MPF Scheme, the Group contributes monthly 5% of the employees' monthly salaries costs or HK$1,500, whichever the lower, to the scheme.

The total expense recognised in profit or loss of HK$472,000 (2019: HK$520,000) represents contributions payable to these plans by the Group at rates specified in the rules of the plans. As at 31 December 2020, contributions of HK$84,000 (2019: HK$81,000) due in respect of the year ended 31 December 2020 had not been paid over to the plans. The amounts were paid subsequent to the end of the reporting period.

25. DIVIDEND

No dividend or distribution has been declared or made by the Company during the year ended 31 December 2020 and up to the date of issue of these consolidated financial statements.

26. 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 and reserves.

The directors of the Company 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 of the Company consider the cost of capital and the risks associated with each class of capital and balance its overall capital structure through the issue of debts.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

27. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	2020 HK$000	2019 HK$000
Financial assets		
Amortised cost	**110,711**	72,606
Equity instruments at FVTOCI	**13,362**	13,989
Financial liabilities		
Amortised cost	**37,834**	29,405

b. Financial risk management objective and policies

The Group's major financial instruments include trade and other receivables, deposits paid, 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 currently does not have any policy to hedge against interest rate risk and will consider hedging exposure such should the needs arise.

Sensitivity analysis

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

27. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objective and policies (Continued)

Foreign exchange risk

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

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

	2020 HK$000	2019 HK$000
Assets	**1,517**	2,147
Liabilities	**7,257**	7,210

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% (2019: 10%) higher/lower, the Group's equity instruments at FVTOCI and investment reserve would increase/decrease by HK$1,336,000 (2019: HK$1,399,000).

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.

27. FINANCIAL INSTRUMENTS (CONTINUED)

b. 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 upon application of HKFRS 9 on trade balances individually or based on provision matrix. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group has concentration of credit risk over its trade receivables of which 57% (2019: 51%) 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.

Deposits paid, other receivables and 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.

Deposits paid and other receivables are considered low risk as these debtors are mainly subsidiaries of high credit rating companies. Thus, no loss allowance for deposits paid and 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 2020

27. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objective and policies (Continued)

Credit risk and impairment assessment (Continued)

Deposits paid, other receivables and bank balances (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 2020 HK$'000	Gross carrying amount 2019 HK$'000
Trade receivables	*a*	N/A	Low risk	Lifetime ECL – not credit impaired	**22,282**	14,097
			Watch list	Lifetime ECL – not credit impaired	**3,291**	2,322
			Loss	Lifetime ECL – credit impaired	**17**	25
Other receivables	*b*	N/A	Low risk	12m ECL	**17,188**	25,868
Deposits paid	*c*	N/A	Low risk	12m ECL	**13,263**	877
Bank balances	*d*	A to AA-	Low risk	12m ECL	**57,485**	30,290

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$17,188,000 (2019: HK$25,868,000) 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 mainly subsidiaries of high-credit rating companies.

c. For deposits paid, amounts of HK$12,659,000 (2019: nil) are due from counterparties which have a low risk of default since the counterparties are wholly-subsidiaries of high-credit rating listed companies.

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.

Based on the ECL assessment, credit loss allowances of HK$111,000, HK$33,000 and HK$17,000 were recognised for the trade receivables with internal credit ratings of low list, watch list and loss respectively. No credit loss allowance was made for deposits paid, other receivables and bank balances since the ECL amount is not significant.

27. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objective and policies (Continued)

Liquidity risk

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

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

	Weighted average effective interest rate %	On demand or within 1 year HK$'000	1 to 2 years HK$'000	Over 2 years HK$'000	Total undiscounted cashflow HK$'000	Total HK$'000
At 31 December 2020						
Financial liabilities						
Non-interest bearing						
Trade and other payables	–	37,834	–	–	37,834	37,834
Lease liabilities	2.0	2,507	2,507	1,881	6,895	6,717
		40,341	2,507	1,881	44,729	44,551

	Weighted average effective interest rate %	On demand or within 1 year HK$'000	1 to 2 years HK$'000	Over 2 years HK$'000	Total undiscounted cashflow HK$'000	Total 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

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).

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For the year ended 31 December 2020

27. FINANCIAL INSTRUMENTS (CONTINUED)

c. Fair values

(i) 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 2020

	Fair value hierarchy Level 1 HK$'000
Listed securities classified as Equity instruments at FVTOCI	**13,362**

At 31 December 2019

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

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

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

27. FINANCIAL INSTRUMENTS (CONTINUED)

c. Fair values (Continued)

(ii) Fair values of the Group's financial assets and financial liabilities that are not measured at fair values on a recurring basis

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.

28. 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 (2019: HK$12,000) during the year.

(ii) During the year ended 31 December 2020, the Group entered into two (2019: two) lease contracts in respect of property from a subsidiary of the immediate holding company of the Group for office and warehouse purpose. The amounts of monthly rent payable by the Group under the leases are HK$209,000 (2019: HK$116,000) and HK$27,000 (2019: HK$120,000) respectively, which was determined with reference to market price in the region. At the commencement date of the lease, the Group recognised right-of-use assets and lease liabilities of HK$7,309,000 (2019: HK$7,128,000) respectively.

(b) Transaction with a related party

During the year ended 31 December 2020, the Group borrowed a short-term loan of HK$40,000,000 from a related company at interest rate of 1.35% per annum. The interest rate was reference to prevailing market rates offered by banks in Hong Kong. Loan amount and interest expense of HK$40,069,000 were fully repaid during the year. The related party is under the control of ultimate controlling shareholders of the Company.

(c) 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 of the Company considered the key management personnel of the Group are the executive directors of the Company, whose remuneration are disclosed in note 11.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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.

	Loans HK$'000	Lease liabilities HK$'000	Total HK$'000
At 1 January 2019	–	1,943	1,943
Cash inflow (outflow):			
Financing cash flows	(20)	(2,603)	(2,623)
Interest expense	20	143	163
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**
Cash inflow (outflow):			
Financing cash flows	**(141)**	**(2,561)**	**(2,702)**
Interest expense	**141**	**135**	**276**
Termination of leases – non cash transaction	**–**	**(4,116)**	**(4,116)**
New lease entered – non cash transaction	**–**	**7,309**	**7,309**
At 31 December 2020	**–**	**6,717**	**6,717**

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

30. FINANCIAL POSITION OF THE COMPANY

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

	2020 HK$'000	2019 HK$'000
Non-current Assets		
Investments in unlisted subsidiaries	**102,000**	102,000
Equity instruments at fair value though other comprehensive income	**13,362**	13,989
	115,362	115,989
Current Assets		
Other receivables and prepayments	**156**	150
Bank balances	**1,560**	1,059
	1,716	1,209
Current Liabilities		
Other payables and accruals	**1,330**	1,465
Amounts due to subsidiaries	**14,973**	12,913
	16,303	14,378
Net Current Liabilities	**(14,587)**	(13,169)
Net Assets	**100,775**	102,820
Capital and Reserves		
Share capital	**28,000**	28,000
Share premium	**2,522**	2,522
Other reserves *(Note)*	**70,253**	72,298
Total Equity	**100,775**	102,820

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

30. FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Note: The movements in other reserves are presented below:

	Special reserve HK$'000	Share options reserve HK$'000	Investments reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2019	101,999	7,418	(2,289)	(32,695)	74,433
Loss for the year	–	–	–	(1,340)	(1,340)
Loss from changes in fair value of equity instruments at FVTOCI	–	–	(795)	–	(795)
Loss and total comprehensive expenses for the year	–	–	(795)	(1,340)	(2,135)
Lapse of share options	–	(283)	–	283	–
At 31 December 2019	101,999	7,135	(3,084)	(33,752)	72,298
Loss for the year	**–**	**–**	**–**	**(1,418)**	**(1,418)**
Loss from changes in fair value of equity instruments at FVTOCI	**–**	**–**	**(627)**	**–**	**(627)**
Loss and total comprehensive expenses for the year	**–**	**–**	**(627)**	**(1,418)**	**(2,045)**
At 31 December 2020	**101,999**	**7,135**	**(3,711)**	**(35,170)**	**70,253**

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

31. PARTICULAR OF SUBSIDIARIES

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

Name of subsidiaries	Place of incorporation/ operation	Issued and fully paid ordinary share capital	Proportion of nominal value of issued capital 2020 %	Proportion of nominal value of issued capital 2019 %	Principal activities
Direct subsidiaries:					
Synergy Technologies (Asia) Limited	Hong Kong	HK$5,000,000	**100**	100	Distribution of mobile phones and related products
Qool International Limited	Hong Kong	HK$1	**100**	100	Distribution of mobile phones and IT related products
Indirect subsidiary:					
Sun Well Limited	Hong Kong	HK$1	**100**	100	Distribution of mobile phones and related products

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.

Financial Summary

RESULTS

	For the year ended 31 December				
	2016 HK$'000	2017 HK$'000	2018 HK$'000	2019 HK$'000	**2020 HK$'000**
Revenue	615,997	445,911	472,535	439,774	**1,166,222**
Profit (loss) before taxation	(7,767)	1,904	85	(5,003)	**11,318**
Income tax (expense) credit	43	(584)	12	–	**(488)**
Profit (loss) for the year	(7,724)	1,320	97	(5,003)	**10,830**
Attributable to Owners of the Company	(7,724)	1,320	97	(5,003)	**10,830**

ASSETS AND LIABILITIES

	At 31 December				
	2016 HK$'000	2017 HK$'000	2018 HK$'000	2019 HK$'000	**2020 HK$'000**
Total assets	137,741	136,707	135,498	138,409	**165,388**
Total liabilities	(37,667)	(34,009)	(35,237)	(43,946)	**(60,722)**
Net assets	100,074	102,698	100,261	94,463	**104,666**
Attributable to Owners of the Company	100,074	102,698	100,261	94,463	**104,666**