



Hi-Level Technology Holdings Limited

揚宇科技控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8113

**Annual  
Report  
2021**



This Annual Report is printed on environmentally friendly paper

## CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

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

*Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.*

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

# CONTENTS

2	Corporate Information
3	Group Structure
4	Financial Highlights
5	Chairman's Statement
8	Management Discussion and Analysis
9	Directors and Senior Management Profiles
12	Corporate Governance Report
22	Directors' Report
30	Independent Auditor's Report
35	Consolidated Statement of Profit or Loss and Other Comprehensive Income
36	Consolidated Statement of Financial Position
37	Consolidated Statement of Changes in Equity
38	Consolidated Statement of Cash Flows
40	Notes to the Consolidated Financial Statements
106	Financial Summary

# Corporate Information

## DIRECTORS

### Executive Directors

Dr. Yim Yuk Lun, Stanley *BBS JP (Chairman)*  
Mr. Chang Wei Hua (*Chief Executive Officer*)  
Mr. Wei Wei  
Mr. Tong Sze Chung

### Non-Executive Director

Mr. Wong Wai Tai

### Independent Non-Executive Directors

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

## AUDIT COMMITTEE

Mr. Shea Chun Lok, Quadrant (*Chairman*)  
Mr. Fung Cheuk Nang, Clement  
Mr. Tsoi Chi Ho, Peter

## NOMINATION COMMITTEE

Mr. Shea Chun Lok, Quadrant (*Chairman*)  
Mr. Fung Cheuk Nang, Clement  
Mr. Tong Sze Chung

## REMUNERATION COMMITTEE

Mr. Shea Chun Lok, Quadrant (*Chairman*)  
Mr. Fung Cheuk Nang, Clement  
Mr. Tong Sze Chung

## COMPANY SECRETARY

Mr. Tong Sze Chung

## COMPLIANCE OFFICER

Mr. Tong Sze Chung

## REGISTERED OFFICE

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

## PRINCIPAL OFFICE

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

## HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Secretaries Limited  
Level 54 Hopewell Centre  
183 Queen's Road East  
Hong Kong

## PRINCIPAL BANKER

Bank of China (Hong Kong) Limited  
Hang Seng Bank Limited  
Standard Chartered Bank (Hong Kong) Limited

## AUDITOR

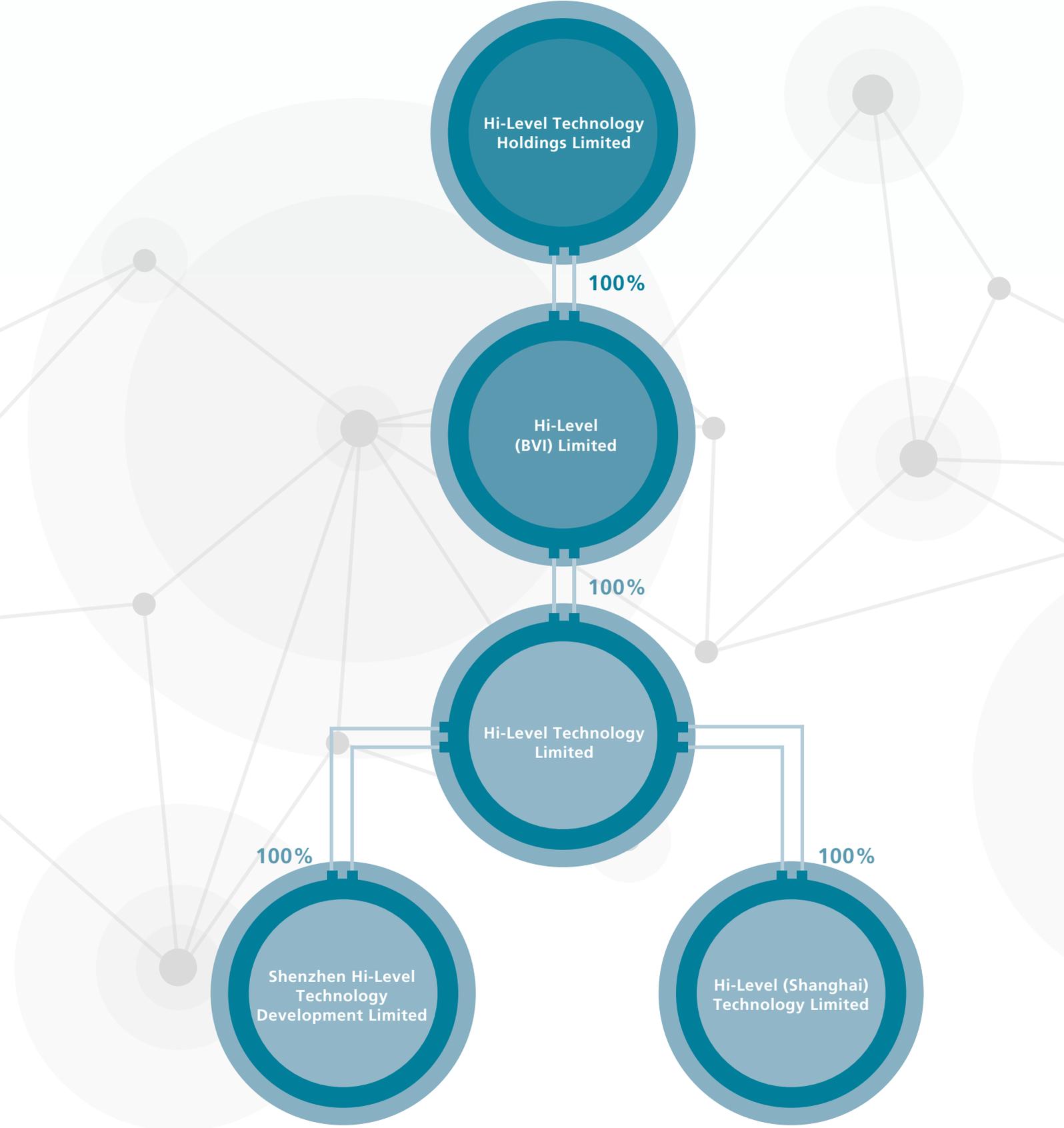
BDO Limited  
Certified Public Accountants  
25th Floor, Wing On Centre  
111 Connaught Road Central  
Hong Kong

## WEBSITE

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

## STOCK CODE

The Stock Exchange of Hong Kong Limited: 8113



## Financial Highlights

	2021	2020	Change
Revenue (HK\$ thousand)	<b>2,847,359</b>	2,254,195	26.3%
(Loss)/profit attributable to owners of the Company (HK\$ thousand)	<b>(46,954)</b>	32,127	-246.2%
Basic (loss)/earnings per share (HK cents)	<b>(7.19)</b>	4.92	-246.1%
Dividend per share (HK cents)			
– Final proposed	–	2.5	
– Interim paid	<b>1.0</b>	–	
Total	<b>1.0</b>	2.5	-60.0%

## TO OUR SHAREHOLDERS

On behalf of the Board, I am present the annual results of Hi-Level Technology Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31 December 2021.

### **DIVIDEND**

The Board does not recommend the payment of a final dividend (2020: final dividend of HK2.5 cents per share) for the year ended 31 December 2021.

### **BUSINESS REVIEW**

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

At the beginning of 2021, we put more resources on promotion of panels and panel modules to our MID, ELA and smartphone customers. However, as a result of China's control measures on private tutoring and online gaming since the third quarter of 2021, certain customers delayed their panel procurements, in order to reduce the Group's inventory level, the Group recorded loss making shipments in the fourth quarter of 2021. Also, we made impairment loss of the Group's closing inventory as of 31 December 2021. It negatively affected the Group's performance in 2021.

### **MID**

MID segment comprises of tablet and smart home speaker products delivered the largest revenue of the Group. The Group had been affected by tight supply of driver ICs, which was likely to cripple the supply chain, leading to the rapid decrease in the price of tablet. As the sales of MID segment was weak and the price of tablet continued to fall in the fourth quarter of 2021, the Group recorded loss making shipments in the fourth quarter of 2021 in order to reduce the Group's inventory level.

### **Smartphone Panel Module**

Affected by the rebound of the COVID-19 pandemic in the countries of Africa, South America and India as well as some countries boycotting smartphones made by Chinese brand manufacturers since third quarter of 2021, certain smartphone manufacturers slowed down production. The demand for TFT LCD screens was not satisfactory.

# Chairman's Statement

## Car Infotainment System

The demand of our car infotainment system dropped because of shortage of automotive chips resulting in their supply constraints. The sales of car infotainment system showed a slight decrease as compared with last year.

## STB

The Group's main sales market of STB solutions is in Middle East, South America and North Africa. The Group recorded satisfactory sales of our IC solutions of STB customers compared with last year because of prolonged working from home due to the impact of the COVID-19 pandemic.

## Video Image Device

The demand of hunting cam and sports cameras gained momentum in the second half of 2021 due to the easing of the COVID-19 control measures in Europe and US. Our sale of video image device solutions increased as compared to 2020.

## ELA

In the third quarter of 2021, certain our customers chose to delay ELA panel procurements as a result of China's new control measures on private tutoring. The sales of ELA panel solutions decreased as compared with 2020.

## OUTLOOK

Looking ahead, under the uncertain global business environment as well as geopolitical instability, the Group believes that 2022 will be full of challenges. The Group will implement a balance strategy of business development and will increase the proportion of sales of IC solutions with IDH services. We will actively develop new IC solutions to our target customers by working with new and existing suppliers.

The Group will grasp the growing opportunities in the Metaverse. The Group believes that the platform of Metaverse will become mature and commercialized within the next few years. The Group will also provide our target customers with efficient IC solutions for various Metaverse hardware applications.

## FINANCIAL REVIEW

### Revenue

For the year ended 31 December 2021, the Group achieved sales revenue of HK\$2,847,359,000, increased by 26.3% from HK\$2,254,195,000 as recorded in 2020.

### Gross Loss

For the year ended 31 December 2021, gross loss was HK\$5,940,000, decreased by 107.3% from gross profit of HK\$81,591,000 as recorded last year. Gross loss margin was 0.2%, decreased from gross profit margin of 3.6% as recorded in 2020.

## Distribution Costs and Administrative Expenses

For the year ended 31 December 2021, the Group's operating costs were HK\$39,879,000 (2020: HK\$37,995,000), representing an increase of 5.0%, compared to the corresponding period in 2020.

## Loss Attributable to Owners of the Company

The loss attributable to owners of the Company for the year ended 31 December 2021 was HK\$46,954,000, decreased by 246.2%, as compared to profit attributable of HK\$32,127,000 as recorded in 2020.

## APPRECIATION

On behalf of the Board of Directors, I would like to thank all of our employees for their contribution and commitments. I also wish to extend my sincere gratitude to our shareholders, customers, suppliers and other business partners for their long-term supports and dedication.

Finally, I wish you all stay healthy.

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

*Chairman*

Hong Kong, 18 March 2022

# Management Discussion and Analysis

## Liquidity and Financial Resources

The Group's principal sources of funds are cash generated from operations and bank borrowings. As of 31 December 2021, the Group's current ratio was 115.0% (31 December 2020: 142.4%). As of 31 December 2021, the Group had bank balances and cash of HK\$113,864,000 (31 December 2020: HK\$140,961,000) and bank borrowings of HK\$302,343,000 (31 December 2020: HK\$54,667,000). As of 31 December 2021, the Group's net gearing ratio was 182.1% (31 December 2020: net cash position), which is calculated based on the Group's net debt (calculated as total bank borrowings minus bank balances and cash) of approximately HK\$188,479,000 (31 December 2020: N.A.) and Group's total equity of approximately HK\$103,485,000 (31 December 2020: HK\$168,719,000).

The Group recorded debtors turnover of approximately 18 days for the year under review (2020: 23 days) based on the amount of the average of beginning and ending debtors divided by revenue for the respective year, multiplied by 365 days.

The Group recorded inventory turnover and payable turnover of 46 days and 39 days respectively for the year under review (2020: approximately 41 days and 45 days respectively) based on the amount of the average of beginning and ending inventory and creditors as at 31 December 2021, divided by cost of sales for the respective year and multiplied by 365 days.

## Employee and Remuneration Policy

As 31 December 2021, the Group employed approximately 100 employees in the Greater China region. We ensure that their remuneration packages are comprehensive and competitive. Employees are remunerated with a fixed monthly income plus annual performance related bonuses.

Other than medical insurance and provident fund schemes, we also offer share options to our key employees as a long-term incentive who are identified as essential to our Group's operations and future development.

## Dividend Policy

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

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

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

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

# Directors and Senior Management Profiles

## Executive Directors

**Dr. Yim Yuk Lun, Stanley** *BBS JP* (嚴玉麟), aged 62, is appointed as a group chairman and executive Director of the Company on 1 October 2015. He is responsible for the formulation of corporate strategies and the overall direction of the Group. Dr. Yim is the founder, executive director, chairman and managing director of S.A.S. Dragon Holdings Limited (stock code: 1184, a company listed on the Main Board of the Stock Exchange in 1994) since 25 May 1993. Since 1 July 2013, Dr. Yim has been an independent director of Innolux Corporation (stock Code: 3481.TW), a company listed on the Taiwan Stock Exchange. Dr. Yim is appointed as independent non-executive director of Asia Allied Infrastructure Holdings Limited (stock code: 711), a company listed on the Main Board of the Stock Exchange on 15 May 2020 and has been re-designated from independent non-executive director to a non-executive director on 15 September 2021 and remain as a member of the audit committee and the nomination committee.

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

**Mr. Chang Wei Hua** (張偉華), aged 57, is appointed as an executive Director and chief executive officer of the Company on 1 October 2015. He is appointed as general manager of Hi-Level Technology Limited in 2000 and is appointed as a managing director of Hi-Level Technology Limited in 2003. He graduated from Tunghan University in Taiwan with a Bachelor's degree in Electronics Engineering in June 1985.

Mr. Chang has over 20 years of experience in corporate management and business development. He has also over 25 years of extensive experience in sales, marketing and undertaking R & D projects within electronics field.

**Mr. Wei Wei** (魏衛), aged 52, is appointed as an executive Director of the Company on 1 October 2015. He is the founder of Hi-Level Technology Limited. He is appointed as Director and executive vice president of Hi-Level Technology Limited in 2000. He graduated from Huazhong University of Science and Technology in Wuhan, Hubei with a Bachelor's degree in Electronics Engineering in July 1991.

Mr. Wei is responsible for the operations of our Group in the PRC. He has over 20 years of management experience within the electronics field in sales, marketing and undertaking R & D projects.

**Mr. Tong Sze Chung** (唐思聰), aged 53, is appointed as an executive Director on 1 October 2015 and he is also a financial controller, company secretary and compliance officer of the Company. He is a member of the Remuneration Committee and Nomination Committee. Mr. Tong joined Hi-Level Technology Limited as the financial controller on 1 January 2013. He obtained a Bachelor's degree of Business Administration from the Open University of Hong Kong. He is an associate member of the Hong Kong Institute of Certified Public Accountants. Mr. Tong has been appointed as an independent non-executive director of Kong Shum Union Property Management (Holding) Limited (stock code: 8181), a company listed on the GEM of the Stock Exchange, from September 2013 to February 2015.

Mr. Tong is responsible for the accounting and financial management of Hi-Level group's operations. He has over 20 years' experience in accounting and financial management.

# Directors and Senior Management Profiles

## Non-Executive Director

**Mr. Wong Wai Tai, (黃維泰)**, aged 50, is appointed as non-executive Director of the Company in 2016. He holds a Bachelor's degree of Business Administration from Hong Kong Baptist University and a Master of Laws from Renmin University of China. He is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of Association of Chartered Certified Accountants. He has over twenty years' experience in accounting, auditing, taxation and financial management.

Mr. Wong is appointed as executive director of S.A.S. Dragon Holdings Limited (stock code: 1184) in 2016 which is listed on the Main Board of the Stock Exchange of Hong Kong Limited.

## Independent Non-Executive Director

**Mr. Shea Chun Lok, Quadrant (佘俊樂)** (alias Martin, former name, Shea Chi Lap, Quadrant), aged 55, is appointed as an independent non-executive Director of the Company on 21 December 2015. He is a chairman of our Audit Committee, Nomination Committee and Remuneration Committee. Mr. Shea graduated from Monash University of Australia with a Bachelor's degree in Business and later completed a postgraduate program of Public Finance (Taxation) and obtained a Master's degree in Economics from Jinan University, China and a Master of Laws degree from Renmin University of China. He is also a fellow member of CPA Australia, a member of Hong Kong Institute of Certified Public Accountants, The Taxation Institute of Hong Kong, The Chartered Institute of Management Accountants of the United Kingdom and Institute of Singapore Chartered Accountants and a Chartered Global Management Accountant. Mr. Shea is a Chartered Tax Adviser of Hong Kong and has obtained a Certificate of Pass in Practice Training Examination for Hong Kong Certified Tax Advisers Serving in Shenzhen-Hong Kong Modern Service Industry Cooperation Zone, Qianhai, Shenzhen jointly issued by Shenzhen Municipal Office of the State Administration of Taxation and Shenzhen Local Taxation Bureau.

Mr. Shea has substantial experience in accounting and finance in listed companies and worked as a qualified accountant and company secretary in various companies listed on the Main Board of the Stock Exchange over the years. He was the group financial controller of S.A.S. Dragon Holdings Limited (stock code: 1184) from 1999 to 2005, a company listed on the Main Board of the Stock Exchange. Mr. Shea has been appointed as the chief financial officer and company secretary of Asia Allied Infrastructure Holdings Limited (stock code: 711) ("AAI"), a company listed on the Main Board of the Stock Exchange, since 2015. He has further been appointed as an executive director of AAI since July 2017 and is also currently a member of the management committee and executive committee of the board and the member of the property development executive board of AAI. Mr. Shea has also been appointed as an independent non-executive director of Beijing Enterprises Water Group Limited (stock code: 371) since 2002, a company listed on the Main Board of the Stock Exchange, and is also the chairman of the audit committee of the company.

**Mr. Fung Cheuk Nang, Clement (馮卓能)**, aged 45, is appointed as an independent non-executive Director of the Company on 21 December 2015. He is a member of Audit Committee, Remuneration Committee and Nomination Committee. He has extensive management experience in development and manufacturing of consumer products.

Mr. Fung is also a director of Smarthome Technology Limited and Smarthome Products Limited, both of which are privately-owned consumer electronics companies in Hong Kong. Mr. Fung has been appointed as an independent non-executive director of Crocodile Garments Limited (stock code: 122), a company listed on the Main Board of the Stock Exchange, since March 2021. Mr. Fung holds positions in various charitable and social organisations. He is a member of the advisory board of Yan Chai Hospital, of which he was the chairman of the board of directors during the term of year 2018-2019.

## Directors and Senior Management Profiles

**Mr. Tsoi Chi Ho, Peter (蔡子豪)**, aged 35, is appointed as an independent non-executive Director of the Company on 21 December 2015. He is a member of the Audit Committee. Mr. Tsoi graduated from the York University of Canada with a Bachelor's degree in Business Administration Studies in June 2009 and obtained his Master's degree in E-Commerce from the Hong Kong Polytechnic University in November 2010.

Mr. Tsoi has been the marketing director of an international trading company in South Africa since 2010 and is mainly responsible for coordinating sales and sourcing electronic products from China to South Africa. He has substantial experience in marketing and trading of electronic products as well as extensive knowledge on the electronic industry of South Africa.

### SENIOR MANAGEMENT

**Mr. Li Xiao Ming (李曉鳴)**, aged 57, is appointed as director of Shenzhen Hi-Level Technology Development Limited in 2003 and Video Innovation Tech Limited in 2011, both of which are subsidiaries of Hi-Level Technology Limited. He joined Hi-Level Technology Limited in May 2002 and is currently as the marketing director. He graduated from Chongqing University in 1984 with a Bachelor's degree in Electronics Engineering. He has more than 30 years of management experience within the electronics field in product development. Mr. Li Xiao Ming is also an indirect shareholder of the Company.

**Mr. Huang Yung Hsing (黃永興)**, aged 56, was appointed as a supervisor of Hi-Level (Shanghai) Technology Limited in August 2007 and is appointed as a director of Hi-Level (Shanghai) Technology Limited in December 2015. He joined Hi-Level Technology Limited as the engineering director in 2002. He graduated from Tungnan University in 1985 with a Bachelor's degree in Electronics Engineering. He has more than 20 years of experience within the electronics fields of engineering and R & D projects development. Mr. Huang Yung Hsing is also a shareholder of the Company.

**Mr. Huang Huang Chi (黃煌旗)**, aged 49, joined the Company in 2005 and is currently the sales director of Shenzhen Hi-Level Technology Development Limited. He graduated from Hwa Hsia University of Technology in 1994 and has 15 years of management experience in sales and marketing. Mr. Huang Huang Chi is also an indirect shareholder of the Company.

# Corporate Governance Report

The Company recognizes the importance of corporate transparency and accountability. The Company is committed in achieving a high standard of corporate governance and leading the Group to attain better results and improve its corporate image with effective corporate governance procedures.

The Company's corporate governance practices are based on the principles of the Corporate Governance Code (the "CG Code") as set out in Appendix 15 to the GEM Listing Rules. The Company has listed on the GEM since 7 January 2016 (the "Listing Date"). The Company had complied with the applicable code provisions (the "Code Provisions") set out in the CG Code throughout the year ended 31 December 2021, except for the deviations from the CG Code provisions A.1.8. which is explained in the relevant paragraph below.

## BOARD OF DIRECTORS

The Board is responsible for the formulation of corporate strategies, the setting of appropriate strategic policies and internal control and the oversight of the operation and financial performance of the Group. The Board are individually and collectively accountable to the shareholders of the Company (the "Shareholders") for the success and sustainable development of the Group.

Day-to-day management of the Group is delegated to the executive directors or senior management. Executive directors and senior management meet regularly to review the performance of the businesses of the Group as a whole, co-ordinate overall resources and make financial and operational decisions. The Board also gives clear directions as to their powers of management including circumstances where management should report back, and will review the delegation arrangements on a periodic basis to ensure that they remain appropriate to the needs of the Group.

## BOARD COMPOSITION

The Board comprises eight Directors and their respective roles are set out as follows:

### Executive Directors:

Dr. Yim Yuk Lun, Stanley *BBS JP (Chairman)*  
Mr. Chang Wei Hua (*Chief Executive Officer*)  
Mr. Wei Wei  
Mr. Tong Sze Chung

### Non-executive Director:

Mr. Wong Wai Tai

### Independent non-executive Directors:

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

## RELATIONSHIP BETWEEN BOARD MEMBERS

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

Save as disclosed above, there are no financial, business, family or other material/relevant relationship among the Directors.

Details of remuneration paid to members of key management (including all Directors and senior management as disclosed in section headed “Directors and Senior Management Profiles” of this report) for the year ended 31 December 2021 fell within the following bands:

	<b>Number of individual 2021</b>
Below HK\$1,000,000	9
HK\$1,000,001 to HK\$1,500,000	2

Under the CG Code provision A.1.8, an issuer should arrange appropriate insurance cover in respect of legal action against its Directors. With regular and timely communications among the Directors and the management of the Group, the management of the Group believes that all potential claims and legal actions against the Directors can be handled effectively and the possibility of actual litigation against the Directors is low. The Company will consider to make such an arrangement as and when it thinks necessary.

## Chairman and Chief Executive Officer

The roles of the Chairman and the Chief Executive Officer are separate and are not performed by the same individual. Dr. Yim Yuk Lun, Stanley *BBS JP* holds the position of the Chairman of the Group and is responsible for the formulation of corporate strategies and the overall direction of the Group.

Mr. Chang Wei Hua holds the position of the Chief Executive Officer of the Group and is responsible for day-to-day management of the Group’s business.

## Director’s Appointments, Re-election and Removal

Dr. Yim Yuk Lun, Stanley *BBS JP*, the Chairman of the Company and Mr. Wong Wai Tai, the non-executive Director of the Company have entered into a letter of appointment commencing from 1 October 2021 and 1 December 2021 respectively for an initial term of one year, during which either party may terminate the service agreement by giving the other not less than three months written notice.

All other executive Directors have entered into a service contract with the Company commencing from 1 October 2021 for an initial term of one year, during which either party may terminate the service agreement by giving the other not less than three months written notice.

# Corporate Governance Report

Each of the independent non-executive Directors has entered into a letter of appointment for a term of one year commencing from 21 December 2021 and termination by not less than three months' notice in writing served by the independent non-executive Director or the Company.

All the Directors, including non-executive and independent non-executive Directors, are subject to retirement by rotation and eligible for re-election in accordance with the Company's articles of association. At each annual general meeting, not less than one third of the Directors then in office shall retire and every Director is subject to retirement by rotation at least once every three years.

## Confirmation of Independence

Each of the independent non-executive Directors had made a confirmation of independence by reference to Rule 5.09 of the GEM Listing Rules and the Board is satisfied that all the independent non-executive Directors were independent and met the independent guidelines set out in Rule 5.09 of the GEM Listing Rules.

## Number of Meetings and Directors' Attendance

The Board meets regularly for considering, reviewing and/or approving matters relating to, among others, the financial and operating performance, as well as, the overall strategies and policies of the Company. Additional meetings are held when significant events or important issues are required to be discussed and resolved.

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

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

## BOARD COMMITTEES

### Audit committee

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

The audit committee comprises three independent non-executive Directors, namely Mr. Shea Chun Lok, Quadrant, Mr. Fung Cheuk Nang, Clement and Mr. Tsoi Chi Ho, Peter. Mr. Shea Chun Lok, Quadrant is the chairman of the audit committee.

The primary duties of the audit committee are to review and supervise the financial reporting process, risk management and internal control system of the Company, the effectiveness of the Group's internal audit function, nominate and monitor external auditors, meet with external auditor regularly and provide advice and comments to the Board.

The audit committee had reviewed the Group's consolidated financial statements for the Year.

The audit committee held 4 meetings to review unaudited quarter results, interim results and annual results and reports during the year ended 31 December 2021, financial reporting and compliance procedures and effectiveness of risk management systems and internal controls of the Group. The attendance records of individual committee members are set out below:

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

### Remuneration committee

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

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

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

# Corporate Governance Report

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

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

## Nomination committee

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

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

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

The Board adopted the board diversity policy in accordance with the requirement as set out in the CG Code. The Board recognizes the benefits of having a diverse Board and considers a number of factors which include but are not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service as to its composition. The nomination committee regularly monitors and reviews the implementation of the Board diversity policy.

The nomination committee held 1 meeting during the year to recommend the re-appointment of the Directors standing for re-election at the annual general meeting, to review and discuss the composition of the Board of the Company, to identify and nominate candidates for appointment to the Board such that it has the relevant skills, knowledge and experience and to assess the independency of independent non-executive Directors.

The attendance records of individual committee members are set out below:

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

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

- Reputation for integrity
- Qualifications including professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy
- Commitment in respect of available time and relevant interest
- The number of existing directorships and other commitments that may demand the attention of the candidate
- Requirement for the Board to have independent non-executive directors in accordance with the GEM Listing Rules and whether the candidates would be considered independent with reference to the independence guidelines set out in the GEM Listing Rules
- Diversity in all its aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service
- Such other perspectives appropriate to the Company's business

## **BOARD DIVERSITY POLICY**

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

# Corporate Governance Report

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

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

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

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

1. at least one-third of the members of the Board shall be independent non-executive Directors; and
2. at least one of the members of the Board shall have obtained accounting or other professional qualifications.

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

## CORPORATE GOVERNANCE FUNCTIONS

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

## DIRECTORS' CONTINUOUS TRAINING AND PROFESSIONAL DEVELOPMENT

Pursuant to Code Provision A.6.5 of the CG Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. Each Director received induction on the first occasion of his appointment, so as to ensure that he/she has appropriate understanding of the business and operations of the Group and that he/she is sufficiently aware of his/her responsibilities and obligations under the GEM Listing Rules and other relevant legal and regulatory requirements.

During the year, all Directors participated in the continuous professional developments regarding the duties and responsibility of the Directors under the relevant legal and regulatory requirement which included reading materials in relation to legal or regulatory update and/or attending training course.

## SECURITIES TRANSACTIONS BY DIRECTORS

The Company had adopted Rules 5.48 to 5.67 of the GEM Listing Rules as its own code of conduct (the "Code of Conduct") regarding securities transactions by the Directors. All Directors, after specific enquiries by the Company, confirmed to the Company their compliance with the Code of Conduct throughout the year under review.

## AUDITOR'S REMUNERATION

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

<b>Services rendered in 2021</b>	<b>HK\$'000</b>
Statutory audit services	850
Non-audit services	
– non-audit and tax related service	20

## DIRECTORS' RESPONSIBILITY STATEMENT

The Directors acknowledge their responsibility to prepare financial statements for each quarter, half and full financial year which give a true and fair view of the state of affairs of the Group.

# Corporate Governance Report

## COMPANY SECRETARY AND COMPLIANCE OFFICER

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

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

## RISK MANAGEMENT AND INTERNAL CONTROL

The Board has overall responsibilities for maintaining good and effective risk management and internal controls of the Group.

During the Year, the Board, with the assistance of the audit committee, conducted a review of the effectiveness and adequacy of the Group's risk management and internal control systems, covering financial, operational, compliance control and risk management functions. To assist the audit committee to fulfill its responsibilities, the senior management has to identify, update and report the key risk areas which covered all aspects of corporate strategies, operation and finance to the Board.

The Group risk management and internal control system includes the setting up of a management structure with limits of authority and is designed to help the Group achieve its business objectives, protects its assets against unauthorized use or disposition, ensures the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication and ensures compliance with relevant laws and regulations. The system is designed to provide reasonable, but not absolute, assurance against material misstatement or loss, and to manage rather than eliminate all risks of failure in the Group's operational systems and in the achievement of the Group's business objectives.

Risk management report and internal control report are submitted to the audit committee and the Board at least once a year. After reviewing the Group's risk management and internal control systems, the Board considers that the systems are effective and adequate for the Group as a whole. The Board further considers that (i) there was no material issue relating to the Group's risk management and internal controls, including financial, operational and compliance controls and risk management functions of the Group; and (ii) that there were adequate staff with appropriate and adequate qualifications and experience, resources for accounting, internal audit and financial reporting functions, and adequate training programmes had been provided during the year under review.

## **PROCEDURES AND INTERNAL CONTROLS FOR THE HANDLING AND DISSEMINATION OF INSIDE INFORMATION**

The Group complies with requirements of Securities and Futures Ordinance (“SFO”) and the GEM Listing Rules. The Group discloses inside information to the public as soon as reasonably practicable unless the information falls within any of the safe harbours as provided in the SFO. Before the information is fully disclosed to the public, the Group ensures the information is kept strictly confidential. If the Group believes that the necessary degree of confidentiality cannot be maintained or that confidentiality may have been breached, the Group would immediately disclose the information to the public. The Group is committed to ensure that information contained in announcements or circulars are not false or misleading as to a material fact, or false or misleading through the omission of a material fact in view of presenting information in a clear and balanced way, which requires equal disclosure of both positive and negative facts.

## **PROCEDURES FOR SHAREHOLDERS TO CONVENE AN EXTRAORDINARY GENERAL MEETING AND PROCEDURES FOR SHAREHOLDERS TO PUT FORWARD PROPOSALS AT SHAREHOLDERS’ MEETINGS**

According to article 10.9 of the Company’s articles of association, one or more Shareholders (the “Requisitionists”), holding not less than 10% of the total voting rights of the Company can convene an extraordinary general meeting (the “EGM”) by depositing a requisition (the “Written Requisition”) in writing to the Directors or the Company Secretary for the purpose of requiring the convening of the EGM. The Written Requisition must state the purposes of the meeting and not more than 1,000 words and must be signed by the Requisitionists. The Written Requisition shall be deposited to the Company’s principal place of business at Room 614, 6/F., Tower B, Hunghom Commercial Centre, 37 Ma Tau Wai Road, Hunghom, Kowloon, Hong Kong and marked for the attention of the Board of Directors/Company Secretary. The Written Requisition will be verified with the Company’s Hong Kong Share Registrar in Hong Kong and upon their confirmation that the Written Requisition is proper and in order, the Board will convene an EGM by serving sufficient notice in accordance with the statutory requirements to all the Shareholders.

If the Board does not within 21 days from the date of deposit of the Written Requisition proceed duly to convene the meeting to be held, the Requisitionists may convene the general meeting in the same manner within three months after the end of that period and all reasonable expenses incurred by the Requisitionists as a result of the failure of the Board in convening the meeting shall be reimbursed to them by the Company.

Shareholders may also use this same method to put forward proposals for the general meeting.

## **COMMUNICATION WITH SHAREHOLDERS**

To foster effective communications with its shareholders, the Company provides extensive information in its annual report and press release. Also the Group disseminates information relating to its business electronically through its website at <http://www.hi-levelhk.com>. The Company regards the annual general meeting as an important event as it provides an important opportunity for direct communications between the Board and the Shareholders.

All Directors and senior management will make an effort to attend. All Shareholders will be given at least 20 clear business days’ notice of the annual general meeting and are encouraged to attend the annual general meeting and other Shareholders’ meetings.

# Directors' Report

The directors present their annual report and the audited consolidated financial statements of Hi-Level Technology Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2021.

## PRINCIPAL ACTIVITIES

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

## RESULT AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2021 are set out in the consolidated statement of profit or loss and other comprehensive income on page 35.

The directors do not recommend the payment of a final dividend (2020: HK2.5 cents per share).

## BUSINESS REVIEW

Business review of the Group for the year ended 31 December 2021 has been stated in the Chairman's Statement on page 5 to 7 of this report.

## MAJOR CUSTOMERS AND SUPPLIERS

The aggregate purchases attributable to the Group's largest supplier and five largest suppliers taken together accounted for 43.6% and 79.7%, respectively, of the Group's total purchases for the year.

The aggregate sales attributable to the Group's largest customer and five largest customers taken together accounted for 5.1% and 22.8%, respectively, of the Group's total sales for the year.

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

## PROPERTY, PLANT AND EQUIPMENT

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

## SHARE CAPITAL

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

## DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders as at 31 December 2021, calculated in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, as is represented by the accumulated losses of HK\$15,150,000 disclosed in Note 30 to the consolidated financial statements.

## ANALYSIS OF KEY FINANCIAL PERFORMANCE INDICATORS

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

## ENVIRONMENTAL PROTECTION

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

## COMPLIANCE WITH REGULATIONS

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

## RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

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

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

The Group encompasses working relationships with suppliers to meet our customer's needs in an effective and efficient manner. The Group work closely and well-communicated to suppliers before the commencement of a project.

## PRINCIPAL RISK AND UNCERTAINTIES FACING THE COMPANY

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

### Impact of local and international regulations

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

# Directors' Report

## Foreign Exchange Risk Management

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

## DIRECTORS

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

### Executive Directors

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

### Non-Executive Director

Wong Wai Tai

### Independent Non-Executive Directors

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

Pursuant to the Articles 14.4 to 14.6 of the Company's Articles of Association, Dr. Yim Yuk Lun, Stanley *BBS JP*, Mr. Wong Wai Tai and Mr. Shea Chun Lok, Quadrant shall retire by rotation at the annual general meeting. All the retiring Directors, being eligible, will offer themselves for re-election at the annual general meeting.

## DIRECTORS' SERVICE CONTRACTS

Dr. Yim Yuk Lun, Stanley *BBS JP*, the Chairman of the Company and Mr. Wong Wai Tai, the non-executive Director of the Company have entered into a letter of appointment commencing from 1 October 2021 and 1 December 2021 respectively for an initial term of one year, during which either party may terminate the service agreement by giving the other not less than three months written notice.

All other executive Directors have entered into a service contract with the Company commencing from 1 October 2021 for an initial term of one year, during which either party may terminate the service agreement by giving the other not less than three months written notice.

Each of the independent non-executive Directors has entered into a letter of appointment for a term of one year commencing from 21 December 2021 and termination by not less than three months' notice in writing served by the independent non-executive Director or the Company.

Saved as disclosed above, no director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

## DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 31 December 2021, the directors and chief executive of the Company and/or any of their respective associates had the following interests and short positions in the shares, underlying shares and debentures of the Company and/or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or the GEM Listing Rules:

### Long positions in shares

*Ordinary shares of HK\$0.01 each of the Company*

Name of directors	Capacity	Number of issued ordinary shares held	Percentage of issued share capital of the Company
Dr. Yim Yuk Lun, Stanley <i>BBS JP</i> ( <i>Note 1</i> )	Beneficial owner and interest in controlled corporation	262,665,861	40.24
Chang Wei Hua ( <i>Note 2</i> )	Interest in controlled corporation	76,847,000	11.77
Wei Wei ( <i>Note 3</i> )	Interest in controlled corporation	76,847,000	11.77
Wong Wai Tai	Beneficial owner	3,300,000	0.51
Tong Sze Chung	Beneficial owner	600,144	0.09
Fung Cheuk Nang, Clement	Beneficial owner	600,000	0.09
Tsoi Chi Ho, Peter	Beneficial owner	600,000	0.09

Notes:

1. Dr. Yim Yuk Lun, Stanley *BBS JP* beneficially owns 43,122,861 Shares and is the controlling shareholder of S.A.S. Dragon Holdings Limited ("S.A.S. Dragon"); he is therefore under the SFO deemed to be interested in 219,543,000 Shares held by S.A.S. Investment Company Limited ("S.A.S. Investment") which is a wholly-owned subsidiary of S.A.S. Dragon.
2. Mr. Chang Wei Hua beneficially owns 600,000 shares and 76,247,000 shares are held by Vertex Value Limited, a company incorporated in the British Virgin Islands, which is beneficially owned by Mr. Chang Wei Hua.
3. Mr. Wei Wei beneficially owns 600,000 shares and 76,247,000 shares are held by Victory Echo Holdings Limited, a company incorporated in the British Virgin Islands, which is beneficially owned by Mr. Wei Wei.

# Directors' Report

## EQUITY-LINKED AGREEMENTS

No equity-linked agreements were entered into by the Company during the year or subsisted at the end of the year.

## ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

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

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

As at 31 December 2021, the following persons (not being the directors or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO:

### Long positions in shares

*Ordinary shares of HK\$0.01 each of the Company*

<b>Name of shareholders</b>	<b>Capacity</b>	<b>Number of issued ordinary shares held</b>	<b>Percentage of issued share capital of the Company</b>
S.A.S. Dragon	Interest in controlled corporation	219,543,000	33.63
S.A.S. Investment	Beneficial owner	219,543,000	33.63

*Note:*

S.A.S. Dragon is deemed to be interested in the 219,543,000 Shares held by S.A.S. Investment, a wholly owned subsidiary of S.A.S. Dragon.

## PERMITTED INDEMNITY PROVISION

During the financial year and as at the date of this report, a qualifying indemnity provision made by the Company for the benefit of the directors of the Company is in force.

## MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

## **DIRECTORS' INTEREST IN A TRANSACTION, ARRANGEMENT AND CONTRACTS OF SIGNIFICANCE**

No transaction, arrangement and contract of significance to which the Company, its holding companies, fellow subsidiaries or subsidiaries was a party and in which a director or a connected entity of a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

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

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period from the Listing Date to the date of this report.

## **EMOLUMENT POLICY**

The emolument policy of the employees of the Group is set up by the Board of Directors on the basis of their merit, qualifications, competence and job nature.

The emoluments of the directors of the Company are recommended by the Remuneration Committee and are decided by the Board, having regard to the Company's operating results, individual performance and comparable market statistics.

## **SUFFICIENCY OF PUBLIC FLOAT**

Based on the information that is publicly available to the Company and within the knowledge of the Directors, up to the date of this report, there is sufficient public float of 25% of the Company's issued shares as required under the GEM Listing Rules.

## **PRE-EMPTIVE RIGHTS**

There is no provision for pre-emptive rights under the Company's articles of association and there was no restriction against such rights under the laws of Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

## **TAX RELIEF**

The Company is not aware of any relief on taxation available to the shareholders by reason of their holdings of the shares. If the shareholders are unsure about the taxation implications of purchasing, holding, disposing of, dealing in, or exercising of any rights in relation to the shares, they are advised to consult their professional advisers.

## CONNECTED TRANSACTIONS

Saved as disclosed in note 29 to the consolidated financial statements which is fully exempted from Chapter 20 of the GEM Listing Rules, the Company was not aware of any other related party transactions which constitute a connected transaction of the Group, nor are there any connected transactions that need to be disclosed in this annual report under the GEM Listing Rules. The Company has complied with the disclosure requirements in accordance with Chapter 20 of the GEM Listing Rules.

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

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

The change of use of the net proceeds was approved by the Board of Directors of the Company on 15 March 2018 and further change in use of proceeds was approved by the Board of Directors of the Company on 28 December 2021.

As at the date of the 31 December 2021, the Company had utilized approximately HK\$18.5 million of the Net Proceeds, representing approximately 61.7% of the Net Proceeds. The unutilized Net Proceeds amount to approximately HK\$11.5 million, representing approximately 38.3% of the Net Proceeds. After due and careful consideration on the current business environment and development needs of the Group, the Board has resolved to further change the use of part of the unutilised Net Proceeds by further reallocating HK\$7.5 million originally allocated for expanding the Group's ELA business by engaging in equipment purchases to the development and utilisation of Metaverse. Set out below are the revised use of proceeds. Moreover, there has been changed to the expected timeline of full utilisation of the balance.

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

Uses	Original allocation as stated in the Prospectus (HK\$ million)	Revised allocation as disclosed in 2017 Annual Report (HK\$ million)	Actual use of proceeds as at 31 December 2021 (HK\$ million)	Unutilised as at 31 December 2021 (HK\$ million)	Further revised allocation of unutilised Net Proceeds (HK\$ million)	Expected timeline of full utilization of the balance
Upgrading the Group's ERP system	4.6	4.6	0.6	4.0	–	By end of 2024
Expanding the Group's ELA business by engaging in:						
– Research and development staff expenses	2.5	2.5	2.5	–	–	N/A
– Equipment purchases	8.7	8.7	1.2	7.5	(7.5)	N/A
	<b>11.2</b>	<b>11.2</b>	<b>3.7</b>	<b>7.5</b>	<b>(7.5)</b>	
Expanding the Group's product change by engaging in:						
– Car infotainment	2.8	2.8	2.8	–	–	N/A
– Drones Wi-Fi Transmission	2.8	2.8	2.8	–	–	N/A
– Artificial Intelligence and Internet-of-Things	–	5.6	5.6	–	–	N/A
– Development of Metaverse hardware	–	–	–	–	7.5	By end of 2024
– Others	5.6	–	–	–	–	N/A
	11.2	11.2	11.2	–	7.5	
General working capital	3.0	3.0	3.0	–	–	N/A
<b>Total</b>	<b>30.0</b>	<b>30.0</b>	<b>18.5</b>	<b>11.5</b>	<b>–</b>	

## AUDITOR

BDO Limited was appointed as auditor of the Company and will retire and, being eligible, offer itself for re-appointment as auditor of the Company at the forthcoming annual general meeting.

Signed on behalf of the Board

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

*Chairman*

Hong Kong, 18 March 2022

# Independent Auditor's Report



Tel : +852 2218 8288  
Fax: +852 2815 2239  
[www.bdo.com.hk](http://www.bdo.com.hk)

25<sup>th</sup> Floor Wing On Centre  
111 Connaught Road Central  
Hong Kong

電話 : +852 2218 8288  
傳真 : +852 2815 2239  
[www.bdo.com.hk](http://www.bdo.com.hk)

香港干諾道中111號  
永安中心25樓

## TO THE SHAREHOLDERS OF HI-LEVEL TECHNOLOGY HOLDINGS LIMITED

*(incorporated in the Cayman Islands with limited liability)*

### OPINION

We have audited the consolidated financial statements of Hi-Level Technology Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 35 to 105, which comprise the consolidated statement of financial position as at 31 December 2021, 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 2021, 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 ("HKASs") issued by the HKICPA. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matter were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

## KEY AUDIT MATTERS (Continued)

### **Estimated allowance of inventories**

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

We identified the estimated allowance of inventories as a key audit matter due to the estimation and assumptions made by the management in identifying the obsolete and slow-moving inventory items, and estimating the allowance of inventories.

The directors of the Company review inventories on a product-by-product basis at the end of each reporting period to identify obsolete and slow-moving inventory items based on the inventories ageing analysis and determine allowance of inventories by reference to net realisable value of the inventories. Net realisable value of inventories is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sales. The management estimates the net realisable value for inventories based primarily on the current market demand, latest selling prices and historical experiences on selling products with similar nature. As at 31 December 2021, the carrying value of inventories was HK\$477,692,000 (net of allowance of HK\$72,939,000).

### **Our response:**

Our procedures in relation to evaluating the appropriateness of estimated allowance of inventories included:

- Understanding how the management identifies obsolete and slow-moving inventory items, and estimating the allowance of inventories as at 31 December 2021;
- Testing the accuracy of the inventories ageing analysis as at 31 December 2021, on sample basis;
- Assessing the reasonableness of the net realisable value of inventories and allowance of inventories estimated by the management;
- Tracing the latest selling prices to the sales invoices or purchase orders, on sample basis; and
- Evaluating the historical accuracy of the allowance of inventories estimated by the management.

# Independent Auditor's Report

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

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

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

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

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

# Independent Auditor's Report

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

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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

### **BDO Limited**

*Certified Public Accountants*

### **Lam Tsz Ka**

Practising Certificate no. P06838

Hong Kong, 18 March 2022

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2021

	Notes	2021 HK\$'000	2020 HK\$'000
Revenue	6	2,847,359	2,254,195
Cost of sales		(2,853,299)	(2,172,604)
Gross (loss)/profit		(5,940)	81,591
Other income		1,004	1,831
Other (loss)/gain		(737)	233
Impairment losses under expected credit loss model, net of reversal/(provision)	8	1,743	(3,545)
Distribution costs		(15,679)	(13,381)
Administrative expenses		(24,200)	(24,614)
Finance costs	7	(2,841)	(3,283)
(Loss)/profit before taxation	8	(46,650)	38,832
Income tax expense	11	(304)	(6,705)
(Loss)/profit for the year		(46,954)	32,127
<b>Other comprehensive income</b>			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations: – subsidiaries		4,567	5,203
Other comprehensive income for the year		4,567	5,203
Total comprehensive income for the year		(42,387)	37,330
(Loss)/earnings per share (HK cents)	13		
– basic		(7.19)	4.92
– diluted		(7.19)	4.92

# Consolidated Statement of Financial Position

As at 31 December 2021

	Notes	2021 HK\$'000	2020 HK\$'000
<b>Non-current Assets</b>			
Property, plant and equipment	14	1,826	1,806
Right-of-use assets	22	6,249	8,331
Club membership	15	266	266
Rental deposit	17	790	777
		<b>9,131</b>	11,180
<b>Current Assets</b>			
Inventories	16	477,692	239,680
Trade and other receivables	17	143,925	165,558
Debt instruments at fair value through other comprehensive income	18	6,342	1,477
Taxation recoverable		3,227	–
Bank balances and cash	19	113,864	140,961
		<b>745,050</b>	547,676
<b>Current Liabilities</b>			
Trade and other payables	20	327,175	310,335
Contract liabilities	21	14,519	10,279
Lease liabilities	22	3,471	2,731
Amount due to a related party	23	132	91
Taxation payable		155	6,429
Bank borrowings	24	302,343	54,667
		<b>647,795</b>	384,532
<b>Net Current Assets</b>		<b>97,255</b>	163,144
<b>Total Assets less Current Liabilities</b>		<b>106,386</b>	174,324
<b>Non-current Liability</b>			
Lease liabilities	22	2,901	5,605
<b>Net Assets</b>		<b>103,485</b>	168,719
<b>Capital and Reserves</b>			
Share capital	25	6,528	6,528
Reserves		96,957	162,191
<b>TOTAL EQUITY</b>		<b>103,485</b>	168,719

The consolidated financial statements on page 35 to 105 were approved and authorised for issue by the Board of Directors on 18 March 2022 and are signed on its behalf by

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

**Mr. Chang Wei Hua**  
Director

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2021

	Share capital HK\$'000	Share premium HK\$'000 (Note i)	Special reserve HK\$'000 (Note ii)	Translation reserve HK\$'000 (Note iii)	Shareholder's contribution reserve HK\$'000 (Note iv)	Retained profits HK\$'000	Total HK\$'000
As at 1 January 2020	6,528	54,329	25,000	(3,495)	448	55,107	137,917
Profit for the year	-	-	-	-	-	32,127	32,127
Exchange differences arising on translation of foreign operations – subsidiaries	-	-	-	5,203	-	-	5,203
Total comprehensive income for the year	-	-	-	5,203	-	32,127	37,330
Dividend paid (Note 12)	-	-	-	-	-	(6,528)	(6,528)
As at 31 December 2020 and 1 January 2021	6,528	54,329	25,000	1,708	448	80,706	168,719
Loss for the year	-	-	-	-	-	(46,954)	(46,954)
Exchange differences arising on translation of foreign operations – subsidiaries	-	-	-	4,567	-	-	4,567
Total comprehensive income for the year	-	-	-	4,567	-	(46,954)	(42,387)
Dividend paid (Note 12)	-	-	-	-	-	(22,847)	(22,847)
As at 31 December 2021	6,528	54,329	25,000	6,275	448	10,905	103,485

## Notes:

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

# Consolidated Statement of Cash Flows

For the year ended 31 December 2021

	Notes	2021 HK\$'000	2020 HK\$'000
<b>OPERATING ACTIVITIES</b>			
(Loss)/profit before taxation		(46,650)	38,832
Adjustments for:			
Depreciation of property, plant and equipment	8	745	709
Depreciation of right-of-use assets	8	5,365	3,266
Gain on termination of lease	8	–	(6)
Finance costs	7	2,841	3,283
Interest income	8	(766)	(759)
(Reversal of)/provision for impairment losses under expected credit loss model	8	(1,743)	3,545
Provision for/(reversal of) allowance for inventories	8	64,567	(2,677)
<b>Operating cash flows before movements in working Capital</b>		<b>24,359</b>	46,193
(Increase)/decrease in inventories		(302,579)	9,549
Decrease in trade and other receivables		23,363	5,325
(Increase)/decrease in debt instruments at fair value through other comprehensive income		(4,865)	6,779
Increase in trade and other payables		16,840	58,127
Increase/(decrease) in contract liabilities		4,240	(1,221)
Increase/(decrease) in amount due to a related party		41	(293)
<b>Cash (used in)/generated from operations</b>		<b>(238,601)</b>	124,459
Profits Tax (paid)/refunded		(9,805)	2,375
<b>NET CASH (USED IN)/GENERATED FROM OPERATING ACTIVITIES</b>		<b>(248,406)</b>	126,834
<b>INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment	14	(740)	(172)
Interest received	8	766	759
<b>NET CASH GENERATED FROM INVESTING ACTIVITIES</b>		<b>26</b>	587

# Consolidated Statement of Cash Flows

For the year ended 31 December 2021

	<i>Notes</i>	<b>2021</b> <b>HK\$'000</b>	2020 HK\$'000
<b>FINANCING ACTIVITIES</b>			
New bank borrowings raised		<b>1,210,328</b>	645,506
Repayment of bank borrowings		<b>(962,652)</b>	(738,416)
Repayment of lease liabilities		<b>(5,246)</b>	(3,320)
Dividend paid	12	<b>(22,847)</b>	(6,528)
Interest paid	7	<b>(2,841)</b>	(3,283)
<b>NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES</b>		<b>216,742</b>	(106,041)
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(31,638)</b>	21,380
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR</b>		<b>125,961</b>	99,485
<b>EFFECT OF FOREIGN EXCHANGE RATE CHANGES</b>		<b>4,541</b>	5,096
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>		<b>98,864</b>	125,961
<b>Analysis of the balances of cash and cash equivalents:</b>			
Short term bank deposits		<b>2,340</b>	11,340
Bank balances and cash		<b>96,524</b>	114,621
		<b>98,864</b>	125,961

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 1. GENERAL

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and its shares have been listed on GEM of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) by way of placing (the “Placing”) on 7 January 2016 (the “Listing”). The addresses of the registered office and principal place of business of the Company are disclosed in the “Corporate Information” section to the annual report.

The Company acts as an investment holding company. The principal activities of its subsidiaries are set out in Note 31.

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

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

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

- Amendments to HKFRS 9, HKAS 39, HKFRS 7 and HKFRS 16 – Interest Rate Benchmark Reform – Phase 2
- Amendment to HKFRS 16 – Covid-19-Related Rent Concessions
- Amendment to HKFRS 16 – Covid-19-Related Rent Concessions beyond 30 June 2021

Other than the amendments to HKFRS 9, HKAS 39, HKFRS 7 and HKFRS 16, none of these new or amended HKFRSs has a material impact on the Group’s results and financial position for the current or prior period. Impact on the applications of these amended HKFRSs are summarised below.

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

The Group had certain interest-bearing bank borrowings denominated in Hong Kong dollars based on the Hong Kong Interbank Offered Rate (“HIBOR”) and United States dollars based on the London Interbank Offered Rate (“LIBOR”) as at 31 December 2021. The Group expects that HIBOR will continue to exist and the interest rate benchmark reform has not had an impact on the Group’s HIBOR-based borrowings. For the LIBOR-based borrowings, since the interest rates of these instruments were not replaced by Risk Free Rates (“RFRs”) during the year, the amendments did not have any impact on the financial position and performance of the Group. If the interest rates of these borrowings are replaced by RFRs in a future period, the Group will apply the above-mentioned practical expedient upon the modification of these instruments provided that the “economically equivalent” criterion is met.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

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

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

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and HK Interpretation 5 (2020), Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause <sup>2</sup>
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies <sup>2</sup>
Amendments to HKAS 8	Definition of Accounting Estimates <sup>2</sup>
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction <sup>2</sup>
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before intended use <sup>1</sup>
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract <sup>1</sup>
Amendments to HKFRS 3	Reference to the Conceptual Framework <sup>1</sup>
Annual Improvements to HKFRS Standards 2018 – 2020	Annual Improvements <sup>1</sup>

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

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2023.

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

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

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

#### **Amendments to HKAS 1 and HKFRS Practice Statement 2, Disclosure of Accounting Policies**

The amendments require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures.

#### **Amendments to HKAS 8, Definition of Accounting Estimates**

The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates.

#### **Amendments to HKAS 12, Deferred Tax related to Assets and Liabilities arising from a Single Transaction**

The amendments narrow the scope of the initial recognition exception so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted.

The Group has applied the initial recognition exception and did not recognise a deferred tax asset and a deferred tax liability for temporary differences for transactions related to leases. Upon initial application of these amendments, the Group will recognise a deferred tax asset and a deferred tax liability for deductible and taxable temporary differences associated with right-of-use assets and lease liabilities, and recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained profits at the beginning of the earliest comparative period presented.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

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

#### **Amendments to HKAS 16, Property, Plant and Equipment – Proceeds before Intended Use**

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

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

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

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

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

#### Annual Improvements to HKFRSs 2018-2020

The annual improvements amend a number of standards, including:

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

The Group does not expect any other standards issued, but not yet effective, to state have a material impact on the Group.

## 3. BASIS OF PREPARATION

### (a) Statement of compliance

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

### (b) Basis of measurement

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

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 3. BASIS OF PREPARATION (Continued)

### (c) Functional and preparation currencies

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

## 4. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (b) Subsidiaries

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

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

### (c) Property, plant and equipment

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

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

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

Leasehold improvements	18% – 20% or over the term of the relevant lease, whichever is shorter
Furniture and fixtures	8% – 33%
Motor vehicles	18% – 33%
Office equipment	18% – 33%

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (d) Government grant

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

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

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

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (e) Lease

#### **The Group as a lessee**

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

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

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

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

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (e) Lease (Continued)

#### The Group as a lessee (Continued)

##### Lease liability

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

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

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

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (e) Lease (Continued)

#### The Group as a lessee (Continued)

##### Lease liability (Continued)

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

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

### (f) Financial instruments

#### (i) Financial assets

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

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (f) Financial instruments (Continued)

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

##### Debt instruments

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

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

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

##### Equity instruments

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (f) Financial instruments (Continued)

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

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

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

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

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

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (f) Financial instruments (Continued)

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

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

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

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

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (f) Financial instruments (Continued)

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

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

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

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

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

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

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over 2 years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (f) Financial instruments (Continued)

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

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

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

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

#### (iii) Financial liabilities

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

##### Financial liabilities at amortised cost

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (f) Financial instruments (Continued)

#### (iv) Effective interest method

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

#### (v) Equity instruments

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

#### (vi) Financial guarantee contracts

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (f) Financial instruments (Continued)

#### (vii) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKFRS 9. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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

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

### (g) Inventories

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (h) Revenue recognition

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

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

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

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

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

#### (i) Sales of electronic products with the provision of independent design house services

Customers obtain control of the electronic products with the provision of independent design house services when the goods are delivered to and have been accepted. Revenue is thus recognised upon when the customers accepted the electronic products with the provision of independent design house services. There is generally only one performance obligation. Invoices are usually payable within 30 – 60 days.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (h) Revenue recognition (Continued)

- (i) Sales of electronic products with the provision of independent design house services (Continued)

Some of the Group's contracts with customers from the sale of electronic products with the provision of independent design house services provides customers a right of return. The right of return gives rise to variable consideration. The variable consideration is estimated at contract inception and constrained until the associated uncertainty is subsequently resolved. The application of the constraint on variable consideration increases the amount of revenue that will be deferred. In addition, a refund liability and a right to recover returned goods assets are recognised.

- (ii) Interest income

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

#### Variable consideration

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

#### Refund liabilities

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

#### Contract liabilities

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

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (i) Income taxes

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

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

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

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

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (j) Foreign currencies

Transactions entered into by the group entities in currencies other than the currency of the primary economic environment in which it operates (the “functional currency”) are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (k) Employee benefits

#### (i) Short term employee benefits

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

#### (ii) Defined contribution retirement plans

Contributions to defined contribution retirement plans in Hong Kong and state-managed retirement benefit schemes in the Peoples' Republic of China (the "PRC") are recognised as an expense in profit or loss when the services are rendered by the employees.

#### (iii) Termination benefits

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

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

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

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (l) Impairment of assets (other than financial assets) (Continued)

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

Value in use is based on the estimated future cash flows expected to be derived from the asset, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit.

### (m) Provisions and contingent liabilities

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

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

### (n) Cash and cash equivalents

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

### (o) Capitalisation of borrowing costs

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (p) Club membership

Club membership with indefinite useful lives is carried at cost less any subsequent accumulated impairment losses.

Club membership is tested for impairment at least annually, and whenever there is any indication that they may be impaired by comparing their carrying amounts with their recoverable amounts. If the recoverable amount of club membership is estimated to be less than its carrying amount, the carrying amount of the club membership is reduced to its recoverable amount. An impairment loss is recognised in profit or loss.

If an impairment loss subsequently reverses, the carrying amount of the club membership is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for those club membership in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

### (q) Segment reporting

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (r) Related parties

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 4, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

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

### Estimated allowance of inventories

The directors of the Company review the inventories on a product-by-product basis at the end of each reporting period to identify obsolete and slow-moving inventory items based on the inventories ageing analysis and determine allowance of inventories by reference to net realisable value of the inventories. Net realisable value of inventories is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale. The management estimates the net realisable value for inventories based primarily on the current market demand, latest selling prices and historical experiences on selling products with similar nature. As at 31 December 2021, the carrying value of inventories was HK\$477,692,000 (2020: HK\$239,680,000), net of allowance of HK\$72,939,000 (2020: HK\$8,372,000).

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

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

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade and other receivables and debt instruments at FVTOCI are disclosed in Notes 17, 18 and 27.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 6. REVENUE AND SEGMENT INFORMATION

### Revenue

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

	2021 HK\$'000	2020 HK\$'000
<b>Type of goods or services</b>		
Sales of electronic products with the provision of independent design house services	2,847,359	2,254,195
<b>Geographical markets</b>		
The PRC	1,895,346	1,343,202
Hong Kong	833,312	841,242
Taiwan	101,432	61,347
Korea	8,844	4,846
Others	8,425	3,558
<b>Total</b>	<b>2,847,359</b>	<b>2,254,195</b>
<b>Timing of revenue recognition</b>		
A point in time	2,847,359	2,254,195

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

*Sales of electronic products with the provision of independent design house services*

The Group sells electronic products with the provision of design house services directly to customers. Revenue is recognised when independent control of the goods has transferred, being when the goods have been delivered to the customer's specific location (delivery). The normal credit term is 30 to 90 days upon delivery.

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 6. REVENUE AND SEGMENT INFORMATION (Continued)

### Revenue (Continued)

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

Contracts for sales of electronic products with the provision of independent design house services are typically have a non-cancellable term in which the Group bills a portion of the contract sum in advance and the remaining when the good is delivered. All sales of electronic products with the provision of independent design house services are for periods of one year or less. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

### Segment information

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

Information reported to the executive directors of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses only on revenue analysis by geographical location of customers. As no other discrete financial information is available for the assessment of different business activities, no segment information is presented other than entity-wide disclosures.

#### (i) Geographical information

The following is an analysis of the carrying amount of non-current assets excluded rental deposits by geographical area in which the assets are located:

	2021 HK\$'000	2020 HK\$'000
The PRC	6,769	9,887
Hong Kong	1,572	516
	<b>8,341</b>	10,403

#### (ii) Information about major customers

No customer individually contributed over 10% of the Group's revenue for the year ended 31 December 2021.

Revenue from one customer of the Group amounted to HK\$334,255,000 contributed over 10% of the Group's revenue for the year ended 31 December 2020.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 7. FINANCE COSTS

	2021 HK\$'000	2020 HK\$'000
Interests on:		
Bank borrowings	2,506	3,197
Lease liabilities	335	86
	<b>2,841</b>	3,283

## 8. (LOSS)/PROFIT BEFORE TAXATION

	2021 HK\$'000	2020 HK\$'000
(Loss)/profit for the year has been arrived at after charging/(crediting):		
Directors' remuneration (Note 9)	4,711	4,108
Staff costs:		
Salaries and other allowances	18,119	23,410
Retirement benefit scheme contributions	2,724	843
	<b>20,843</b>	24,253
Total staff costs	<b>25,554</b>	28,361
Auditor's remuneration	867	864
Bank interest income	(766)	(759)
Net exchange loss/(gain)	594	(233)
Short-term leases expenses	501	1,192
Cost of inventories recognised as an expense	2,548,783	1,928,565
Provision for/(reversal of) allowance for inventories	64,567	(2,677)
– General provision/(reversal)	3,189	(2,677)
– Specific provision	61,378	–
Impairment loss under expected credit loss model, net of (reversal)/ provision – Trade receivables (Note i)	(1,743)	3,545
Depreciation of property, plant and equipment	745	709
Depreciation of right-of-use assets	5,365	3,266
Gain on termination of lease	–	(6)
Government grants (Note ii)	–	(977)

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 8. (LOSS)/PROFIT BEFORE TAXATION (Continued)

Notes:

- (i) Details of impairment assessment for the years ended 31 December 2021 and 2020 are set out in Note 27.
- (ii) For the year ended 31 December 2020, included in government grants is HK\$934,000 obtained from Employment Support Scheme (“ESS”) under the Anti-epidemic Fund launched by the Hong Kong SAR Government supporting the payroll of the Group’s employees. Under the ESS, the Group had to commit to spend these grants on payroll expenses, and not reduce employee head count below prescribed levels for a specified period of time. The Group does not have other unfulfilled obligations relating to this program.

## 9. DIRECTORS’ AND CHIEF EXECUTIVE’S REMUNERATION

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

	2021				
	Directors’ fees HK\$’000	Salaries and other benefits HK\$’000	Performance related incentive payments (Note b) HK\$’000	Retirement benefits scheme contributions HK\$’000	Total emoluments HK\$’000
Executive Directors:					
Dr. Yim Yuk Lun, Stanley <i>BBS JP</i>	–	1,200	–	18	1,218
Mr. Chang Wei Hua (Note c)	–	1,238	–	18	1,256
Mr. Wei Wei	–	868	–	49	917
Mr. Tong Sze Chung	–	720	30	18	768
Non-Executive Director					
Mr. Wong Wai Tai	–	240	–	12	252
Independent Non-Executive Directors:					
Mr. Shea Chun Lok, Quadrant	100	–	–	–	100
Mr. Fung Cheuk Nang, Clement	100	–	–	–	100
Mr. Tsoi Chi Ho, Peter	100	–	–	–	100
Total	300	4,266	30	115	4,711

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

	2020				
	Directors' fees HK\$'000	Salaries and other benefits HK\$'000	Performance related incentive payments (Note b) HK\$'000	Retirement benefits scheme contributions HK\$'000	Total emoluments HK\$'000
Executive Directors:					
Dr. Yim Yuk Lun, Stanley <i>BBS JP</i>	–	713	–	15	728
Mr. Chang Wei Hua (Note c)	–	1,000	131	17	1,148
Mr. Wei Wei	–	750	101	26	877
Mr. Tong Sze Chung	–	638	168	18	824
Non-Executive Director					
Mr. Wong Wai Tai	–	200	20	11	231
Independent Non-Executive Directors:					
Mr. Shea Chun Lok, Quadrant	100	–	–	–	100
Mr. Fung Cheuk Nang, Clement	100	–	–	–	100
Mr. Tsoi Chi Ho, Peter	100	–	–	–	100
Total	300	3,301	420	87	4,108

### Notes:

- The executive directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group. The non-executive and independent non-executive directors' emoluments shown above were for their services as directors of the Company and the Group.
- Performance related incentive payments were determined with reference to the Group's operating results and individual performance.
- Mr. Chang Wei Hua is also the chief executive of the Company, and his emoluments disclosed above include those for services rendered by him as the chief executive.

No emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office. In addition, none of the directors waived or agreed to waive any emolument during both years.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 10. EMPLOYEES' REMUNERATION

Of the five highest paid individuals in the Group, four (2020: four) were directors of the Company whose remuneration are set out in Note 9 above. The remuneration of the remaining one (2020: one) individuals are as follows:

	<b>2021</b>	2020
	<b>HK\$'000</b>	HK\$'000
Salaries and other benefits	<b>686</b>	593
Performance related incentive payments	–	71
Retirement benefits scheme contributions	<b>12</b>	12
	<b>698</b>	676

The remunerations were within the following band:

	<b>2021</b>	2020
	<b>No. of</b>	No. of
	<b>employee</b>	employee
Nil to HK\$1,000,000	<b>1</b>	1

During the years ended 31 December 2021 and 2020, no emoluments were paid by the Group to these individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 11. INCOME TAX EXPENSE

	2021 HK\$'000	2020 HK\$'000
Current tax:		
Hong Kong Profits Tax	217	6,889
PRC Enterprise Income Tax ("EIT")	31	22
	248	6,911
Under/(over) provision in prior years:		
Hong Kong Profits Tax	54	(64)
PRC EIT	2	(142)
	56	(206)
Income tax expense	304	6,705

### Hong Kong Profit Tax

The Hong Kong Profits Tax is calculated at the rate of 16.5% (2020:16.5%) on the estimated assessable profits arising in Hong Kong, except for the first HK\$2,000,000 of qualified entity's assessable profits is calculated at 8.25%, which is in accordance with the two-tiered profits tax rates regime with effect from the year of assessment 2018/19.

### PRC Enterprise Income Tax

Under the Law of the PRC on EIT (the "EIT Law") and Implementation Regulation of the EIT Law, the Group's PRC subsidiaries are subject to PRC EIT at the statutory rate of 25% for the years ended 31 December 2021 and 2020, except for the entity qualified as "Small Low-profit Enterprise" for which preferential tax treatments are granted under the EIT Law:

- Hi-Level (Shanghai) Technology Limited was qualified as a Small Low-profit Enterprise and enjoyed a preferential tax rate of 20% for the years ended 31 December 2021 and 2020. In addition, in accordance with the notice of the Ministry of Finance and the State Administration of Taxation on Preferential Income Tax Policies for Small Low-Profit Enterprises, the subsidiary was also entitled to a 20% tax concession on 25% of its assessable profits for the years ended 31 December 2021 and 2020.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 11. INCOME TAX EXPENSE (Continued)

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

	2021 HK\$'000	2020 HK\$'000
(Loss)/profit before taxation	<b>(46,650)</b>	38,832
Tax at Hong Kong Profits Tax rate of 16.5%	<b>(7,697)</b>	6,407
Tax effect of expenses not deductible for tax purpose	<b>430</b>	766
Tax effect of income not taxable for tax purpose	<b>(563)</b>	(314)
Tax effect of temporary differences not recognised	<b>2</b>	205
Utilisation of tax losses previously not recognised	<b>(154)</b>	(58)
Tax effect of tax losses not recognised	<b>8,271</b>	289
Effect of different tax rates of subsidiaries operating in other jurisdictions	<b>(41)</b>	(384)
Under/(over) provision in prior years	<b>56</b>	(206)
Income tax expense for the year	<b>304</b>	6,705

As at 31 December 2021, the Group has unused tax losses of approximately HK\$53,646,000 (2020: HK\$3,584,000) that are available for offset against future assessable profits. No deferred tax asset has been recognised in respect of such tax losses due to unpredictability of future profit streams. All the tax losses may be carried forward indefinitely except for those amounting to HK\$2,692,000 (2020: HK\$2,030,000) arising from the PRC which may be carried forward for five years.

As at 31 December 2021, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings of RMB1,134,000 (equivalent to HK\$1,350,000) (2020: RMB182,000 (equivalent to HK\$215,000)) that is subject to withholding taxes of the Group's subsidiary established in Mainland China. In the opinion of the directors, the Group is in a position to control the timing of the reversal of the temporary differences by controlling the dividend policy of its subsidiaries and it is probable that such differences will not reverse in the foreseeable future. The aggregate amount of temporary differences associated with investment in subsidiary in Mainland China for which deferred tax liabilities have not been recognised.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 12. DIVIDENDS

	2021 HK\$'000	2020 HK\$'000
Dividends for ordinary shareholders of the Company recognised as distribution during the year:		
2021 Interim of HK\$0.01 per share was declared and paid	6,528	–
2020 Final of HK\$0.025 (2020: 2019 Final of HK\$0.01) per share was declared and paid	16,319	6,528
	<b>22,847</b>	6,528

Note: Subsequent to the end of the reporting period and on the date of this report, no final dividend in respect of the year ended 31 December 2021 (2020: final dividend of HK\$0.025 per share in respect of the year ended 31 December 2020), in aggregate amount of HK\$ nil (2020: HK\$16,319,000) has been proposed by the directors of the Company.

## 13. (LOSS)/EARNINGS PER SHARE

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

	2021 HK\$'000	2020 HK\$'000
(Loss)/profit for the year for the purpose of basic (loss)/earnings per share	<b>(46,954)</b>	32,127
	<b>2021 No. of shares '000</b>	2020 No. of shares '000
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic loss/earnings per share	<b>652,770</b>	652,770

There were no potential ordinary shares in issue for the years ended 31 December 2021 and 2020. Accordingly, the diluted loss/earnings per share presented is the same as the basic loss/earnings per share.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK\$'000	Furniture and fixtures HK\$'000	Motor vehicles HK\$'000	Office equipment HK\$'000	Total HK\$'000
<b>COST</b>					
As at 1 January 2020	3,393	713	274	4,164	8,544
Additions	18	–	–	154	172
Exchange realignment	112	42	20	100	274
As at 31 December 2020 and 1 January 2021	3,523	755	294	4,418	8,990
Additions	576	45	–	119	740
Exchange realignment	126	11	5	25	167
As at 31 December 2021	4,225	811	299	4,562	9,897
<b>ACCUMULATED DEPRECIATION</b>					
As at 1 January 2020	2,230	319	274	3,485	6,308
Provided for the year	325	96	–	288	709
Exchange realignment	85	21	20	41	167
As at 31 December 2020 and 1 January 2021	2,640	436	294	3,814	7,184
Provided for the year	369	105	–	271	745
Exchange realignment	83	6	5	48	142
As at 31 December 2021	3,092	547	299	4,133	8,071
<b>NET BOOK VALUE</b>					
As at 31 December 2021	1,133	264	–	429	1,826
As at 31 December 2020	883	319	–	604	1,806

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 15. CLUB MEMBERSHIP

	2021 HK\$'000	2020 HK\$'000
Golf club membership in the PRC at cost	266	266

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

## 16. INVENTORIES

	2021 HK\$'000	2020 HK\$'000
Finished goods	550,631	248,052
Less: Net provision for inventories	(72,939)	(8,372)
	<b>477,692</b>	239,680

Movements in the provision for inventories are as follows:

	2021 HK\$'000	2020 HK\$'000
At beginning of the year	8,372	10,987
Provision for/(reversal of) the year (Note 8)	64,567	(2,677)
Exchange realignment	–	62
At end of the year	<b>72,939</b>	8,372

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 17. TRADE AND OTHER RECEIVABLES

	2021 HK\$'000	2020 HK\$'000
Trade receivables (Note a)	132,197	146,126
Other receivables, deposits and prepayments (Note b)	14,497	23,929
Total trade and other receivables	146,694	170,055
Less: allowance for expected credit losses (Note 27(b))	(1,979)	(3,720)
Net trade and other receivables	144,715	166,335
Less: receivables within twelve months shown under current assets	(143,925)	(165,558)
Rental deposit shown under non-current assets	790	777

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

Notes:

- (a) Trade receivables

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

	2021 HK\$'000	2020 HK\$'000
1 – 30 days	108,348	96,052
31 – 60 days	22,010	35,137
61 – 90 days	1,608	14,715
91 – 180 days	131	207
181 – 365 days	100	15
	132,197	146,126

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 17. TRADE AND OTHER RECEIVABLES (Continued)

Notes: (Continued)

(b) Other receivables, deposits and prepayments

	2021 HK\$'000	2020 HK\$'000
Prepayments	455	1,216
Deposits	1,735	7,819
Other receivables	12,307	14,894
	<b>14,497</b>	23,929

Details of impairment assessment of trade and other receivables for the years ended 31 December 2021 and 2020 are set out in Note 27.

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

	2021 HK\$'000	2020 HK\$'000
Trade receivables held for collecting contractual cash flows or factoring to banks	6,342	1,477

Details of impairment assessment of debt instruments at fair value through other comprehensive income as at 31 December 2021 and 2020 are set out in Note 27.

## 19. BANK BALANCES AND CASH

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

	2021 HK\$'000	2020 HK\$'000
Bank balances and cash	96,524	114,621
Pledged bank deposit	15,000	15,000
Short term bank deposit	2,340	11,340
<b>Total bank balances and cash</b>	<b>113,864</b>	140,961

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 19. BANK BALANCES AND CASH (Continued)

As at 31 December 2021, the bank balances of the Group denominated in RMB amounted to approximately RMB47,264,000 (equivalent to HK\$56,719,000) (2020: RMB60,378,000 (equivalent to HK\$71,247,000)), which were deposited with the banks and financial institution in the PRC. RMB is currently not a free convertible currency in the international market. The conversion of RMB into foreign currencies and remittance of RMB out of the PRC are subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

The effective interest rates of short term bank deposits and bank balances ranged from 0.01% to 0.30% per annum (2020: ranged from 0.01% to 0.30% per annum) as at 31 December 2021. The short term bank deposits have maturity period within three months. The Group considered that the fair value of the short term bank deposits and bank balances is not materially different from its carrying amount because of the short maturity period on its inception.

For the years ended 31 December 2021 and 2020, the Group performed impairment assessment on bank balances and concluded that the probability of defaults of the counterparty banks are remote and accordingly no allowance for expected credit losses is provided. Details of impairment assessment of bank balances for the years ended 31 December 2021 and 2020 are set out in Note 27.

As at 31 December 2021, a short term deposit pledged to the bank as security for bank borrowings amounted to HK\$15,000,000 (2020: HK\$15,000,000).

## 20. TRADE AND OTHER PAYABLES

	2021 HK\$'000	2020 HK\$'000
Trade payables	308,790	295,407
Other payables and accruals	18,385	14,928
Total trade and other payables	327,175	310,335

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 20. TRADE AND OTHER PAYABLES (Continued)

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

	2021 HK\$'000	2020 HK\$'000
1 – 30 days	141,805	207,592
31 – 60 days	154,955	83,570
61 – 90 days	11,688	3,875
91 – 120 days	–	–
121 – 365 days	–	5
Over 1 year	342	365
	<b>308,790</b>	295,407

## 21. CONTRACT LIABILITIES

	2021 HK\$'000	2020 HK\$'000
<i>Contract liabilities arising from:</i>		
Sales of electronic products with the provision of independent design house services	14,519	10,279

The contract liabilities mainly related to the advance considerations received from customers. As at 31 December 2021, the aggregated amount of transaction price allocated to performance obligations under the Group's existing contract is HK\$14,519,000 (2020: HK\$10,279,000).

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 21. CONTRACT LIABILITIES (Continued)

Movements in contract liabilities are as follows:

	2021 HK\$'000	2020 HK\$'000
Balance as at 1 January	10,279	11,500
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	(10,297)	(11,530)
Increase in contract liabilities as a result of billing in advance of sales of electronic products with the provision of independent design house services	14,519	10,208
Exchange adjustment	18	101
Balance as at 31 December	14,519	10,279

## 22. LEASE

### The Group as lessee

#### Nature of leasing activities

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

	2021 HK\$'000	2020 HK\$'000
<b>Land and building</b>		
At the beginning of the reporting period	8,331	3,731
Additions	3,091	7,599
Depreciation expense	(5,365)	(3,266)
Termination of lease	–	(298)
Lease modification	50	–
Exchange realignment	142	565
At the end of the reporting period	6,249	8,331

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 22. LEASE (Continued)

### The Group as lessee (Continued)

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

	2021 HK\$'000	2020 HK\$'000
At the beginning of the reporting period	8,336	3,796
Additions	3,091	7,599
Accretion of interest	335	86
Payments	(5,581)	(3,406)
Termination of lease	-	(304)
Lease modification	50	-
Exchange realignment	141	565
At the end of the reporting period	6,372	8,336
Analysed to:		
Current	3,471	2,731
Non-current	2,901	5,605

Future lease payments are due as follows:

	Future lease payments HK\$'000	Interest HK\$'000	Present value HK\$'000
<b>As at 31 December 2021</b>			
Not later than 1 year	3,671	(200)	3,471
Later than 1 year and not later than 2 years	2,970	(69)	2,901
	6,641	(269)	6,372
<b>As at 31 December 2020</b>			
Not later than 1 year	3,067	(336)	2,731
Later than 1 year and not later than 2 years	5,885	(280)	5,605
	8,952	(616)	8,336

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 22. LEASE (Continued)

### The Group as lessee (Continued)

The following amounts are recognised in profit or loss:

	2021 HK\$'000	2020 HK\$'000
Depreciation expense of right-of-use assets	5,365	3,266
Interest expense on lease liabilities	335	86
Expense relating to short-term leases	501	1,192
Gain on termination of lease	–	(6)
Total amount recognised in profit or loss	<b>6,201</b>	4,538

The Group had total cash outflows for leases of HK\$6,082,000 in 2021 (2020: HK\$4,598,000). The Group also had non-cash additions to right-of-use assets and lease liabilities of HK\$3,091,000 (2020: HK\$7,599,000) and HK\$3,091,000 (2020: HK\$7,599,000) respectively in 2021.

## 23. AMOUNT DUE TO A RELATED PARTY

	2021 HK\$'000	2020 HK\$'000
Amount due to a related party (Note)	132	91

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

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

	2021 HK\$'000	2020 HK\$'000
Not past due	132	91

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 24. BANK BORROWINGS

	2021 HK\$'000	2020 HK\$'000
Unsecured bank borrowings:		
Invoice financing, export loan and import loan	249,862	26,785
Secured bank borrowings:		
Invoice financing and import loan (Note a)	52,481	27,882
	<b>302,343</b>	54,667
Carrying amount of bank borrowings repayable on demand or within one year (Note b)	<b>302,343</b>	54,667

Notes:

- (a) Bank borrowings are secured by a short term bank deposit with carrying amount of HK\$15,000,000 (2020: HK\$15,000,000) (Note 19).
- (b) All the bank borrowings are repayable within a period not exceeding one year.

As at 31 December 2021, bank borrowings of US\$18,699,000 (equivalent to HK\$145,850,000) (2020: US\$5,412,000 equivalent to HK\$42,209,000) bear interests at LIBOR plus 1.05% (2020: LIBOR plus 1.05%) per annum.

As at 31 December 2021, a bank borrowing of HK\$10,579,000 (2020: HK\$12,458,000) bears interests at HIBOR plus 1.25% (2020: ranging from HIBOR plus 1.05% to HIBOR plus 1.30%) per annum.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 24. BANK BORROWINGS (Continued)

As at 31 December 2021, bank borrowings of US\$18,707,000 (equivalent to HK\$145,914,000) bear interests ranging from bank's funding rate 1.00% to 1.20% per annum.

The average effective interest rate is 1.35% as at 31 December 2021 (2020: 1.35%).

The balances of HK\$302,343,000 as at 31 December 2021 are guaranteed by the Company to Hi-Level Technology Limited (2020: HK\$54,667,000).

## 25. SHARE CAPITAL

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

	No. of ordinary shares	HK\$'000
	'000	
Ordinary shares of HK\$0.01 each		
<b>Authorised:</b>		
As at 1 January 2020, 31 December 2020, 1 January 2021 and 31 December 2021	2,000,000	20,000
<b>Issued and fully paid:</b>		
As at 1 January 2020, 31 December 2020, 1 January 2021 and 31 December 2021	652,770	6,528

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 26. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure it will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

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

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

	<b>2021</b>	2020
	<b>HK\$'000</b>	HK\$'000
Lease liabilities	<b>6,372</b>	8,336
Bank borrowings	<b>302,343</b>	54,667
Total debt	<b>308,715</b>	63,003
Equity	<b>103,485</b>	168,719
Total debt to equity ratio	<b>298%</b>	37%

The directors of the Company review the capital structure regularly. As part of this review, the directors of the Company consider the cost of capital and the risks associated with each class of capital. Based on the recommendations of the directors of the Company, the Group will balance its overall capital structure through the payment of dividends as well as the issue of new debt or the redemption of existing debts.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 27. FINANCIAL INSTRUMENTS

### (a) Categories of financial instruments

	2021 HK\$'000	2020 HK\$'000
<b>Financial assets</b>		
Debt instruments at FVTOCI	6,342	1,477
Financial assets at amortised cost	257,250	299,162
<b>Financial liabilities</b>		
Amortised cost	634,300	371,934

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

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

#### Market risk

##### (i) Currency risk

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

	Liabilities		Assets	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
HK\$	132	91	17,910	19,177
Renminbi ("RMB")	21,003	17,702	82,900	84,685
Intra-group balances				
RMB	23	23	404	404

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 27. FINANCIAL INSTRUMENTS (Continued)

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

#### Market risk (Continued)

##### (i) Currency risk (Continued)

The Group currently does not have a foreign currency hedging policy. However, the directors of the Company will monitor foreign exchange exposure closely and consider the usage of hedging instruments when the need arises.

##### Sensitivity analysis

As at 31 December 2021, the outstanding foreign currency denominated monetary items includes only bank balances and intra-group balances denominated in RMB amounted to HK\$56,682,000 and HK\$381,000 (2020: HK\$71,247,000 and HK\$381,000) respectively. No sensitivity analysis for the Group's sensitivity to changes in RMB against HK\$ is presented as the directors of the Company consider that the exposure to exchange fluctuation in respect of RMB is insignificant.

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

##### (ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate lease liabilities (see Note 22 for details). The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank borrowings (see Note 24 for details of the bank borrowings). The directors of the Company considered that the interest rate risk on variable-rate bank balances is insignificant. The Group currently does not have any interest rate hedging policy. The directors of the Company monitor the Group's exposure on ongoing basis and will consider hedging interest rate risk should the need arises.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of prevailing market interest rates arising from the Group's LIBOR and HIBOR arising from the Group's variable-rate bank borrowings.

##### Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for its variable-rate bank borrowings. The analysis is prepared assuming the variable-rate bank borrowings at the end of the reporting period were outstanding for the whole year. For variable-rate bank borrowings, 50 basis points (2020: 50 basis points) increase or decrease are used.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 27. FINANCIAL INSTRUMENTS (Continued)

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

#### Market risk (Continued)

##### (ii) Interest rate risk (Continued)

Sensitivity analysis (Continued)

If interest rates have been 50 basis points (2020: 50 basis points) higher/lower for variable-rate bank balances and bank borrowings and all other variables were held constant, the Group's post-tax profit for the year would increase or decrease by the following magnitude:

	2021 HK\$'000	2020 HK\$'000
Increase in profit for the year	1,262	228
Decrease in profit for the year	(1,262)	(228)

#### Credit risk and impairment assessment

As at 31 December 2021 and 2020, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties arises from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

##### *Trade receivables arising from contracts with customers*

In order to minimise the credit risk, the directors of the Company have delegated a team responsible for determination of credit limits and credit approvals. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In addition, the Group performs impairment assessment under ECL model on trade balances individually. Based on the impairment assessment performed by the Group, the management of the Group considers the loss allowance for trade receivables under simplified approach within lifetime ECL as at 31 December 2021 and 2020 was HK\$1,979,000 and HK\$3,720,000, respectively.

##### *Other receivables/rental deposits*

The Group assessed the impairment for its other receivables and rental deposits individually based on internal credit rating and ageing of these debtors which, in the opinion of the directors of the Company, have no significant increase in credit risk since initial recognition. ECL is estimated based on historical observed default rates over the expected life of debtors and is adjusted for forward-looking information that is available without undue cost or effort. Based on the impairment assessment performed by the Group, the management of the Group considers the loss allowance for other receivables and rental deposits within lifetime ECL as at 31 December 2021 and 2020 was insignificant and accordingly no allowance for credit losses is provided.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 27. FINANCIAL INSTRUMENTS (Continued)

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

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

##### *Bank balances*

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

##### *Debt instruments at FVTOCI*

The Group's debt instruments at FVTOCI are the trade receivables that the Group would collect contractual cash flows or factor some of them to financial institutions. The Group performed impairment assessment under ECL model on trade balances individually. Based on the impairment assessment performed by the Group, the management of the Group considers the loss allowance for debt instruments at FVTOCI under simplified approach within lifetime ECL as at 31 December 2021 and 2020 was insignificant and accordingly no allowance for credit losses is provided.

Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings, the Group does not have any other significant concentration of credit risk.

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 27. FINANCIAL INSTRUMENTS (Continued)

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

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

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

	Notes	Internal credit rating	12-month or Lifetime ECL	Gross carrying amount	
				2021 HK\$'000	2020 HK\$'000
<b>Debt instruments at FVTOCI</b>	18	Performing	Lifetime ECL – not credit-impaired	<b>6,342</b>	1,477
<b>Financial assets at amortised costs</b>					
Trade receivables	17	Performing	Lifetime ECL – not credit-impaired	<b>83,025</b>	66,225
		Watch list	Lifetime ECL – not credit-impaired	<b>49,172</b>	79,901
		In default	Lifetime ECL – credit-impaired	<b>–</b>	–
				<b>132,197</b>	146,126
Other receivables	17	Performing	12m ECL	<b>12,344</b>	14,929
Rental deposits	17	Performing	12m ECL	<b>880</b>	867
Bank balances	19	Performing	12m ECL	<b>113,742</b>	140,349

Based on the impairment assessment performed by the Group as at 31 December 2021, the Group applied average loss rates of 0.16% and 3.76% (2020: 0.21% and 4.50%) to trade receivables under internal credit ratings of performing and watch list, respectively.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 27. FINANCIAL INSTRUMENTS (Continued)

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

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

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

	Lifetime ECL (not credit- impaired) HK\$'000	Lifetime ECL (credit- impaired) HK\$'000	Total HK\$'000
<b>As at 1 January 2020</b>	169	532	701
Changes due to financial instruments recognised:			
– Impairment losses reversed	(169)	–	(169)
– Write-off	–	(532)	(532)
New financial assets originated	3,714	–	3,714
Exchange realignment	6	–	6
<b>As at 31 December 2020</b>	3,720	–	3,720
Changes due to financial instruments recognised:			
– Impairment losses reversed	(3,720)	–	(3,720)
New financial assets originated	1,977	–	1,977
Exchange realignment	2	–	2
<b>As at 31 December 2021</b>	1,979	–	1,979

The following significant changes in the gross carrying amounts of trade receivables contributed to the decrease in the loss allowance during the year:

- origination of new trade receivables net of those settled resulted in an increase in loss allowance of HK\$107,000 (2020: HK\$44,000);
- decrease in days past due over 30 days resulted in a decrease in loss allowance of HK\$1,848,000 (2020: HK\$3,595,000); and
- a write-off of trade receivables with a gross carrying amount of HK\$ nil (2020: HK\$532,000) resulted in a decrease in loss allowance of HK\$ nil (2020: HK\$532,000).

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 27. FINANCIAL INSTRUMENTS (Continued)

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

#### Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by directors of the Company to finance the operations and mitigate the effects of fluctuations in cash flows. The directors of the Company monitor the utilisation of bank borrowings and ensure compliance with loan covenants.

The Group relies on bank borrowings as a significant source of liquidity. As at 31 December 2021, the Group has available unutilised bank facilities of approximately HK\$632,492,000 (2020: HK\$613,541,000). Details of the bank borrowings are set out in Note 24.

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 27. FINANCIAL INSTRUMENTS (Continued)

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

#### Liquidity risk (Continued)

Liquidity and interest risk table

	Weighted average effective interest rate %	On demand or less than 1 month HK\$'000	1-3 months HK\$'000	3 months to 1 year HK\$'000	1-2 years HK\$'000	Total contractual undiscounted cash flow HK\$'000	Carrying amount at 31 December HK\$'000
<b>2021</b>							
Trade and other payables		325,453	-	-	-	325,453	325,453
Amount due to a related party		132	-	-	-	132	132
Bank borrowings	1.35	191,592	95,776	27,852	-	315,220	302,343
Lease liabilities	3.34	307	613	2,751	2,970	6,641	6,372
		<b>517,484</b>	<b>96,389</b>	<b>30,603</b>	<b>2,970</b>	<b>647,446</b>	<b>634,300</b>
<b>2020</b>							
Trade and other payables	-	308,840	-	-	-	308,840	308,840
Amount due to a related party	-	91	-	-	-	91	91
Bank borrowings	1.35	39,837	14,904	-	-	54,741	54,667
Lease liabilities	3.96	258	516	2,293	5,885	8,952	8,336
		<b>349,026</b>	<b>15,420</b>	<b>2,293</b>	<b>5,885</b>	<b>372,624</b>	<b>371,934</b>

## 27. FINANCIAL INSTRUMENTS (Continued)

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

#### Liquidity risk (Continued)

*Liquidity and interest risk table (Continued)*

Bank borrowings with a repayment on demand clause are included in the “on demand or less than 1 month” time band in the above maturity analysis. As at 31 December 2021, the aggregate carrying amounts of these bank borrowings amounted to HK\$302,343,000 (2020: HK\$54,667,000). Taking into account the Group’s financial position, the directors of the Company do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors of the Company believe that such bank borrowings will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

The amounts included above for variable interest rate instruments for financial liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

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

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

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 27. FINANCIAL INSTRUMENTS (Continued)

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

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

Debt instruments at FVTOCI are measured at fair value at the end of each reporting period and their fair value classified as Level 3 in fair value hierarchy was HK\$6,342,000 as at 31 December 2021 (2020: HK\$1,477,000).

The fair value was estimated by discounted cash flow. Future cash flows are estimated based on the future cash collection discounted at a rate that reflects the credit risk of various counterparties. The management considers the fluctuation in the discount rate would not result in a significant change in the fair value. No fair value change on debt instruments at FVTOCI for the years ended 31 December 2021 and 2020.

During the years ended 31 December 2021 and 2020, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3.

#### **Reconciliation of Level 3 fair value measurements**

Details of reconciliation of financial assets at FVTOCI measured at Level 3 fair value measurement are set out as below:

	2021 HK\$'000	2020 HK\$'000
As at 1 January	1,477	8,256
Additions	6,342	1,477
Settlements	(1,477)	(8,256)
As at 31 December	6,342	1,477

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

The directors of the Company consider that the carrying amounts of financial assets and liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values due to the short-term maturities of these assets and liabilities.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 27. FINANCIAL INSTRUMENTS (Continued)

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for leasing transactions that are accounted for in accordance with HKFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 Inventories or value in use in HKAS 36 Impairment of Assets.

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

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 28. RETIREMENT BENEFIT PLANS

The Group participates a MPF Scheme for all qualifying employees in Hong Kong under the Mandatory Provident Fund Schemes Ordinance, a defined contribution scheme managed by an independent trustee. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rule of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at a rate of 5% specified in the rules, but subject to a cap of HK\$1,500. The only obligation of the Group with respect of MPF Scheme is to make the required contributions at rate specified under the scheme.

The employees employed in the PRC are members of the state-managed retirement benefit schemes operated by the PRC government. The PRC subsidiaries are required to contribute a certain percentage of their basic payroll to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefit schemes is to make the required contributions at rate specified under the schemes.

As at 31 December 2021, the Group was not entitled to any forfeited contributions to reduce its future contributions (2020: HK\$ nil).

The total expenses of HK\$2,839,000 was recognised in profit or loss during the year ended 31 December 2021 (2020: HK\$930,000).

## 29. RELATED PARTY TRANSACTIONS AND BALANCES

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

Name of parties	Nature of transactions	2021	2020
		HK\$'000	HK\$'000
S.A.S Investment Company Limited ("S.A.S Investment") (Note 1)	Interest expenses on lease liabilities	19	4
	Lease liabilities	2,411	311
	Rental expense paid	315	1,016
Subsidiaries of S.A.S. Dragon (Note 2)	Sales of electronic products	639	584
	Management fee paid	–	180
	Interest expenses on lease liabilities	6	22
	Lease liabilities	172	452

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 29. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

### (a) (Continued)

Note 1: S.A.S. Investment is a substantial shareholder of the Company, who held 204,663,000 (2020: 204,663,000) of the issued share capital of the Company as at 31 December 2021. The Company is an associate of S.A.S. Investment as SAS Investment can exercise significant influence over the Company.

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

(b) Details of the outstanding balances with related party are set out in the consolidated statement of financial position and in Note 23.

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

### Compensation of key management personnel

	2021 HK\$'000	2020 HK\$'000
Salaries and other benefits	5,494	4,363
Performance related incentive payments	30	552
Retirement benefits scheme contributions	165	114
	<b>5,689</b>	5,029

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

The statement of financial position of the Company as at 31 December 2021 is as follows:

	2021 HK\$'000	2020 HK\$'000
Non-current Assets		
Amount due from a subsidiary	68,111	103,783
Investment in a subsidiary	76,538	102,849
	<b>144,649</b>	206,632
Current Assets		
Prepayments	194	189
Bank balances and cash	152	185
	<b>346</b>	374
Current Liabilities		
Dividend payables	4	4
Amounts due to subsidiaries	–	11,282
Taxation payable	55	85
	<b>59</b>	11,371
Net Current Assets/(Liabilities)	<b>287</b>	(10,997)
Net Assets	<b>144,936</b>	195,635
Capital and Reserves		
Share capital	6,528	6,528
Share premium and reserves (Note)	138,408	189,107
Total Equity	<b>144,936</b>	195,635

Approved and authorised for issue by the Board of Directors on 18 March 2022 and signed on its behalf by:

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

**Mr. Chang Wei Hua**  
Director

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 30. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (Continued)

Note:

	<b>Share premium</b> HK\$'000	<b>Special reserve</b> HK\$'000	<b>Retained Profits/ (accumulated losses)</b> HK\$'000	<b>Total</b> HK\$'000
As at 1 January 2020	53,406	100,152	3,924	157,482
Profit for the year	–	–	38,153	38,153
Dividend paid (Note 12)	–	–	(6,528)	(6,528)
As at 31 December 2020 and 1 January 2021	53,406	100,152	35,549	189,107
Loss for the year	–	–	(27,852)	(27,852)
Dividend paid (Note 12)	–	–	(22,847)	(22,847)
As at 31 December 2021	53,406	100,152	(15,150)	138,408

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 31. PARTICULARS OF SUBSIDIARIES

Particulars of the Company's subsidiaries as at 31 December 2021 and 31 December 2020 are as follows:

Name of subsidiaries	Place and date of incorporation/ establishment/ operations	Issued and fully paid share capital/ registered capital	Attributable equity interest held by the Company Directly		Principal activities
			2021	2020	
Hi-Level (BVI) Limited	British Virgin Islands 24 September 2015	US\$1	100%	100%	Investment holding
Hi-Level Technology Limited (揚宇科技有限公司)	Hong Kong 15 December 2000	HK\$25,000,000	100%	100%	Sales of electronic products with the provision of independent design house services
Video Innovation Tech Limited (捷成科技有限公司)	Hong Kong 24 October 2001	HK\$500,000	100%	100%	Sales of electronic products with the provision of independent design house services
Shenzhen Hi-Level Technology Development Limited (深圳揚煜科技開發有限公司) (Note)	The PRC 8 September 2003	HK\$80,000,000	100%	100%	Sales of electronic products with the provision of independent design house services
Hi-Level (Shanghai) Technology Limited (上海揚禹電子貿易有限公司) (Note)	The PRC 21 September 2007	HK\$6,000,000	100%	100%	Sales of electronic products

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

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

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

(a) Non-cash transaction:

During the year ended 31 December 2021, the Group had certain trade payables of US\$228,322,000 (equivalent to HK\$1,780,914,000) financed by invoice financing (2020: US\$167,610,000 (equivalent to HK\$1,307,358,000)).

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

(b) Reconciliation of liabilities arising from financing activities:

	<b>Lease liabilities (Note 22)</b>	<b>Bank borrowings (Note 24)</b>	<b>Total</b>
	HK\$'000	HK\$'000	HK\$'000
As at 1 January 2020	3,796	147,577	151,373
Changes from cash flows:			
New bank and other loans raised	–	645,506	645,506
Repayment during the year	(3,320)	(738,416)	(741,736)
Interest paid	(86)	(3,197)	(3,283)
Total changes from financing cash flows:	(3,406)	(96,107)	(99,513)
Other changes:			
New lease capitalised	7,599	–	7,599
Interest expenses	86	3,197	3,283
Termination of lease	(304)	–	(304)
Exchange realignment	565	–	565
Total other changes	7,946	3,197	11,143
As at 31 December 2020 and 1 January 2021	8,336	54,667	63,003
Changes from cash flows:			
New bank and other loans raised	–	1,210,328	1,210,328
Repayment during the year	(5,246)	(962,652)	(967,898)
Interest paid	(335)	(2,506)	(2,841)
Total changes from financing cash flows:	(5,581)	245,170	239,589
Other changes:			
New lease capitalised	3,091	–	3,091
Interest expenses	335	2,506	2,841
Lease modification	50	–	50
Exchange realignment	141	–	141
Total other changes	3,617	2,506	6,123
As at 31 December 2021	6,372	302,343	308,715

## 33. COMPARATIVE FIGURES

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

# Financial Summary

## RESULTS

	For the year ended 31 December				
	2017 HK\$'000	2018 HK\$'000	2019 HK\$'000	2020 HK\$'000	2021 HK\$'000
Revenue	2,254,447	1,855,277	1,801,130	2,254,195	<b>2,847,359</b>
Profit/(loss) before taxation	45,468	5,537	17,421	38,832	<b>(46,650)</b>
Income tax expense	(8,256)	(1,359)	(2,769)	(6,705)	<b>(304)</b>
<b>Profit/(loss) for the year</b>	<b>37,212</b>	<b>4,178</b>	<b>14,652</b>	<b>32,127</b>	<b>(46,954)</b>

## ASSETS AND LIABILITIES

	At 31 December				
	2017 HK\$'000	2018 HK\$'000	2019 HK\$'000	2020 HK\$'000	2021 HK\$'000
Total Assets	507,266	614,645	555,090	558,856	<b>754,181</b>
Total Liabilities	(363,447)	(475,632)	(417,173)	(390,137)	<b>(650,696)</b>
Net Assets and Total Equity	<b>143,819</b>	<b>139,013</b>	<b>137,917</b>	<b>168,719</b>	<b>103,485</b>