



SiS Mobile Holdings Limited

新龍移動集團有限公司*

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1362

2022 | ANNUAL REPORT



*for identification purpose only

Content

| | |
|-------|---|
| 2 | Corporate Information |
| 3–4 | Chairman’s Statements |
| 5–6 | Management Discussion and Analysis |
| 7–12 | Environmental, Social and Governance Report |
| 13–21 | Corporate Governance Report |
| 22–24 | Directors’ and Senior Management Profiles |
| 25–34 | Directors’ Report |
| 35–38 | Independent Auditor’s Report |
| 39 | Consolidated Statement of Profit or Loss and Other Comprehensive Income |
| 40 | Consolidated Statement of Financial Position |
| 41 | Consolidated Statement of Changes in Equity |
| 42 | Consolidated Statement of Cash Flows |
| 43–91 | Notes to the Consolidated Financial Statements |
| 92 | Financial Summary |



Corporate Information

DIRECTORS

Non-executive Directors:

Lim Kia Hong (*Chairman*)
Lim Hwee Hai

Executive Directors:

Lim Kiah Meng
Fong Po Kiu
Wong Yi Ting

Independent Non-executive Directors:

Chu Chung Yi
Doe Julianne Pearl
Cheng Tak Chung (appointed on 1.1.2023)
Ng See Wai Rowena (resigned on 31.12.2022)

AUDIT COMMITTEE

Chu Chung Yi (*Chairlady*)
Doe Julianne Pearl
Cheng Tak Chung (appointed on 1.1.2023)
Ng See Wai Rowena (resigned on 31.12.2022)

REMUNERATION COMMITTEE

Chu Chung Yi (*Chairlady*) effective 1.1.2023
Lim Kia Hong
Lim Kiah Meng
Doe Julianne Pearl
Cheng Tak Chung (appointed on 1.1.2023)
Ng See Wai Rowena (resigned on 31.12.2022)

NOMINATION COMMITTEE

Lim Kia Hong (*Chairman*)
Lim Kiah Meng
Chu Chung Yi
Doe Julianne Pearl
Cheng Tak Chung (appointed on 1.1.2023)
Ng See Wai Rowena (resigned on 31.12.2022)

COMPANY SECRETARY

Wong Yi Ting

AUDITORS

Deloitte Touche Tohmatsu
Registered Public Interest Entity Auditors

PRINCIPAL BANKERS

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

REGISTERED OFFICE

Windward 3
Regatta Office Park
PO Box 1350
Grand Cayman KY1-1108
Cayman Islands

PRINCIPAL PLACE OF BUSINESS

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Ocorian Trust (Cayman) Ltd.
Windward 3
Regatta Office Park
PO Box 1350
Grand Cayman KY1-1108
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

STOCK CODE

1362

INVESTOR RELATIONS

www.sismobile.com.hk
enquiry@sismobile.com.hk

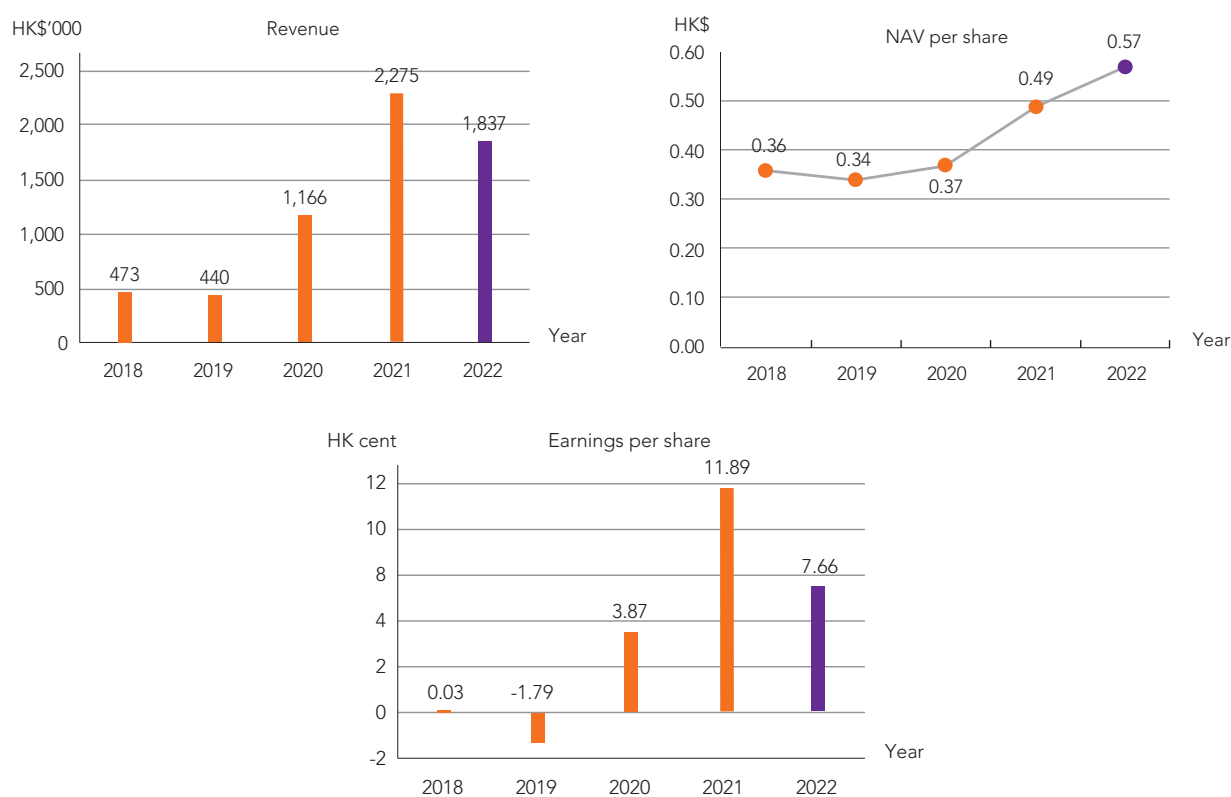
Chairman's Statements

Dear Shareholders,

I am pleased to present financial results of the Group for the year ended 31 December 2022.

RESULTS

Revenue for the year decreased from HK\$2,275,455,000 to HK\$1,837,386,000 and net profit attributable to shareholders amounted to HK\$21,452,000 compared to a net profit of HK\$33,286,000 for the same period last year. Net assets value of the Group grew 15.4% to HK\$158,563,000. Earnings per share was HK cents 7.66 per share.



BUSINESS REVIEW

Year 2022 was an extremely challenging and difficult year for many Hong Kong businesses. The continued lock down, increase in cost of living and rising interest rate resulted in the lower demand for smart phone and mobility products. During the year, the Group continued to expand our product range which has begun to contribute positively to the Group's business.

Chairman's Statements

PROSPECT

The economic outlook remains challenging against a backdrop of rising geopolitical tensions, war in Ukraine, record-high inflation levels, high cost of living. On the other hand, we are reentering to normal life after a prolonged period of travel restrictions.

We have lived through one of the darkest periods in human history with Covid-19 pandemic but have emerged stronger together. We believe Hong Kong people are resilient. With Covid-19 seemingly behind us, we are looking forward to receiving both businessmen and tourists back to Hong Kong and this will bring about a rebound in business.

The Group is nimble; we are adjusting and working hand in hand with our business partners and staff to explore, expand and identify new opportunities and avenues to create shareholders value in the new after Covid-19 era.

APPRECIATION

On behalf of the Board, I would like to express our sincere appreciation to our committed staff for their contributions and hard work, support of our customers, business partners and shareholders especially during the Covid-19 period. It is to their credits that we have been able to conduct our business effectively during the challenging times.

Lim Kia Hong

Chairman

Hong Kong, 29 March 2023



Management Discussion and Analysis

FINANCIAL REVIEW

For the financial year ended 31 December 2022, revenue of the Group reduced 19% to HK\$1,837,386,000 due to low demand in smartphones. High inflation, increasing interest rate and uncertain market situation hit consumer sentiment during 2022.

The Group had took the best effort to control the pressure of increasing operating cost. Total operating expenditures for the year increased mildly 3.5% to HK\$34,059,000 (2021: HK\$32,916,000). We are monitoring expenditures closely continuously. We would take steps to keep operating cost under control.

As at 31 December 2022, inventory level was reduced by 45% to a reasonable level while trade receivable were maintained at a healthy level when compared with last year end.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2022, the Group had total assets of HK\$205,975,000 which were financed by total equity of HK\$158,563,000 and total liabilities of HK\$47,412,000. The Group had current ratio of approximately 4.0 at 31 December 2022 compared to that of approximately 3.1 last year.

As at 31 December 2022 the Group had HK\$86,122,000 (31 December 2021: HK\$56,035,000) cash and cash equivalents. The Group's working capital requirements were mainly financed by internal resources and borrowings.

As at 31 December 2022 and 2021, the Group did not have any borrowings. At the end of December 2022, the Group had net cash surplus of HK\$86,122,000 (31 December 2021: HK\$56,035,000).

CHARGE ON GROUP ASSETS

There was no pledged asset as at 31 December 2022 (31 December 2021: Nil).

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

The number of staff of the Group as at 31 December 2022 was 48 (31 December 2021: 45) and the salaries and other benefits paid and payable to employees, excluding Directors' emoluments, amounted to HK\$17,200,000 (31 December 2021: HK\$16,949,000). In addition to the mandatory provident fund and medical insurance, the Company adopts share option scheme and may grant shares to eligible employees of the Group. The Directors believe that the Company's share option schemes could create more incentives for directors and employees to work with commitment towards enhancing the value of the Company and its shareholders and therefore the Company can retain high caliber executives and employees. During the year, no share options have been exercised, granted or lapsed. The Group's remuneration policy is to relate performance with compensation. The Group's salary and discretionary bonus system is reviewed annually. There are no significant changes in staff remuneration policies from last year.

Management Discussion and Analysis

SIGNIFICANT INVESTMENTS

The listed securities held by the Group are held for long term investment purpose and suffered a 2% decline during the year ended 31 December 2022, as a result of market volatility in both USA and Hong Kong stock markets. The fair value loss HK\$264,000 (2021: HK\$577,000) was accounted for in other comprehensive expense. There was no investment in an investee company with a value of 5% or more of the Group's total assets as at the year end date. During the year, the Group disposal an investment in US at a gain when compared with investment cost. The Group received dividend income of HK\$365,000 (2021: HK\$369,000).

List of securities investment as at 31.12.2022

| Stock Code | Stock Name | 31.12.2022 | | Fair Value Gain/(Loss) credited/(charged) to Investment Reserve during 2022 HK\$'000 | % to total assets |
|------------|------------------------------------|------------|------------------------|--|----------------------|
| | | # of share | Fair Value HK\$'000 | | |
| NTNX.US | Nutanix Inc. | 11,480 | 2,332 | (520) | 1.1% |
| 1299.HK | AIA Group Limited | 25,000 | 2,170 | 205 | 1.1% |
| 11.HK | Hang Seng Bank Limited | 15,000 | 1,947 | (194) | 0.9% |
| 5.HK | HSBC Plc | 38,178 | 1,854 | 63 | 0.9% |
| 939.HK | China Construction Bank Limited | 300,000 | 1,467 | (153) | 0.7% |
| 6823.HK | HKT Limited | 100,000 | 957 | (91) | 0.5% |
| | | | 10,727 | | 5.2% |

CURRENCY RISK MANAGEMENT

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

CONTINGENT LIABILITIES

At 31 December 2022, the Group did not have any contingent liabilities or guarantees (31 December 2021: Nil).

Environmental, Social and Governance Report

ENVIRONMENTAL

The environmental data covers all the Group's operation in Hong Kong.

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

Emissions

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

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

Emissions of greenhouse gases by the Group were mainly due to the consumption of purchased electricity. Indirect emission is mainly from paper usage, amounted to 8.1 tonnes (2021: 8.1 tonnes).

| Emission | FY2022 | FY2021 |
|-------------------------------|-----------|-----------|
| Purchased electricity | 71 tonnes | 71 tonnes |
| Total greenhouse gas emission | 78 tonnes | 79 tonnes |

Non-hazardous waste produced (paper waste, printer cartridges, tonner bottle) was 1,413 kg (2021: 1,688 kg).

Use of Resources

For year 2022, electricity consumption was 112,821 kWh, 0.4% lower than 113,307 kWh in 2021, keep improving continuously because we took steps to improve air circulation system.

Water consumption reduced slightly to 163 cubic metre but remains immaterial.

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

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

Environmental, Social and Governance Report

ENVIRONMENTAL (CONTINUED)

The Environment and Natural Resources

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

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

Climate Change

Due to the nature of the Group's operations, no significant climate-related issues which have impacted to the Group.

SOCIAL

Employment and Labour Practices

Employment, Remuneration and Benefits, Recruitment and promotion

The Group is compliant with the Employment Ordinance and associated guidelines. Our full-time staffs are entitled to paternity and compassionate leaves, healthcare and mandatory provident fund. We apply equal opportunity and non-discrimination in recruitment, promotion and all other aspects of our employment practices. We encourage a healthy work-life balance among staffs so as to maintain a healthy lifestyle. Number of staff was increased by 7% (or 3) during the year. As at 31 December 2022, the Group had a total of 48 permanent staffs and all are located in Hong Kong.

Workforce by gender and age group:

| Age/Gender | Male | Female | Total | |
|---------------------|------|--------|-------|------|
| Below 30 | 3 | 1 | 4 | 8% |
| 30 to 50 | 15 | 20 | 35 | 73% |
| Over 50 | 6 | 3 | 9 | 19% |
| Total no. of staffs | 24 | 24 | 48 | 100% |

Environmental, Social and Governance Report

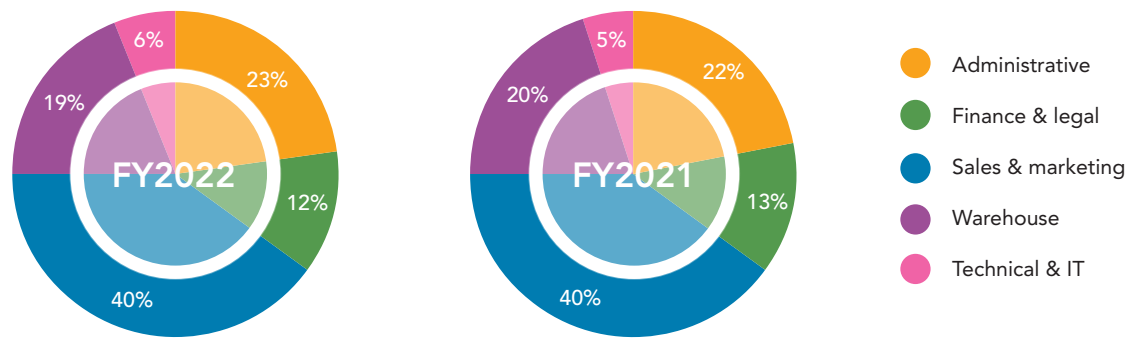
SOCIAL (CONTINUED)

Employment and Labour Practices (Continued)

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

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

Workforce by function:



Diversity and Equal Opportunities

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

Health and Safety

The Group provided a safe and healthy environment in the work places for all staffs. However, the staff turnover rate became high in 2022 as a common phenomenon in Hong Kong. We look forward of improvement when HK government has taken steps to improve labour force situation actively. The Group did not encounter any lost days caused by injury. Air purifiers were placed in work place to improve air circulation.

In response to the novel coronavirus (COVID-19) to ensure the safety of our staffs, we are vigilantly monitoring the COVID-19 situation around the clock and have precautions in place to ensure a healthy and safe working environment. During 2022, wearing masks, using cleaning gel, temperature measurement daily before entering the Company area for all staffs and visitors, encourage wash hand frequently, and virus tests if suspicion, limited business visits and encourage virtual meetings instead of physical meetings, and 14-days quarantine when required.

Environmental, Social and Governance Report

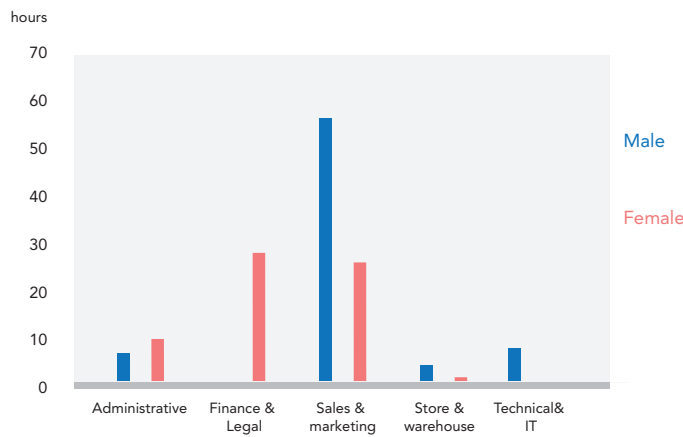
SOCIAL (CONTINUED)

Development and Training

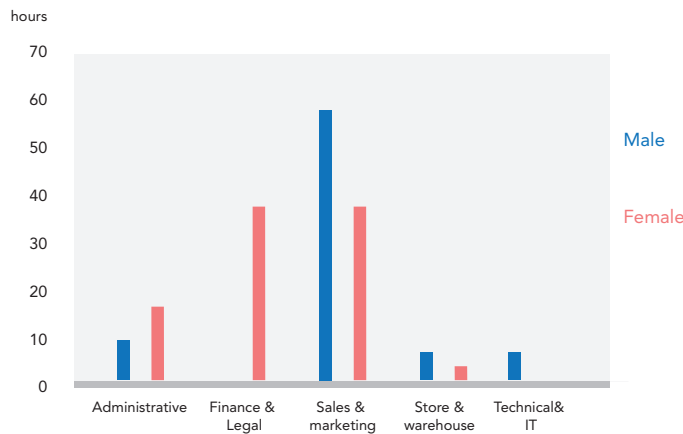
As a distributor of renowned brands mobile phones and related products in Hong Kong, our sales force and technical staffs possess broad knowledge of mobile phones in order to provide the best services to our resellers. We work closely with suppliers to keep our sales teams updated on the latest technology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

During the year, total training hours offered in 2022 was 133 hours (2021: 167 hours) for 77% staffs & directors (2021: 100%), average 3.6 hours (2021: 3.4 hours) per trained staff. Those training were focusing on product knowledge, accounting, regulatory compliance update and ethical behaviour. The Group also updates the latest information of the industry and laws and regulations which is essential to the Group’s operation and their job responsibilities from time to time.

Training Hours by Gender and Function in 2022:



Training Hours by Gender and Function in 2021:



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

Environmental, Social and Governance Report

SOCIAL (CONTINUED)

Labour Standards

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

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

Supply Chain Management

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

Currently we mainly procured mobile phones and mobility products of 5 internationally renowned brands from our suppliers. 100% (2021: 100%) finished goods were supplied domestically.

Product Responsibility

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

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

- Inventory management team performs a series of inspections upon the receipt of the products in our warehouse regarding, among others, their appearance, packaging, specification and brand logo, etc. on a sampling basis; and
- If any defects are identified, the relevant product will be returned to the supplier for replacement.

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

During the year, we have not received any cases of infringement of intellectual property rights. We are also not aware of any suspected cases of infringement of intellectual property rights of the products we were distributed during 2022.

Environmental, Social and Governance Report

SOCIAL (CONTINUED)

Product Responsibility (Continued)

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

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

Anti-Corruption

Ethical and responsible conduct

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

In addition, seminars had been held to remind new staff on regulations and to refresh their knowledge on aspects of ethical practices when applicable during the year.

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

Community

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

In 2022, donation of HK\$9,000 was made to charity organization.

Corporate Governance Report

CODE ON CORPORATE GOVERNANCE PRACTICES

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

CORPORATE STRATEGIES

The Group aims to maintain its leading position in Hong Kong and will continue to seek market share by (i) broaden product offerings and brand portfolio of the Group; and (ii) further expand distribution network and strengthen the quality of customer services provided by sales team of the Group.

BOARD OF DIRECTORS

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

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

Executive Directors:

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

Non-executive Directors:

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

Independent Non-executive Directors:

Ms. Chu Chung Yi
Ms. Doe Julianne Pearl
Mr. Cheng Tak Chung (appointed on 1.1.2023)
Ms. Ng See Wai, Rowena (resigned on 31.12.2022)

Biographical details of each Director and relationship between board members are set out on pages 22 to 24 of the annual report.

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

Corporate Governance Report

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

DIRECTORS NOMINATION POLICY

The nomination, appointment and removal of Directors are considered by the Nomination Committee. The Nomination Committee shall make recommendations to the Board whenever they consider appropriate.

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

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

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

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

Corporate Governance Report

DIRECTORS NOMINATION POLICY (CONTINUED)

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

- the Board shall call a meeting and invite nominations of candidates from the Nomination Committee of the Company for consideration by the Board prior to its meeting;
- the Board may use any process it deems appropriate to assess the suitability of and the potential contribution to the Board by the candidates based on (but not limited to) the criteria set out above, which may include personal interviews, background checks, presentations or written submissions by the candidates and third party references;
- the Board shall hold a physical meeting to consider the matter and avoid the making of decisions by written resolutions unless it is impractical that a physical meeting be held; and
- the Board shall provide to the Shareholders for its consideration with all the information required, including information set out in Rule 13.51(2) of the Listing Rules in relation to the candidates.

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

BOARD DIVERSITY

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

The Company considers that the current composition of the Board is characterised by diversity after taking into account its own business model and specific needs, professional background and skills of the Directors, and the gender ratio (male to female is 5 to 3).

Corporate Governance Report

BOARD COMMITTEES

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

| Director | Audit Committee | Nomination Committee | Remuneration Committee |
|------------------------|-----------------|----------------------|------------------------|
| Mr. Lim Kia Hong | — | C | M |
| Mr. Lim Kiah Meng | — | M | M |
| Ms. Chu Chung Yi | C | M | M* |
| Ms. Ng See Wai Rowena* | M | M | C |
| Ms. Doe Julianne Pearl | M | M | M |
| Mr. Cheng Tak Chung | M | M | M |

Notes:

C — Chairman of the relevant Committee

M — Member of the relevant Committee

* Ms. Ng resigned from the board with effect from 31 December 2022, Ms. Chu becomes the chairlady of Remuneration Committee on 1 January 2023.

CHAIRMAN AND CHIEF EXECUTIVE

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

AUDIT COMMITTEE

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

The main duties of the Audit Committee include:

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

The Audit Committee has met four times during the year 2022 and has reviewed the management accounts, half-year and annual financial results of the Group and its subsidiaries. Audit Committee had met with external auditors of the Company without the present of Executive Directors on reviewing the annual financial results of the Group.

Corporate Governance Report

NOMINATION COMMITTEE

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

The duties of the Nomination Committee shall be:

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

During the year 2022, Nomination Committee held three meetings to review and discuss the composition of the Board of the Company, to assess the independency of independent non-executive Directors, to recommend re-appointment of Directors, and to nominate new independent non-executive director. The Nomination Committee considered that the experience, expertise, leadership and qualification of the existing Directors are sufficient to maintain corporate governance of the Company and manage the operations of the Group.

REMUNERATION COMMITTEE

The Remuneration Committee was set up on 15 January 2015 and is comprised of all INEDs, one non-executive Director and one executive Director, namely Messrs. Lim Kia Hong and Lim Kiah Meng respectively, with Ms. Chu Chung Yi as Chairlady with effect from 1 January 2023.

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

Pursuant to Code Provision E.1.5 of the Code, details of the annual remuneration of the directors and senior management by band for the year ended 31 December 2022 are as follows:

| Remuneration band | Number of individuals |
|--------------------------------|-----------------------|
| HK\$0 to HK\$1,000,000 | 5 |
| HK\$1,000,001 to HK\$2,000,000 | 1 |
| HK\$2,000,001 to HK\$3,000,000 | 2 |

Details of the remuneration of directors and the five highest paid employees for the year ended 31 December 2022 are set out in note 12 to the consolidated financial statements.

Corporate Governance Report

CORPORATE GOVERNANCE FUNCTIONS

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

- To develop and review the Company's policies and practices on corporate governance and make any changes it considers necessary to ensure their effectiveness;
- To review and monitor the training and continuous professional development of Directors and senior management;
- To review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- To develop, review and monitor the code of conduct and compliance manual (if any) applicable to Directors and employees; and
- To review the Company's compliance with the code and disclosure in the Corporate Governance Report.

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

DIRECTORS' SECURITIES TRANSACTIONS

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

DIRECTORS' AND AUDITORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for preparing the financial statements which give a true and fair view of the state of affairs of the Group. The statement of the external auditors of the Company about their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report on pages 35 to 38.

AUDITORS' REMUNERATION

During the year ended 31 December 2022, the Group had engaged external auditors, Deloitte Touche Tohmatsu, to provide audit service. No non-audit service was provided by the auditor during the financial year. Audit fee is disclosed in Note 10 to the consolidated financial statements.

Corporate Governance Report

ATTENDANCE OF MEETINGS

The following table shows the attendance of each Director at general meeting, meetings of the Board and the above committees during the year 2022:

| | General Meeting | Board | Audit Committee | Nomination Committee | Remuneration Committee |
|--|-----------------|-------|-----------------|----------------------|------------------------|
| Number of meetings during the year | 1 | 8 | 4 | 3 | 1 |
| Executive Directors | | | | | |
| Lim Kiah Meng | 1 | 8 | n/a | 3 | 1 |
| Fong Po Kiu | 1 | 8 | n/a | n/a | n/a |
| Wong Yi Ting | 1 | 8 | n/a | n/a | n/a |
| Non-Executive Directors | | | | | |
| Lim Kia Hong | 1 | 7 | n/a | 3 | 1 |
| Lim Hwee Hai | 1 | 7 | n/a | n/a | n/a |
| Independent Non-Executive Directors | | | | | |
| Chu Chung Yi | 1 | 6 | 4 | 3 | 1 |
| Ng See Wai Rowena | 1 | 6 | 4 | 3 | 1 |
| Doe Julianne Pearl | 1 | 6 | 4 | 3 | 1 |

RISK MANAGEMENT AND INTERNAL CONTROLS

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

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

Through the internal control functions of the Group, three reviews were conducted during the year 2022 and reports were reviewed by Audit Committee. The Directors considered that the risk management and internal control systems are adequate and effective.

Corporate Governance Report

DIRECTORS' TRAINING AND PROFESSIONAL DEVELOPMENT

The Company is responsible for arranging and funding suitable training for its directors. During the year 2022, the Company organised training regarding the latest developments in Listing Rules and other applicable regulatory requirement for the directors, to ensure compliance and enhance their awareness of good corporate governance practices. In addition, individual directors also participated in other courses relating to the roles, functions and duties of a listed company director or further enhancement of their professional development by way of attending training courses or via online aids or reading relevant materials. The Company Secretary reports from time to time the latest changes and development of the Listing Rules, corporate governance practices and other regulatory regime to the Directors with written materials. The Company has devised a training record to assist the Directors to record the training they have undertaken.

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

| | Attending trainings/ briefings/seminars |
|--|--|
| Executive Directors | |
| Lim Kiah Meng | ✓ |
| Fong Po Kiu | ✓ |
| Wong Yi Ting | ✓ |
| Non-Executive Directors | |
| Lim Kia Hong | ✓ |
| Lim Hwee Hai | ✓ |
| Independent Non-Executive Directors | |
| Chu Chung Yi | ✓ |
| Ng See Wai Rowena | ✓ |
| Doe Julianne Pearl | ✓ |

COMPANY SECRETARY

Ms. Wong Yi Ting has been appointed as company secretary of the Company since 16 December 2014. She is a Certified Public Accountant, an associate of Hong Kong Institute of Chartered Secretaries and The Chartered Governance Institute. She has complied the 15 hours of relevant professional training requirements under the Rule 3.29 of the Listing Rules for the year ended 31 December 2022.

Corporate Governance Report

NON-COMPETITION UNDERTAKING

The controlling shareholder of the Company entered into Deed of Non-Competition in favour of the Company on 24 December 2014 (“Deed of Non-Competition”). The controlling shareholder confirmed its compliance of all the undertakings provided under the Deed of Non-Competition. The independent directors of the Company have reviewed the status of compliance and enforcement of the Deed of Non-Competition and it is considered that the terms of the Deed of Non-Competition have been complied by the controlling shareholder.

INVESTOR RELATIONS AND COMMUNICATION WITH SHAREHOLDERS

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

During the year 2022, the Company has not made any changes to its Memorandum and Articles of Association (“Articles”). A Copy of the Company’s Articles is available on web-sites of the Company and the Stock Exchange. Shareholders may refer to the Company’s Articles for further details of their rights.

SHAREHOLDERS’ RIGHTS

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

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

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

3118, No.1 Hung To Road, Kwun Tong, Kowloon, Hong Kong
Fax: (852) 2138 3928
Email: enquiry@sismobile.com.hk

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

Directors' and Senior Management Profiles

Mr. LIM Kia Hong, aged 66, is a non-executive Director and chairman of the Group. He is the brother of Mr. Lim Kiah Meng and brother-in-law of Mr. Lim Hwee Hai. Mr. Lim is one of the co-founders of the Group and had joined SiS International Holdings Limited ("SiS International") since 1983. Together with a team of committed management and staff, Mr. Lim is credited with the success of transforming the SiS International from a small privately-owned family business in Singapore to one of most dynamic business groups involving in distribution, ventures, investments and real estate businesses. Mr. Lim is involved in all phases of SiS Group's developments and is instrumental in bringing SiS Mobile to be listed on the Hong Kong Stock Exchange.

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

Mr. LIM Kiah Meng, aged 69, is an executive Director and Managing Director of the Company, brother of Mr. Lim Kia Hong and brother-in-law of Mr. Lim Hwee Hai. Mr. Lim is one of the co-founders of the Group and had joined SiS International in Hong Kong since 1987. He has over thirty years' experience in the information and communication technology industry ("ICT"), and is responsible for the Group's operations.

Mr. Lim is also an executive director of SiS International. Since April 2013, Mr. Lim has also been a non-executive director of SiS Thai. He is a director of ITCL whose shares are listed on DSE and CSE. Mr. Lim obtained a master's degree in international management from the American Graduate School of International Management, US in August 1980.

Mr. FONG Po Kiu, aged 54, is an executive Director and Co-CEO of the Group. Mr. Fong is responsible for the general management and business operations and development of the Group. Mr. Fong has been working for Synergy Technologies (Asia) Limited since April 2004 and has over thirty years of working experience in the ICT industry in Hong Kong. Mr. Fong graduated from Hong Kong Polytechnic with professional diploma in company secretaryship and administration in November 1990.

Mr. Fong is currently the Honorary President of Hong Kong Information Technology Federation (HKITF), Founding & Honorary Chairman of Hong Kong Association of Interactive Marketing (HKAIM). In addition, he serves as a member in various committees of The HKSAR Government, such as Standing Committee on Technological Developments, Office of the Privacy Commissioner for Personal Data (PCPD); Telecommunications Regulatory Affairs Committee (TRAAC), Office of the Communications Authority (OFCA); Electronic Road Pricing Pilot Scheme in Central-International Expert Panel, Transport Dept (TD); and Management Committee on Smart Fund, Transport Department (TD).

Mr. Fong has been a fellow member of The Hong Kong Computer Society since June 2004. Mr. Fong is also a fellow member of The Chartered Government Institute UK & Ireland, and The Hong Kong Chartered Governance Institute since August 2001 and a fellow member of The Professional Validation Centre of Hong Kong Business Sector (PVCBS) since 2019.

Directors' and Senior Management Profiles

Ms. WONG Yi Ting, aged 48, is an executive Director and the company secretary of the Company. Ms. Wong is responsible for the financial and accounting management of the Group. From September 1997 to April 2001, Ms. Wong worked for Deloitte Touche Tohmatsu. Since April 2001, Ms. Wong has been serving the finance department at SiS HK Limited. Ms. Wong has been an associate of Hong Kong Institute of Certified Public Accountants since April 2001. She is also an associate of Hong Kong Institute of Chartered Secretaries and The Chartered Governance Institute. Ms. Wong obtained a bachelor's degree in accountancy from City University of Hong Kong in November 1997.

Mr. LIM Hwee Hai, aged 73, is a non-executive Director and the brother-in-law of Mr. Lim Kiah Meng and Mr. Lim Kia Hong. Mr. Lim is one of the co-founders of the Group and had joined the SiS International since 1983. He is an executive director of SiS International. He has forty years' experience in the ICT industry and is responsible for the operations of SiS International in Thailand and the Asia-Pacific region.

Since 2004, Mr. Lim has been a non-executive director of SiS Thai, a company whose shares are listed on the Stock Exchange of Thailand. He is also a director of ITCL whose shares are listed on DSE and CSE. From September 2013 to May 2018, Mr. Lim was an independent non-executive director of Valuemax Group Limited, a company whose shares are listed on the Stock Exchange of Singapore. Mr. Lim obtained a bachelor's degree in commerce from Nanyang University, Singapore in July 1973 and a master's degree in business administration from the National University of Singapore, Singapore in July 1998.

Ms. CHU Chung Yi, aged 56, is an independent non-executive Director of the Company. Ms. Chu worked for Deloitte Touche Tohmatsu from August 1991 to December 1994. From January 1995 to July 1996, Ms. Chu acted as an accounting manager in the finance and accounts department at Moulin Optical Manufactory Limited. From August 1996 to January 2005, Ms. Chu worked as the financial controller and company secretary of the SiS International. Ms. Chu has been an associate of the Chartered Association of Certified Accountants since November 1994, the Hong Kong Institute of Certified Public Accountants since January 1995, the Hong Kong Institute of Company Secretaries since April 1997, the Institute of Chartered Secretaries and Administration since April 1997 and a fellow of the Association of Chartered Certified Accountants since November 1999. Ms. Chu obtained a bachelor's degree in accountancy from City Polytechnic of Hong Kong in November 1991 and a master's degree in business administration from The Chinese University of Hong Kong in December 1999.

Ms. NG See Wai Rowena, aged 60, is an independent non-executive Director of the Company. Ms. Ng has over twenty years of experience in corporate finance and investment banking. From July 1999 to May 2001, Ms. Ng served as an executive director of Lai Fung Holdings Limited, a company listed in Hong Kong. From June 2001 to April 2004, Ms. Ng worked at BOCI Asia Limited where she served as a managing director of the corporate finance department. From May 2004 to January 2007, Ms Ng acted as a director in Cazenove Asia Limited, responsible for deal organization and transaction execution. From August 2011 to December 2013, Ms. Ng served as an executive director and deputy CEO of China Nickel Resources Holdings Co., Ltd., a company listed in Hong Kong. From February 2014 to February 2015, Ms. Ng was an independent non- executive director of GreaterChina Professional Services Ltd., accompany listed in Hong Kong. Since August 2015, Ms. Ng has been a managing director and the head of Financial Solution Specialists Team of BOCI Asia Limited. Ms. Ng has been an ordinary member of the Hong Kong Securities and Investment Institute since 1999. She obtained a bachelor's degree in science from the Victoria University of Manchester, U.K. in July 1984 and a master's degree in business administration from the University of Hull, U.K. in July 1998.

Directors' and Senior Management Profiles

Ms. DOE Julianne Pearl, aged 60, is an independent non-executive Director of the Company. Ms. Doe is a senior consultant at Dentons Hong Kong and has been a solicitor of the High Court of Hong Kong since September 1988. She obtained the bachelor's degree in laws and postgraduate certificate in laws from the University of Hong Kong in November 1984 and in July 1985, respectively. Ms. Doe also obtained the master's degree in laws from the University of Cambridge, U.K. in October 1986. Ms. Doe is engaged in corporate and commercial legal practice.

Mr. CHENG Tak Chung, aged 66, appointed as an independent non-Executive Director of the Company from 1 January 2023. During the period between April 1983 and September 2008, Mr. Cheng served various roles in IBM China/Hong Kong Limited, a multinational technology and consulting corporation, and he held the position of GCG channel director in the general management office before he left such company. From September 2008 to September 2011, Mr. Cheng worked as the vice president and general manager of Avnet Partner Solutions, greater China region, a distributor of IT services. He has been an independent non-executive director of Microware Group Limited (HK Stock Code: 01985) from 14 February 2017. Mr. Cheng received a bachelor's degree in science from the University of Wisconsin-Stevens Point in the United States in August 1980 and a master's degree in business administration from Northern Michigan University in the United States in August 1982.

Directors' Report

The directors present their report and the audited financial statements for the year ended 31 December 2022.

PRINCIPAL ACTIVITIES

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

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2022 are set out in the consolidated statement of profit or loss and other comprehensive income on page 39.

The Board now recommend the payment of final dividend of 2.0 HK cents per share to the shareholders on the register of members on 4 July 2023, amounting to totally HK\$5,600,000.

BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2022 is set out in the sections "Chairman's Statement" and "Management Discussion and Analysis" on pages 3 to 6 of this Annual Report.

FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the past five financial years, as extracted from the audited consolidated financial statements, is set out on page 92. The summary does not form a part of the audited consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group spent HK\$70,000 (2021: HK\$66,000) on acquisition of property, plant and equipment. Details of the movements during the year in the property, plant and equipment of the Group are set out in note 14 to the consolidated financial statements.

SHARE CAPITAL

Details of the share capital of the Company are set out in note 23 to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

At 31 December 2022, the Company's reserves available for distribution, calculated in accordance with the Companies Act of the Cayman Islands, amounted to HK\$114,028,000. The amount includes the Company's share premium and special reserve of HK\$104,521,000 in aggregate at 31 December 2022, which may be distributed provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

DIVIDEND POLICY

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

Directors' Report

DIRECTORS

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

Executive directors:

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

Non-executive directors:

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

Independent non-executive directors:

Ms. Chu Chung Yi
Ms. Doe Julianne Pearl
Mr. Cheng Tak Chung (appointed on 1.1.2023)
Ms. Ng See Wai Rowena (resigned on 31.12.2022)

In accordance with article 108(a) of the Company's Articles, Mr. Lim Kiah Meng, Ms. Wong Yi Ting and Mr. Lim Hwee Hai retire from office by rotation and, being eligible, offer themselves for re-election. In accordance with article 112, Mr. Cheng Tak Chung is newly appointed director and he will retire and eligible for re-election in the coming annual general meeting in 2023.

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

BIOGRAPHIES OF DIRECTORS

The biographical details of the Directors of the Group are disclosed in the section headed "Directors and Senior Management Profiles" on pages 22 to 24 of this annual report.

DIRECTORS' SERVICE CONTRACTS

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

PERMITTED INDEMNITY PROVISION

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

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

Directors' Report

DIRECTORS' INTERESTS IN SHARES

At 31 December 2022, the interests of the Directors and their associates, in the shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO"), or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

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

| Name of Directors | Personal Interests | Family Interests | Joint Interests (Note 1) | Corporate interests (Note 2 and 3) | Total number of issued ordinary shares held | Percentage of the issued share capital of the Company |
|-------------------|--------------------|------------------|--------------------------|------------------------------------|---|---|
| Lim Kia Hong | 1,846,754 | 128,000 | — | 203,607,467 | 205,582,221 | 73.42% |
| Lim Kiah Meng | 1,729,024 | 80,000 | 170,880 | 203,607,467 | 205,587,371 | 73.42% |
| Lim Hwee Hai | 1,065,984 | 1,145,330 | — | — | 2,211,314 | 0.79% |

(ii) Share options

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

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

Ordinary share of HK\$0.10 each of SiS International Holdings Limited ("SiS International"), which is listed on the Main Board of the Stock Exchange (HK Stock Code: 00529).

| Name of Directors | Personal Interests | Family Interests | Joint Interests (Note 1) | Corporate interests (Note 4) | Total number of issued ordinary shares held | Percentage of the issued share capital of SiS International |
|-------------------|--------------------|------------------|--------------------------|------------------------------|---|---|
| Lim Kia Hong | 6,933,108 | 400,000 | — | 178,640,000 | 185,973,108 | 66.90% |
| Lim Kiah Meng | 5,403,200 | 250,000 | 534,000 | 178,640,000 | 184,827,200 | 66.49% |
| Lim Hwee Hai | 4,493,200 | 4,751,158 | — | — | 9,244,358 | 3.33% |
| Chu Chung Yi | 1,662,000 | — | — | — | 1,662,000 | 0.60% |

Notes:

- (1) Shares are jointly held by Mr. Lim Kai Meng and his spouse.
- (2) 146,442,667 shares are registered in the name of SiS International Holdings Ltd. It is owned as to approximately 50.5% by Gold Sceptre Limited.
- (3) Gold Sceptre Limited holds 44,915,200 shares and Kelderman Limited, Valley Tiger Limited and Swan River Limited each holds 4,083,200 shares in the issued share capital of the Company. Mr. Lim Kiah Meng and his spouse and Mr. Lim Kia Hong and his spouse together own 40.5% and 39.5%, respectively of the issued share capital of Summertown Limited which owns the entire issued share capital of each of the above-mentioned companies.
- (4) Gold Sceptre Limited holds 140,360,000 shares and Kelderman Limited, Valley Tiger Limited and Swan River Limited each holds 12,760,000 shares in the issued share capital of SiS International. Mr. Lim Kiah Meng and his spouse and Mr. Lim Kia Hong and his spouse together own 40.5% and 39.5%, respectively of the issued share capital of Summertown Limited which owns the entire issued share capital of each of the above-mentioned companies.

Directors' Report

DIRECTORS' INTERESTS IN SHARES (CONTINUED)

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

| Date of grant | Vesting period | Exercisable period | Exercise price | Outstanding at 31 December 2021 and 2022 |
|----------------------------|-----------------------|-----------------------|----------------|--|
| Lim Kia Hong | | | | |
| 26.06.2015 | 27.06.2015–31.12.2015 | 01.01.2016–26.06.2025 | 4.47 | 50,000 |
| 26.06.2015 | 27.06.2015–31.12.2016 | 01.01.2017–26.06.2025 | 4.47 | 50,000 |
| 26.06.2015 | 27.06.2015–31.12.2017 | 01.01.2018–26.06.2025 | 4.47 | 50,000 |
| Lim Hwee Hai (Note) | | | | |
| 26.06.2015 | 27.06.2015–31.12.2015 | 01.01.2016–26.06.2025 | 4.47 | 100,000 |
| 26.06.2015 | 27.06.2015–31.12.2016 | 01.01.2017–26.06.2025 | 4.47 | 100,000 |
| 26.06.2015 | 27.06.2015–31.12.2017 | 01.01.2018–26.06.2025 | 4.47 | 100,000 |
| Lim Kiah Meng | | | | |
| 26.06.2015 | 27.06.2015–31.12.2015 | 01.01.2016–26.06.2025 | 4.47 | 50,000 |
| 26.06.2015 | 27.06.2015–31.12.2016 | 01.01.2017–26.06.2025 | 4.47 | 50,000 |
| 26.06.2015 | 27.06.2015–31.12.2017 | 01.01.2018–26.06.2025 | 4.47 | 50,000 |
| Wong Yi Ting | | | | |
| 26.06.2015 | 27.06.2015–31.12.2015 | 01.01.2016–26.06.2025 | 4.47 | 20,000 |
| 26.06.2015 | 27.06.2015–31.12.2016 | 01.01.2017–26.06.2025 | 4.47 | 20,000 |
| 26.06.2015 | 27.06.2015–31.12.2017 | 01.01.2018–26.06.2025 | 4.47 | 20,000 |
| | | | | 660,000 |

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

Directors' Report

SHARE OPTIONS

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

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

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

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

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

Directors' Report

SHARE OPTIONS (CONTINUED)

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

| Date of grant | Vesting period | Exercisable period | Exercise price HK\$ | No. of share options Outstanding at 31 December 2021 and 2022 |
|--|-----------------------|-----------------------|---------------------|---|
| Directors and their associates: | | | | |
| Lim Kia Hong | | | | |
| 25.06.2015 | 26.06.2015–31.12.2015 | 01.01.2016–30.06.2023 | 2.36 | 400,000 |
| 25.06.2015 | 26.06.2015–31.12.2016 | 01.01.2017–30.06.2023 | 2.36 | 400,000 |
| 25.06.2015 | 26.06.2015–31.12.2017 | 01.01.2018–30.06.2023 | 2.36 | 400,000 |
| Lim Hwee Hai (Note) | | | | |
| 25.06.2015 | 26.06.2015–31.12.2015 | 01.01.2016–30.06.2023 | 2.36 | 600,000 |
| 25.06.2015 | 26.06.2015–31.12.2016 | 01.01.2017–30.06.2023 | 2.36 | 600,000 |
| 25.06.2015 | 26.06.2015–31.12.2017 | 01.01.2018–30.06.2023 | 2.36 | 600,000 |
| Lim Kiah Meng | | | | |
| 25.06.2015 | 26.06.2015–31.12.2015 | 01.01.2016–30.06.2023 | 2.36 | 400,000 |
| 25.06.2015 | 26.06.2015–31.12.2016 | 01.01.2017–30.06.2023 | 2.36 | 400,000 |
| 25.06.2015 | 26.06.2015–31.12.2017 | 01.01.2018–30.06.2023 | 2.36 | 400,000 |
| Fong Po Kiu | | | | |
| 25.06.2015 | 26.06.2015–31.12.2015 | 01.01.2016–30.06.2023 | 2.36 | 300,000 |
| 25.06.2015 | 26.06.2015–31.12.2016 | 01.01.2017–30.06.2023 | 2.36 | 300,000 |
| 25.06.2015 | 26.06.2015–31.12.2017 | 01.01.2018–30.06.2023 | 2.36 | 300,000 |
| Wong Yi Ting | | | | |
| 25.06.2015 | 26.06.2015–31.12.2015 | 01.01.2016–30.06.2023 | 2.36 | 150,000 |
| 25.06.2015 | 26.06.2015–31.12.2016 | 01.01.2017–30.06.2023 | 2.36 | 150,000 |
| 25.06.2015 | 26.06.2015–31.12.2017 | 01.01.2018–30.06.2023 | 2.36 | 150,000 |
| Chu Chung Yi | | | | |
| 25.06.2015 | 26.06.2015–31.12.2015 | 01.01.2016–30.06.2023 | 2.36 | 93,333 |
| 25.06.2015 | 26.06.2015–31.12.2016 | 01.01.2017–30.06.2023 | 2.36 | 93,333 |
| 25.06.2015 | 26.06.2015–31.12.2017 | 01.01.2018–30.06.2023 | 2.36 | 93,334 |
| Ng See Wai Rowena | | | | |
| 25.06.2015 | 26.06.2015–31.12.2015 | 01.01.2016–30.06.2023 | 2.36 | 93,333 |
| 25.06.2015 | 26.06.2015–31.12.2016 | 01.01.2017–30.06.2023 | 2.36 | 93,333 |
| 25.06.2015 | 26.06.2015–31.12.2017 | 01.01.2018–30.06.2023 | 2.36 | 93,334 |
| Doe Julianne Pearl | | | | |
| 25.06.2015 | 26.06.2015–31.12.2015 | 01.01.2016–30.06.2023 | 2.36 | 93,333 |
| 25.06.2015 | 26.06.2015–31.12.2016 | 01.01.2017–30.06.2023 | 2.36 | 93,333 |
| 25.06.2015 | 26.06.2015–31.12.2017 | 01.01.2018–30.06.2023 | 2.36 | 93,334 |
| Total directors and their associates | | | | 6,390,000 |
| Employees and other qualified persons | | | | |
| 25.06.2015 | 26.06.2015–31.12.2015 | 01.01.2016–30.06.2023 | 2.36 | 400,000 |
| 25.06.2015 | 26.06.2015–31.12.2016 | 01.01.2017–30.06.2023 | 2.36 | 400,000 |
| 25.06.2015 | 26.06.2015–31.12.2017 | 01.01.2018–30.06.2023 | 2.36 | 400,000 |
| Total employees and other qualified persons | | | | 1,200,000 |
| Total number of share options | | | | 7,590,000 |

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

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

Directors' Report

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

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

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

Rental payment of HK\$2,857,000 (2021: HK\$2,923,000) were incurred during the year for the lease of office and warehouse from a subsidiary of immediate holding company SiS International Holdings Limited. The transactions are regarded as De minimis transactions pursuant to Listing Rules 14A.76(1)(c) and fully exempted from shareholders approval, annual review and disclosure requirements.

During the year 2022, the group borrowed short-term unsecured loan of total HK\$40,000,000 from a connected party at interest rates ranged 3.29% to 3.65% per annum. Director Mr. Lim Kiah Meng and his spouse have total 80% equity interest in the connected entity. The interest rates were reference to prevailing market rates offered by banks in Hong Kong. Loan amount and interest of total HK\$40,099,000 were fully paid during the year. The transactions constituted connected transaction as defined in Chapter 14A of the Listing Rules. However the transactions were approved by independent directors and exempt from the disclosure requirements and shareholders approval as they were fully exempt financial assistance received by the Group under Listing Rule 14A.90.

Other than disclosed above, no transaction, arrangement and/or contracts of significance to which the Company, its ultimate holding company or any of its subsidiaries or fellow subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or in existence during the year ended 31 December 2022.

Directors' Report

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2022, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that other than the interests disclosed above in respect of certain directors and the chief executive, the following shareholders had notified the Company of relevant interests and long positions in the issued share capital of the Company.

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

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

Note:

146,442,667 shares are registered in the name of SiS International. SiS International is owned as to approximately 50.5% by Gold Sceptre Limited. Gold Sceptre Limited holds 44,915,200 shares and Kelderman Limited, Valley Tiger Limited and Swan River Limited each holds 4,083,200 shares in the issued share capital of the Company. Mr. Lim Kiah Meng and his spouse and Mr. Lim Kia Hong and his spouse together own 40.5% and 39.5%, respectively of the issued share capital of Summertown Limited which owns the entire issued share capital of each of the above-mentioned companies.

Other than as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 31 December 2022.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate revenue attributable to the Group's five largest customers was approximately 65% by value of the Group's total goods sales during the year, with the largest customer accounted for 21%. The five largest suppliers of the Group comprised approximately 91% by value of the Group's total purchases during the year, with the largest supplier accounted for 56%.

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

Directors' Report

EMOLUMENT POLICY AND DIRECTORS' REMUNERATION

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

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

CHARITABLE DONATIONS

During the year, the Group made charitable donation amounting to HK\$9,000.

PRE-EMPTIVE RIGHTS

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

CORPORATE GOVERNANCE

The Company has adopted the Corporate Governance Code (the "Code") as set out in Appendix 14 of the Listing Rules. During the year, the Company has complied with the code provision under the Code.

MODEL CODE

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

COMPLIANCE WITH LAWS AND REGULATION

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

Directors' Report

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31 December 2022.

AUDITORS

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

On behalf of the Board of
SiS Mobile Holdings Limited

LIM Kiah Meng

Director

Hong Kong, 29 March 2023

Independent Auditor's Report

Deloitte.

德勤

TO THE MEMBERS OF SiS MOBILE HOLDINGS LIMITED

新龍移動集團有限公司

(incorporated in Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of SiS Mobile Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 39 to 91, which comprise the consolidated statement of financial position as at 31 December 2022, 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 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTER

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

Independent Auditor's Report

KEY AUDIT MATTER (CONTINUED)

| Key audit matter | How our audit addressed the key audit matter |
|--|---|
| <p><i>Revenue recognition from sales of goods</i></p> <p>We identified revenue recognition from sales of goods as a key audit matter due to its significance to the consolidated financial statements as a whole. The Group's revenue for the year ended 31 December 2022 in respect of sales of goods amounted to approximately HK\$1,837,386,000.</p> <p>As disclosed in note 6 to the consolidated financial statements, for sales of goods (including mobile phones and related products), revenue is recognised when control of the goods has transferred. We focused on this area because of the Group transacts with a large volume of transactions.</p> | <p>Our procedures in relation to revenue recognition from sales of goods included:</p> <ul style="list-style-type: none"> • Obtaining an understanding of the revenue recognition processes and testing the Group's key controls over revenue recognition; • Inspecting sales contracts with key customers, on a sample basis, to understand the agreed trade terms and assess whether the related revenue was properly recognised in accordance with respective sales contracts and with reference to the requirements of the prevailing accounting standards; and • Testing recorded sales transactions on a sample basis against corresponding goods delivery notes and acceptance confirmations from customers that evidenced control of the goods have been passed. |

OTHER INFORMATION

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

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

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

Independent Auditor's Report

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

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

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

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

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

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

Independent Auditor's Report

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

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in the independent auditor's report is Chan, Alan.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
29 March 2023

Consolidated Statement of Profit or Loss and Other Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2022

| | NOTES | 2022 HK\$'000 | 2021 HK\$'000 |
|--|-------|--------------------|------------------|
| Revenue | 6 | 1,837,386 | 2,275,455 |
| Cost of sales | | (1,779,872) | (2,203,115) |
| Gross profit | | 57,514 | 72,340 |
| Other income | 7 | 1,636 | 718 |
| Other gains and losses, net | 8 | (683) | (7) |
| Selling and distribution expenses | | (12,795) | (12,712) |
| Administrative expenses | | (20,961) | (20,093) |
| Finance costs | 9 | (303) | (111) |
| Profit before tax | 10 | 24,408 | 40,135 |
| Income tax expense | 11 | (2,956) | (6,849) |
| Profit for the year | | 21,452 | 33,286 |
| Other comprehensive expense | | | |
| <i>Item that will not be reclassified to profit or loss</i> | | | |
| Fair value loss on investments in equity instruments at fair value through other comprehensive income ("FVTOCI") | | (264) | (577) |
| Total comprehensive income attributable to owners of the Company | | 21,188 | 32,709 |
| Earnings per share | 13 | | |
| — Basic (HK cents) | | 7.66 | 11.89 |
| — Diluted (HK cents) | | 7.66 | 11.89 |

Consolidated Statement of Financial Position

AT 31 DECEMBER 2022

| | NOTES | 2022 HK\$'000 | 2021 HK\$'000 |
|--|-------|------------------|------------------|
| Non-current Assets | | | |
| Property, plant and equipment | 14 | 1,500 | 2,207 |
| Right-of-use assets | 15 | 1,827 | 4,263 |
| Equity instruments at FVTOCI | 16 | 10,727 | 12,785 |
| Rental deposit | 18 | – | 418 |
| | | 14,054 | 19,673 |
| Current Assets | | | |
| Inventories | 17 | 29,879 | 54,680 |
| Trade and other receivables, deposits and prepayments | 18 | 72,035 | 64,777 |
| Tax recoverable | | 3,885 | – |
| Cash and cash equivalents | 19 | 86,122 | 56,035 |
| | | 191,921 | 175,492 |
| Current Liabilities | | | |
| Trade payables, other payables and accruals | 20 | 45,337 | 46,350 |
| Contract liabilities | 21 | 197 | 99 |
| Lease liabilities | 22 | 1,878 | 2,444 |
| Tax payable | | – | 7,019 |
| | | 47,412 | 55,912 |
| Net Current Assets | | 144,509 | 119,580 |
| Total Assets less Current Liabilities | | 158,563 | 139,253 |
| Non-current Liability | | | |
| Lease liabilities | 22 | – | 1,878 |
| Net Assets | | 158,563 | 137,375 |
| Capital and Reserves | | | |
| Share capital | 23 | 28,000 | 28,000 |
| Reserves | | 130,563 | 109,375 |
| Equity attributable to owners of the Company and total equity | | 158,563 | 137,375 |

The consolidated financial statements on pages 39 to 91 were approved and authorised for issue by the board of directors on 29 March 2023 and are signed on its behalf by:

LIM KIA HONG
DIRECTOR

LIM KIAH MENG
DIRECTOR

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2022

| | Attributable to the owners of the Company | | | | | | |
|---|---|---------------------------|---------------------------------------|-----------------------------------|---------------------------------|------------------------------|-------------------|
| | Share capital HK\$'000 | Share premium HK\$'000 | Special reserve HK\$'000 (Note) | Share options reserve HK\$'000 | Investments reserve HK\$'000 | Retained profits HK\$'000 | Total HK\$'000 |
| At 1 January 2021 | 28,000 | 2,522 | 3,497 | 7,135 | (3,711) | 67,223 | 104,666 |
| Profit for the year | - | - | - | - | - | 33,286 | 33,286 |
| Loss from changes in fair value of equity instruments at FVTOCI | - | - | - | - | (577) | - | (577) |
| (Loss) profit and total comprehensive (expense) income for the year | - | - | - | - | (577) | 33,286 | 32,709 |
| At 31 December 2021 | 28,000 | 2,522 | 3,497 | 7,135 | (4,288) | 100,509 | 137,375 |
| Profit for the year | - | - | - | - | - | 21,452 | 21,452 |
| Loss from changes in fair value of equity instruments at FVTOCI | - | - | - | - | (264) | - | (264) |
| (Loss) profit and total comprehensive (expense) income for the year | - | - | - | - | (264) | 21,452 | 21,188 |
| Investment revaluation reserve reclassified to retained profits upon disposal of equity instruments at FVTOCI | - | - | - | - | (297) | 297 | - |
| At 31 December 2022 | 28,000 | 2,522 | 3,497 | 7,135 | (4,849) | 122,258 | 158,563 |

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

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2022

| | 2022 HK\$'000 | 2021 HK\$'000 |
|---|------------------|------------------|
| OPERATING ACTIVITIES | | |
| Profit before tax | 24,408 | 40,135 |
| Adjustments for: | | |
| Depreciation of property, plant and equipment | 777 | 836 |
| Depreciation of right-of-use assets | 2,436 | 2,437 |
| Dividend income | (365) | (369) |
| Impairment losses (reversed) recognised under expected credit loss model, net | (113) | 80 |
| Finance costs | 303 | 111 |
| Interest income from bank deposits | (6) | – |
| Write-down of inventories | 91 | 3,497 |
| Operating cash flows before movements in working capital | 27,531 | 46,727 |
| Decrease (increase) in inventories | 24,710 | (29,717) |
| Increase in trade and other receivables, deposits and prepayments | (6,727) | (8,875) |
| Decrease in trade payables, other payables and accruals | (1,013) | (6,683) |
| Increase (decrease) in contract liabilities | 98 | (367) |
| CASH GENERATED FROM OPERATIONS | 44,599 | 1,085 |
| Tax paid | (13,860) | (336) |
| NET CASH FROM OPERATING ACTIVITIES | 30,739 | 749 |
| INVESTING ACTIVITIES | | |
| Dividend received | 365 | 369 |
| Interest received | 6 | – |
| Purchase of property, plant and equipment | (70) | (66) |
| Proceeds on disposal of equity instruments at FVTOCI | 1,794 | – |
| NET CASH FROM INVESTING ACTIVITIES | 2,095 | 303 |
| FINANCING ACTIVITIES | | |
| Interest paid | (303) | (111) |
| New bank loans raised | 10,000 | – |
| Repayments of bank loans | (10,000) | – |
| New loans raised from a related company | 40,000 | – |
| Repayment of loans from a related company | (40,000) | – |
| Repayments of lease liabilities | (2,444) | (2,395) |
| NET CASH USED IN FINANCING ACTIVITIES | (2,747) | (2,506) |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 30,087 | (1,454) |
| CASH AND CASH EQUIVALENTS AT 1 JANUARY | 56,035 | 57,489 |
| CASH AND CASH EQUIVALENTS AT 31 DECEMBER, represented by bank balances and cash | 86,122 | 56,035 |

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

1. GENERAL INFORMATION

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

The Company is an investment holding company. The principal activities of its principal subsidiaries are set out in note 32.

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

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

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2022 for the preparation of the consolidated financial statements:

| | |
|-----------------------|--|
| Amendments to HKFRS 3 | Reference to the Conceptual Framework |
| Amendment to HKFRS 16 | Covid-19-Related Rent Concessions beyond 30 June 2021 |
| Amendment to HKAS 16 | Property, Plant and Equipment — Proceeds before Intended Use |
| Amendments to HKAS 37 | Onerous Contracts — Cost of Fulfilling a Contract |
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2018–2020 |

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

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

New and amendments to HKFRSs in issue but not yet effective

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

| | |
|--|--|
| HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17) | Insurance Contracts ¹ |
| Amendments to HKFRS 10 and HKAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ² |
| Amendments to HKFRS 16 | Lease Liability in a Sale and Leaseback ³ |
| Amendments to HKAS 1 | Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ³ |
| Amendments to HKAS 1 | Non-current Liabilities with Covenants ³ |
| Amendments to HKAS 1 and HKFRS Practice Statement 2 | Disclosure of Accounting Policies ¹ |
| Amendments to HKAS 8 | Definition of Accounting Estimates ¹ |
| Amendments to HKAS 12 | Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹ |

¹ Effective for annual periods beginning on or after 1 January 2023

² Effective for annual periods beginning on or after a date to be determined

³ Effective for annual periods beginning on or after 1 January 2024

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

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

HKAS 1 is amended to replace all instances of the term “significant accounting policies” with “material accounting policy information”. 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.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

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

New and amendments to HKFRSs in issue but not yet effective (Continued)

Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies (Continued)

HKFRS Practice Statement 2 *Making Materiality Judgements* (the “Practice Statement”) is also amended to illustrate how an entity applies the “four-step materiality process” to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments is not expected to have significant impact on the financial position or performance of the Group but may affect the disclosures of the Group’s significant accounting policies. The impacts of application, if any, will be disclosed in the Group’s future consolidated financial statements.

Amendments to HKAS 8 Definition of Accounting Estimates

The amendments define accounting estimates as “monetary amounts in financial statements that are subject to measurement uncertainty”. An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty — that is, the accounting policy may require such items to be measured at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. Developing accounting estimates involves the use of judgements or assumptions based on the latest available, reliable information.

In addition, the concept of changes in accounting estimates in HKAS 8 is retained with additional clarifications.

The application of the amendments is not expected to have significant impact on the Group’s consolidated financial statements.

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

3.1 Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the HKSE and by the Hong Kong Companies Ordinance.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

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

3.1 Basis of preparation of consolidated financial statements (Continued)

The directors of the Company have, at the time of approving the consolidated financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future.

Thus they continue to adopt the going concern basis of accounting in preparing the consolidated financial statements.

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

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

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

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its 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, 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 2022

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

3.2 Significant accounting policies

Basis of consolidation

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

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

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

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

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

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

Revenue from contracts with customers

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

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

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

3.2 Significant accounting policies (Continued)

Revenue from contracts with customers (Continued)

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

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

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

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

Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

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

3.2 Significant accounting policies (Continued)

Leases

Definition of a lease

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

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

The Group as a lessee

Allocation of consideration to components of a contract

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

Short-term leases

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

Right-of-use assets

The cost of right-of-use asset includes:

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

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

3.2 Significant accounting policies (Continued)

Leases (Continued)

The Group as a lessee (Continued)

Right-of-use assets (Continued)

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

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

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

Refundable rental deposits

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

Lease liabilities

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

The lease payments include:

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

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

3.2 Significant accounting policies (Continued)

Leases (Continued)

The Group as a lessee (Continued)

Lease liabilities (Continued)

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

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

Lease modifications

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

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

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

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

Foreign currencies

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

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items are recognised in profit or loss in the period in which they arise.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

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

3.2 Significant accounting policies (Continued)

Borrowing costs

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

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

Government grants

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

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

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

Employee benefit

Retirement benefit costs

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

Short-term employee benefits

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

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

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

3.2 Significant accounting policies (Continued)

Share-based payments

Equity-settled share-based payment transactions

Share options granted to employees

Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date.

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

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

Taxation

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

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

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

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

3.2 Significant accounting policies (Continued)

Taxation (Continued)

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

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

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

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

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

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

Current and deferred tax are recognised in profit or loss.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

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

3.2 Significant accounting policies (Continued)

Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes. Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

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

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

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

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment and right-of-use assets to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, if any.

The recoverable amount of property, plant and equipment and right-of-use assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

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

3.2 Significant accounting policies (Continued)

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

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

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

Cash and cash equivalents

Cash and cash equivalents presented on the consolidated statement of financial position include:

- (a) cash, which comprises of cash on hand and demand deposits; and
- (b) cash equivalents, which comprises of short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

Inventories

Inventories are stated at the lower of cost and net realisable value ("NRV"). Cost of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

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

3.2 Significant accounting policies (Continued)

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

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

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

Financial assets

Classification and subsequent measurement of financial assets

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

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

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

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

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

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

(i) Amortised cost and interest income

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

(ii) Equity instruments designated as at FVTOCI

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

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

Impairment of financial assets subject to impairment assessment under HKFRS 9

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

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

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

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets subject to impairment assessment under HKFRS 9 (Continued)

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

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

(i) Significant increase in credit risk

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

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

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

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

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets subject to impairment assessment under HKFRS 9 (Continued)

(i) Significant increase in credit risk (Continued)

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

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

(ii) Definition of default

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

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

(iii) Credit-impaired financial assets

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

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

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

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets subject to impairment assessment under HKFRS 9 (Continued)

(iv) Write-off policy

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

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The Group uses a practical expedient in estimating ECL on trade receivables using a provision matrix taking into consideration historical credit loss experience and forward looking information that is available without undue cost or effort.

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

Lifetime ECL for certain trade receivables are considered on a collective basis taking into consideration past due information and relevant credit information such as forward looking macroeconomic information.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

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

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets subject to impairment assessment under HKFRS 9 (Continued)

(v) Measurement and recognition of ECL (Continued)

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

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

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

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

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

Derecognition of financial assets

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

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

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

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

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial liabilities and equity

Classification as debt or equity

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

Equity instruments

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

Financial liabilities

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

Derecognition of financial liabilities

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Net realisable value of inventories

The cost of inventories is written down to their NRV when the cost of inventories is not recoverable. The cost of inventories may not be recoverable if those inventories are damaged, if they have become wholly or partially obsolete, or if their selling prices have declined. When the net realisable value of an item of inventory is less than the carrying amount, the excess is written down immediately in the profit or loss. The management's review and estimation of the NRV is primarily based on the ageing, conditions and marketability of the inventories. The Group carried out inventory review at the end of the reporting period and made the necessary allowance on obsolete and slow moving items so as to write down inventories to their NRVs. The carrying amount of inventories is HK\$29,879,000 (2021: HK\$54,680,000). During the year ended 31 December 2022, write-down of inventories of HK\$91,000 (2021: HK\$3,497,000) was recognised in profit or loss.

5. SEGMENTAL REPORTING

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

The Group is principally engaged in the sales and distribution of mobile phones and related products in Hong Kong. The executive directors of the Company, being the chief operating decision maker ("CODM") for the purposes of resource allocation and performance assessment focuses mainly on revenue analysis by brand. As no other discrete financial information other than the consolidated revenue and consolidated profit of the Group are provided to CODM, no segment information is presented other than entity-wide disclosures.

Information about major customers

| | 2022 HK\$000 | 2021 HK\$000 |
|------------|-----------------|---------------------|
| Customer A | 378,614 | 464,175 |
| Customer B | 286,429 | 312,941 |
| Customer C | 237,067 | 405,378 |
| Customer D | 208,021 | 37,689 ¹ |

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

Geographic information

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

6. REVENUE

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

For sales of mobile phones and related products, revenue is recognised at a point in time when control of the goods has transferred, being when (i) the goods have been picked up by the customers in warehouse; or (ii) the goods have been delivered to the customers' specific location and the Group received acceptance confirmations from customers. Upon the relevant goods are picked up by the customers or delivered to the customers' specific location, the customers have full discretion over the manner of distribution and price to sell the goods, has the primary responsibility when on selling the goods and bears the risks of obsolescence and loss in relation to the goods. The average credit term is 30 days upon delivery.

The expected timing of recognising revenue on transaction price related to the performance obligations as at 31 December 2022 and 2021 are for periods of one year or less. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

7. OTHER INCOME

| | 2022 HK\$000 | 2021 HK\$000 |
|---------------------------|-----------------|-----------------|
| Dividend income | 365 | 369 |
| Government subsidy (Note) | 1,047 | – |
| Others | 224 | 349 |
| | 1,636 | 718 |

Note: In current year, the government subsidies represent the wage subsidy provided by the HKSAR Government under the employment support scheme to help businesses tide over financial difficulties during the COVID-19 epidemic, which are recognised as income at the time the Group fulfilled the relevant granting criteria.

8. OTHER GAINS AND LOSSES, NET

| | 2022 HK\$000 | 2021 HK\$000 |
|---|-----------------|-----------------|
| Exchange (loss) gain, net | (796) | 73 |
| Impairment losses under expected credit loss model | – | (80) |
| Impairment loss reversed under expected credit loss model | 113 | – |
| | (683) | (7) |

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

9. FINANCE COSTS

| | 2022 HK\$000 | 2021 HK\$000 |
|--|-----------------|-----------------|
| Interest on bank loans | 141 | – |
| Interest on loans with a related party | 99 | – |
| Interest on lease liabilities | 63 | 111 |
| | 303 | 111 |

10. PROFIT BEFORE TAX

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

| | 2022 HK\$000 | 2021 HK\$000 |
|---|------------------|-----------------|
| Auditor's remuneration | 813 | 827 |
| Directors' remuneration | | |
| — Fees | 1,050 | 1,050 |
| — Salaries and other emoluments | 5,013 | 4,370 |
| — Contribution to retirement benefit scheme | 36 | 35 |
| | 6,099 | 5,455 |
| Other staff costs | | |
| — Salaries and other emoluments | 16,633 | 16,420 |
| — Contribution to retirement benefit scheme | 567 | 529 |
| | 23,299 | 22,404 |
| Cost of inventories recognised as an expense (including write-down of inventories HK\$91,000 (2021: HK\$3,497,000)) | 1,779,872 | 2,203,115 |
| Depreciation of property, plant and equipment | 777 | 836 |
| Depreciation on right-of-use assets | 2,436 | 2,437 |

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

11. INCOME TAX EXPENSE

| | 2022 HK\$000 | 2021 HK\$000 |
|-----------------------------|-----------------|-----------------|
| Hong Kong: | | |
| Current year | 2,980 | 6,868 |
| Overprovision in prior year | (24) | (19) |
| | 2,956 | 6,849 |

Under the two-tiered profits tax rates regime, the first HK\$2 million of assessable profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. Accordingly, the Hong Kong Profits Tax of the qualifying group entity is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2 million.

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

| | 2022 HK\$000 | 2021 HK\$000 |
|---|-----------------|-----------------|
| Profit before tax | 24,408 | 40,135 |
| Tax at applicable statutory tax rate of 16.5% | 4,027 | 6,622 |
| Income tax at concessionary rate | (165) | (165) |
| Tax effect of tax losses not recognised | 302 | 283 |
| Tax effect of income not taxable for tax purpose | (250) | (61) |
| Tax effect of expenses not deductible for tax purpose | – | 587 |
| Utilisation of tax losses previously not recognised | (935) | (491) |
| Overprovision in prior year | (24) | (19) |
| Others | 1 | 93 |
| Income tax expense for the year | 2,956 | 6,849 |

At the end of reporting period, the Group has unutilised and unrecognised tax losses of approximately HK\$16,359,000 (2021: HK\$20,194,000) available to offset against future profits. No deferred tax assets have been recognised due to the unpredictability of future profit streams. Such tax losses may be carried forward indefinitely.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

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

(a) Directors' emoluments

For the year ended 31 December 2022

| Name of directors | Notes | Directors' | Salaries | Performance | Contributions | Total |
|--------------------|--------|------------|-----------|-------------|---------------|----------|
| | | fees | and other | bonuses | to retirement | |
| | | HK\$'000 | benefits | HK\$'000 | benefit | HK\$'000 |
| | | | HK\$'000 | HK\$'000 | scheme | |
| | | | | | HK\$'000 | |
| Fong Po Kiu | (a) | 120 | 2,067 | 430 | 18 | 2,635 |
| Lim Kiah Meng | (a) | 120 | 1,700 | 348 | - | 2,168 |
| Wong Yi Ting | (a) | 120 | 406 | 62 | 18 | 606 |
| Lim Kia Hong | (b) | 180 | - | - | - | 180 |
| Lim Hwee Hai | (b) | 150 | - | - | - | 150 |
| Chu Chung Yi | (c) | 120 | - | - | - | 120 |
| Doe Julianne Pearl | (c) | 120 | - | - | - | 120 |
| Ng See Wai Rowena | (c)(d) | 120 | - | - | - | 120 |
| | | 1,050 | 4,173 | 840 | 36 | 6,099 |

Notes:

- (a) Executive Director
- (b) Non-executive Director
- (c) Independent Non-executive Director
- (d) Resigned with effect from 31 December 2022

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

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

(a) Directors' emoluments (Continued)

For the year ended 31 December 2021

| Name of directors | Notes | Directors' fees HK\$'000 | Salaries and other benefits HK\$'000 | Performance bonuses HK\$'000 | Contributions to retirement benefit scheme HK\$'000 | Total HK\$'000 |
|--------------------|-------|-----------------------------|---|---------------------------------|--|-------------------|
| Fong Po Kiu | (a) | 120 | 1,708 | 252 | 18 | 2,098 |
| Lim Kiah Meng | (a) | 120 | 1,700 | 250 | – | 2,070 |
| Wong Yi Ting | (a) | 120 | 401 | 59 | 17 | 597 |
| Lim Kia Hong | (b) | 180 | – | – | – | 180 |
| Lim Hwee Hai | (b) | 150 | – | – | – | 150 |
| Chu Chung Yi | (c) | 120 | – | – | – | 120 |
| Doe Julianne Pearl | (c) | 120 | – | – | – | 120 |
| Ng See Wai Rowena | (c) | 120 | – | – | – | 120 |
| | | 1,050 | 3,809 | 561 | 35 | 5,455 |

Notes:

- (a) Executive Director
- (b) Non-executive Director
- (c) Independent Non-executive Director

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

The performance bonuses are determined based on the financial performance and resources of the Group and the performance of the individual directors.

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

The non-executive directors is shown above were for their service as director of the Company and the Group for both years.

The independent non-executive directors is shown above were for their service as directors of the Company for both years.

There was no arrangement under which a director or the chief executive waived or agreed to waive any emoluments during the year ended 31 December 2022 and 2021.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

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

(b) Five highest paid individuals

The five highest paid individuals included two (2021: two) directors of the Company whose emolument are included in the disclosure above. The emoluments of the remaining three (2021: three) individual for the years ended 31 December 2022 and 2021 are as follows:

| | 2022 HK\$000 | 2021 HK\$000 |
|--|-----------------|-----------------|
| Salaries and other benefits | 2,745 | 2,395 |
| Performance bonuses (Note) | 329 | 335 |
| Contributions to retirement benefit scheme | 54 | 52 |
| | 3,128 | 2,782 |

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

Their emoluments were within the following bands:

| | 2022 | 2021 |
|----------------------------|------|------|
| Nil to HK\$1,000,000 | 2 | 2 |
| 1,000,001 to HK\$2,000,000 | 1 | 1 |

13. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the Group's profit attributable to owners of the Company of HK\$21,452,000 (2021: HK\$33,286,000) and the number of ordinary shares of 280,000,000 (2021: 280,000,000).

The computation of the diluted earnings per share does not assume the exercise of the Company's share options as the exercise price of those share options is higher than the average market price of the Company's shares for both years.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

14. PROPERTY, PLANT AND EQUIPMENT

| | Furniture and fittings HK\$000 | Office equipment HK\$000 | Office renovations HK\$000 | Total HK\$000 |
|------------------------|---|--------------------------------|----------------------------------|------------------|
| COST | | | | |
| At 1 January 2021 | 228 | 320 | 3,491 | 4,039 |
| Additions | 5 | 61 | – | 66 |
| Written off | – | (12) | – | (12) |
| At 31 December 2021 | 233 | 369 | 3,491 | 4,093 |
| Additions | 6 | 64 | – | 70 |
| At 31 December 2022 | 239 | 433 | 3,491 | 4,163 |
| DEPRECIATION | | | | |
| At 1 January 2021 | 49 | 227 | 786 | 1,062 |
| Charge for the year | 48 | 51 | 737 | 836 |
| Written off | – | (12) | – | (12) |
| At 31 December 2021 | 97 | 266 | 1,523 | 1,886 |
| Charge for the year | 49 | 56 | 672 | 777 |
| At 31 December 2022 | 146 | 322 | 2,195 | 2,663 |
| CARRYING VALUES | | | | |
| At 31 December 2022 | 93 | 111 | 1,296 | 1,500 |
| At 31 December 2021 | 136 | 103 | 1,968 | 2,207 |

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

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

15. RIGHT-OF-USE ASSETS

| | Leased properties | |
|---------------------------------------|-------------------|-----------------|
| | 2022 HK\$000 | 2021 HK\$000 |
| As at 1 January | | |
| Carrying amount | 4,263 | 6,700 |
| As at 31 December | | |
| Carrying amount | 1,827 | 4,263 |
| For the year ended 31 December | | |
| Depreciation charge | 2,436 | 2,437 |
| Expense relating to short-term leases | 350 | 417 |
| Total cash outflow for leases | 2,857 | 2,923 |

During the current year and 2021, the Group has a lease contract of office and warehouse and two short-term lease contracts of warehouses for its operations. Lease contracts are entered into for fixed term for fixed payment of 3.5 months to 36 months (2021: 3.5 months to 36 months) with a fellow subsidiary. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable. There is no variable lease payments nor restrictions included in these lease agreements.

The Group regularly entered into short-term leases for warehouses. As at 31 December 2022 and 2021, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed above.

Restrictions or covenants on leases

As at 31 December 2022, lease liabilities of HK\$1,878,000 (2021: HK\$4,322,000) are recognised with related right-of-use assets of HK\$1,827,000 (2021: HK\$4,263,000). The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor and the relevant leased assets may not be used as security for borrowing purposes.

Details of the lease maturity analysis of lease liabilities are set out in notes 22.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

16. EQUITY INSTRUMENTS AT FVTOCI

| | 2022 HK\$000 | 2021 HK\$000 |
|---|-----------------|-----------------|
| Listed investments: | | |
| — Equity securities listed overseas | 2,333 | 4,221 |
| — Equity securities listed in Hong Kong | 8,394 | 8,564 |
| Total | 10,727 | 12,785 |

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

17. INVENTORIES

| | 2022 HK\$000 | 2021 HK\$000 |
|----------------|-----------------|-----------------|
| Finished goods | 29,879 | 54,680 |

During the year, write-down of obsolete and slow moving inventories of HK\$91,000 (2021: HK\$3,497,000) has been recognised in the profit or loss.

18. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

| | 2022 HK\$000 | 2021 HK\$000 |
|------------------------------------|-----------------|-----------------|
| Trade receivables | 18,793 | 40,500 |
| Less: Allowance for credit losses | (119) | (241) |
| | 18,674 | 40,259 |
| Other receivables | 27,896 | 9,580 |
| Rental deposits | 472 | 54 |
| Trade deposits for mobile products | 10,139 | 10,130 |
| Prepayments | 14,854 | 4,754 |
| | 53,361 | 24,518 |
| | 72,035 | 64,777 |

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

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

Other receivables that are denominated in United States Dollar ("US\$"), currency other than the functional currency of the Group amounted to HK\$162,000 (2021: HK\$242,000).

At 1 January 2021, trade receivables from contracts with customers amounted to HK\$25,590,000.

Trade receivables comprise amounts receivable from the sales and distribution of mobile phones and related products in Hong Kong and are denominated in HK\$. The Group maintains a defined credit policy. Before accepting any new customers, the Group assesses the potential customer's credit quality and defines credit limits by customers. Limits granted to customers are reviewed periodically. For sales of goods, the Group allows an average credit periods of 30 days to its trade customers. No interest is charged on overdue debts.

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

The aging of trade receivables is as follows:

| | 2022 HK\$000 | 2021 HK\$000 |
|----------------|-----------------|-----------------|
| Within 30 days | 15,400 | 33,677 |
| 31 to 60 days | 2,919 | 6,081 |
| 61 to 90 days | 355 | 498 |
| Over 120 days | – | 3 |
| Total | 18,674 | 40,259 |

As at 31 December 2022, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK\$4,167,000 (2021: HK\$6,759,000) which are past due as at the reporting date. Out of the past due balances, none of these trade receivables (2021: nil) has been past due 90 days or more and is not considered as in default after considering the creditworthiness and repayment history of these debtors. The Group does not hold any collateral over these balances.

Details of impairment assessment of trade and other receivables are set out in note 28.

19. CASH AND CASH EQUIVALENTS

Bank balances carry interest at market rates ranging from 0.001% to 0.625% (2021: 0.001% to 0.01%) per annum with an original maturity of three months or less for both years.

Cash and cash equivalents that are denominated in US\$, currency other than the functional currency of the Group, amounted to HK\$4,705,000 (2021: HK\$1,283,000).

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

20. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

| | 2022 HK\$000 | 2021 HK\$000 |
|-------------------------------------|-----------------|-----------------|
| Trade payables | 28,523 | 23,722 |
| Accrued staff costs | 6,868 | 6,937 |
| Trade deposits from mobile products | 465 | 5,595 |
| Accruals and other payables | 9,481 | 10,096 |
| | 45,337 | 46,350 |

The average credit period on purchase of goods is 15 to 45 days. Trade payables and other payables that are denominated in US\$, currency other than the functional currency of the Group amounted to HK\$7,474,000 (2021: HK\$7,099,000).

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

| | 2022 HK\$000 | 2021 HK\$000 |
|----------------|-----------------|-----------------|
| Within 30 days | 22,355 | 17,669 |
| 31 to 90 days | 222 | 104 |
| 91 to 120 days | 1 | 2 |
| Over 120 days | 5,945 | 5,947 |
| | 28,523 | 23,722 |

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

21. CONTRACT LIABILITIES

| | 2022 HK\$000 | 2021 HK\$000 |
|--|-----------------|-----------------|
| Contract liabilities | | |
| Sales of mobiles phones and related products | 197 | 99 |

As at 1 January 2021, contract liabilities amounted to HK\$466,000.

The following table shows how much of the revenue recognised in the current year related to carried-forward contract liabilities:

| | Receipts in advance from customers | |
|---|---------------------------------------|-----------------|
| | 2022 HK\$000 | 2021 HK\$000 |
| Revenue recognised that was included in the contract liabilities balance at the beginning of the year | 99 | 466 |

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

22. LEASE LIABILITIES

| | 2022 HK\$000 | 2021 HK\$000 |
|--|-----------------|-----------------|
| Lease liabilities payable: | | |
| — Within one year | 1,878 | 2,444 |
| — Within a period of more than one year but not exceeding two years | — | 1,878 |
| | 1,878 | 4,322 |
| Less: Amount due for settlement with 12 months shown under current liabilities | (1,878) | (2,444) |
| Amount due for settlement after 12 months shown under non-current liabilities | — | 1,878 |

The weighted average incremental borrowing rate applied to lease liabilities was 2% (2021: 2%).

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

23. SHARE CAPITAL

| | Number of ordinary shares of HK\$0.10 each | Nominal value HK\$'000 |
|--|--|------------------------------|
| Authorised | | |
| At 1 January 2021, 31 December 2021 and 2022 | 500,000,000 | 50,000 |
| Issued and fully paid | | |
| At 1 January 2021, 31 December 2021 and 2022 | 280,000,000 | 28,000 |

24. SHARE-BASED PAYMENTS

Equity-settled share option scheme of the Company

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

Share options were granted by the Company on 25 June 2015 to directors, certain employees and eligible persons of the Group. The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of shares of the Company in issue, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which option granted and may be granted to any individual in aggregate within any 12-month period is not permitted to exceed 1% of the Company's issued share capital, without prior approval from the Company's shareholders. HK\$100 is payable by each eligible participant to the Company on acceptance of an offer of options. The fair values of the options determined at the date of grant using the Binomial model was approximately HK\$7,418,000.

No options were granted by the Company during the year ended 31 December 2022 and 2021.

The Group did not recognise any expenses for both years in relation to the share options granted by the Company.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

24. SHARE-BASED PAYMENTS (CONTINUED)

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

Details of the share options are as follows:

| No. of share options | Vesting period | Exercise period | Exercise price |
|----------------------|----------------------|--------------------|----------------|
| 2,530,000 | 25.6.2015–31.12.2015 | 1.1.2016–30.6.2023 | HK\$2.36 |
| 2,530,000 | 25.6.2015–31.12.2016 | 1.1.2017–30.6.2023 | HK\$2.36 |
| 2,530,000 | 25.6.2015–31.12.2017 | 1.1.2018–30.6.2023 | HK\$2.36 |

Movements in share options to subscribe for ordinary shares in the Company under the Scheme during the years ended 31 December 2021 and 2022 are as follows:

| | Outstanding at 1 January 2021, 31 December 2021 and 2022 |
|------------------------------------|---|
| Grantee | |
| Directors | 6,390,000 |
| Employees | 1,200,000 |
| | 7,590,000 |
| Exercisable at the end of the year | 7,590,000 |

For share options outstanding at the end of the reporting period, the weighted average exercise prices is HK\$2.36 (2021: HK\$2.36) and weighted average remaining contractual life is 0.5 year (2021: 1.5 years).

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

25. RETIREMENT BENEFITS PLANS

Defined contribution plans

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

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

The total expense recognised in profit or loss of HK\$603,000 (2021: HK\$564,000) represents contributions payable to these plans by the Group at rates specified in the rules of the plans. As at 31 December 2022, contributions of HK\$100,000 (2021: HK\$94,000) due in respect of the year ended 31 December 2022 had not been paid over to the plans. The amounts were paid subsequent to the end of the reporting period.

Defined benefit plan

Pursuant to the Employment Ordinance, Chapter 57, the Group has the obligation to pay Long Service Payment ("LSP") to qualifying employees in Hong Kong upon retirement, subject to a minimum of 5 years employment period, based on the following formula:

Last monthly wages (before termination of employment) \times 2/3 \times Years of service

Last monthly wages are capped at HK\$22,500 while the amount of long service payment shall not exceed HK\$390,000. This obligation is accounted for as a post-employment defined benefit plan.

Furthermore, the Mandatory Provident Fund Schemes Ordinance passed in 1995 permits the Group to utilise the Group's mandatory MPF contributions, plus/minus any positive/negative returns thereof (collectively, the "Eligible Offset Amount"), for the purpose of offsetting LSP payable to an employee (the "Offsetting Arrangement"). The LSP obligation, if any, is presented on a net basis.

The Employment & Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 was gazetted on 17 June 2022, which will eventually abolish the Offsetting Arrangement. The Amendment will come into effect prospectively from a date to be determined by the Hong Kong SAR Government, which is expected to be in 2025 (the "Transition Date"). Under the amended Ordinance, the Eligible Offset Amount after the Transition Date can only be applied to offset the pre-Transition Date LSP obligation but no longer eligible to offset the post-Transition Date LSP obligation. Furthermore, the LSP obligations before the Transition Date will be grandfathered and calculated based on the Last monthly wages immediately preceding the Transition Date.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

26. DIVIDEND

A final dividend of 2.0 HK cents per share amounting to HK\$5,600,000 for the year ended 31 December 2022 (2021: Nil) have been proposed by the directors of the Company and are subject to approval by the shareholders in the forthcoming annual general meeting.

27. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of equity attributable to owners of the Company, comprising issued capital and reserves.

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

28. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

| | 2022 HK\$000 | 2021 HK\$000 |
|------------------------------|-----------------|-----------------|
| Financial assets | | |
| Amortised cost | 143,303 | 116,476 |
| Equity instruments at FVTOCI | 10,727 | 12,785 |
| Financial liabilities | | |
| Amortised cost | 40,292 | 37,948 |

b. Financial risk management objective and policies

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

28. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objective and policies (Continued)

Market risk

Interest rate risk

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

Sensitivity analysis

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

Foreign exchange risk

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

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

| | 2022 HK\$000 | 2021 HK\$000 |
|-------------|-----------------|-----------------|
| Assets | 4,867 | 1,525 |
| Liabilities | 7,474 | 7,099 |

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

Sensitivity analysis

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

28. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objective and policies (Continued)

Price risk

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

Sensitivity analysis

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

If the price of the respective listed equity securities classified as equity instruments at FVTOCI had been 10% (2021: 10%) higher/lower, the Group's equity instruments at FVTOCI and investment reserve would increase/decrease by HK\$1,073,000 (2021: HK\$1,279,000).

Credit risk and impairment assessment

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. The Group's credit risk exposures are primarily attributable to trade receivables, bank balances, rental deposits, deposits paid and other receivables. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

Trade receivables arising from contracts with customers

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

Deposits paid, other receivables and bank balances

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

Deposits paid and other receivables are considered at low risk as no default histories of these debtors. Thus, no loss allowance for deposits paid and other receivables was recognised as the amount was not significant.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

28. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objective and policies (Continued)

Credit risk and impairment assessment (Continued)

Deposits paid, other receivables and bank balances (Continued)

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

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

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

| | Notes | External credit rating | Internal credit rating | 12-month or lifetime ECL | Gross carrying amount | |
|-------------------|-------|------------------------|------------------------|------------------------------------|-----------------------|------------------|
| | | | | | 2022 HK\$'000 | 2021 HK\$'000 |
| Trade receivables | a | N/A | Low risk | Lifetime ECL – not credit impaired | 17,181 | 36,095 |
| | | | Watch list | Lifetime ECL – not credit impaired | 1,595 | 4,388 |
| | | | Loss | Lifetime ECL – credit impaired | 17 | 17 |
| Other receivables | b | N/A | Low risk | 12m ECL | 27,896 | 9,580 |
| Deposits paid | c | N/A | Low risk | 12m ECL | 10,611 | 10,602 |
| Bank balances | d | A to AA– | Low risk | 12m ECL | 86,122 | 56,035 |

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

28. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objective and policies (Continued)

Credit risk and impairment assessment (Continued)

Deposits paid, other receivables and bank balances (Continued)

Notes:

- Except for debtors that are credit-impaired, the Group determined the expected credit losses on the trade receivables collectively using grouping of various debtors that have similar repayment and loss patterns. Estimated loss rates are based on internal credit ratings, computed with reference to historical credit loss experience. Debtors that are large scale and/or with long business relationship with good repayment history are considered as low risk and a minimal default rate is assigned, while debtors which usually settle one to three months after due dates are considered as watch list and a low default rate is assigned.
- Other receivables amounted to HK\$27,896,000 (2021: HK\$9,580,000) are not past due or with no fixed repayment terms. The amount mainly represents rebate receivables from suppliers. It has a low risk of default since no default histories of the counterparties.
- For deposits paid, majority amounts of HK\$10,000,000 (2021: HK\$10,130,000) are due from counterparties which have a low risk of default since no default histories of the counterparties.
- For bank balances, the ECL is assessed by reference to probability of default, loss given default by credit rating grades published by international credit rating agencies.

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

| | Not credit- impaired HK\$'000 | Credit- impaired HK\$'000 | Total HK\$'000 |
|-----------------------------|-------------------------------------|---------------------------------|-------------------|
| As at 1 January 2021 | 144 | 17 | 161 |
| Reversal of impairment loss | (144) | – | (144) |
| Impairment loss | 224 | – | 224 |
| As at 31 December 2021 | 224 | 17 | 241 |
| Reversal of impairment loss | (224) | – | (224) |
| Impairment loss | 111 | – | 111 |
| Write-offs | (9) | – | (9) |
| As at 31 December 2022 | 102 | 17 | 119 |

Based on the ECL assessment, credit loss allowances of HK\$86,000, HK\$16,000 and HK\$17,000 (2021: HK\$180,000, HK\$44,000 and HK\$17,000) were recognised for the trade receivables with internal credit ratings of low risk, watch list and loss, representing 0.5% (2021: 0.5%), 1% (2021: 1%) and 100% (2021: 100%) respectively. No credit loss allowance was made for deposits paid, other receivables and bank balances since the ECL amount is not significant.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

28. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objective and policies (Continued)

Liquidity risk

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

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

| | Weighted average effective interest rate % | On demand or within 1 year HK\$'000 | 1 to 2 years HK\$'000 | Over 2 years HK\$'000 | Total undiscounted cashflow HK\$'000 | Total HK\$'000 |
|------------------------------|--|--|-----------------------------|-----------------------------|---|-------------------|
| At 31 December 2022 | | | | | | |
| Financial liabilities | | | | | | |
| Trade and other payables | - | 40,292 | - | - | 40,292 | 40,292 |
| Lease liabilities | 2.0 | 1,880 | - | - | 1,880 | 1,878 |
| | | 42,172 | - | - | 42,172 | 42,170 |

| | Weighted average effective interest rate % | On demand or within 1 year HK\$'000 | 1 to 2 years HK\$'000 | Over 2 years HK\$'000 | Total undiscounted cashflow HK\$'000 | Total HK\$'000 |
|------------------------------|--|--|-----------------------------|-----------------------------|---|-------------------|
| At 31 December 2021 | | | | | | |
| Financial liabilities | | | | | | |
| Trade and other payables | - | 37,948 | - | - | 37,948 | 37,948 |
| Lease liabilities | 2.0 | 2,507 | 1,881 | - | 4,388 | 4,322 |
| | | 40,455 | 1,881 | - | 42,336 | 42,270 |

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

28. FINANCIAL INSTRUMENTS (CONTINUED)

c. Fair values

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

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

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

Fair value measurements recognised in the consolidated statement of financial position

At 31 December 2022

| | Fair value hierarchy Level 1 HK\$'000 |
|---|---|
| Listed securities classified as Equity instruments at FVTOCI | 10,727 |

At 31 December 2021

| | Fair value hierarchy Level 1 HK\$'000 |
|---|---|
| Listed securities classified as Equity instruments at FVTOCI | 12,785 |

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

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

28. FINANCIAL INSTRUMENTS (CONTINUED)

c. Fair values (Continued)

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

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

29. RELATED PARTIES TRANSACTIONS

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

(a) Transactions with immediate holding company

- (i) The Group paid license fee to its immediate holding company of HK\$12,000 (2021: HK\$12,000) during the year.
- (ii) During the years ended 31 December 2022 and 2021, the Group has a lease contract of office and warehouse and two short-term lease contracts of warehouse with a fellow subsidiary. The relevant lease liabilities amounted to HK\$1,878,000 (2021: HK\$4,322,000) and interest on lease liabilities amounted to HK\$63,000 for the year ended 31 December 2022 (2021: HK\$111,000) under the lease contract of office and warehouse. The amounts of rent payable by the Group under the short-term leases are HK\$350,000 (2021: HK\$417,000) respectively, which were determined with reference to market price in the region.

(b) Transaction with a related party

During the year ended 31 December 2022, the Group borrowed two short-term loans of total HK\$40,000,000 from a related company at interest rate from 3.29% to 3.65% per annum. The interest rate was reference to prevailing market rates offered by banks in Hong Kong. Loan amount and interest expense of total HK\$40,099,000 were fully repaid during the year. The related party is under the control of ultimate controlling shareholders of the Company.

(c) Compensation of key management personnel

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

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

30. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

| | Loans from a related company HK\$'000 | Bank loans HK\$'000 | Lease liabilities HK\$'000 | Total HK\$,000 |
|----------------------|--|---------------------------|----------------------------------|-------------------|
| At 1 January 2021 | – | – | 6,717 | 6,717 |
| Cash outflow: | | | | |
| Financing cash flows | – | – | (2,506) | (2,506) |
| Interest expense | – | – | 111 | 111 |
| At 31 December 2021 | – | – | 4,322 | 4,322 |
| Cash outflow: | | | | |
| Financing cash flows | (99) | (141) | (2,507) | (2,747) |
| Interest expense | 99 | 141 | 63 | 303 |
| At 31 December 2022 | – | – | 1,878 | 1,878 |

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

31. FINANCIAL POSITION OF THE COMPANY

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

| | 2022 HK\$'000 | 2021 HK\$'000 |
|--------------------------------------|------------------|------------------|
| Non-current Assets | | |
| Investments in unlisted subsidiaries | 102,000 | 102,000 |
| Equity instruments at FVTOCI | 10,727 | 12,785 |
| | 112,727 | 114,785 |
| Current Assets | | |
| Other receivables and prepayments | 238 | 236 |
| Amount due from a subsidiary | 34,072 | 16,000 |
| Cash and cash equivalents | 3,462 | 1,861 |
| | 37,772 | 18,097 |
| Current Liabilities | | |
| Other payables and accruals | 1,336 | 1,336 |
| Amounts due to subsidiaries | – | 14,674 |
| | 1,336 | 16,010 |
| Net Current Assets | 36,436 | 2,087 |
| Net Assets | 149,163 | 116,872 |
| Capital and Reserves | | |
| Share capital | 28,000 | 28,000 |
| Share premium | 2,522 | 2,522 |
| Other reserves (Note) | 118,641 | 86,350 |
| Total Equity | 149,163 | 116,872 |

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

31. FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Note: The movements in other reserves are presented below:

| | Special reserve HK\$'000 (Note) | Share options reserve HK\$'000 | Investments reserve HK\$'000 | (Accumulated losses) retained profits HK\$'000 | Total HK\$'000 |
|--|--|---|------------------------------------|---|-------------------|
| At 1 January 2021 | 101,999 | 7,135 | (3,711) | (35,170) | 70,253 |
| Profit for the year | - | - | - | 16,674 | 16,674 |
| Loss from changes in fair value of equity instruments at FVTOCI | - | - | (577) | - | (577) |
| (Loss) profit and total comprehensive (expense) income for the year | - | - | (577) | 16,674 | 16,097 |
| At 31 December 2021 | 101,999 | 7,135 | (4,288) | (18,496) | 86,350 |
| Profit for the year | - | - | - | 32,555 | 32,555 |
| Loss from changes in fair value of equity instruments at FVTOCI | - | - | (264) | - | (264) |
| (Loss) profit and total comprehensive (expense) income for the year | - | - | (264) | 32,555 | 32,291 |
| Investment revaluation reserve reclassified to retained profits upon disposal of equity instruments at FVTOCI | - | - | (297) | 297 | - |
| At 31 December 2022 | 101,999 | 7,135 | (4,849) | 14,356 | 118,641 |

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

32. PARTICULAR OF SUBSIDIARIES

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

| Name of subsidiary | Place of incorporation/ operation | Issued and fully paid ordinary share capital | Proportion of nominal value of issued capital | | Principal activities |
|-------------------------------------|--------------------------------------|--|---|-----------|--|
| | | | 2022 % | 2021 % | |
| Direct subsidiaries: | | | | | |
| Synergy Technologies (Asia) Limited | Hong Kong | HK\$5,000,000 | 100 | 100 | Distribution of mobile phones and related products |
| Qool International Limited | Hong Kong | HK\$1 | 100 | 100 | Distribution of mobile phones and related products |
| Indirect subsidiary: | | | | | |
| Sun Well Limited | Hong Kong | HK\$1 | 100 | 100 | Distribution of mobile phones and related products |

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

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

Financial Summary

RESULTS

| | For the year ended 31 December | | | | |
|---------------------------------------|--------------------------------|----------|-----------|-----------|------------------|
| | 2018 | 2019 | 2020 | 2021 | 2022 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Revenue | 472,535 | 439,774 | 1,166,222 | 2,275,455 | 1,837,386 |
| Profit (loss) before taxation | 85 | (5,003) | 11,318 | 40,135 | 24,408 |
| Income tax (expense) credit | 12 | – | (488) | (6,849) | (2,956) |
| Profit (loss) for the year | 97 | (5,003) | 10,830 | 33,286 | 21,452 |
| Attributable to Owners of the Company | 97 | (5,003) | 10,830 | 33,286 | 21,452 |

ASSETS AND LIABILITIES

| | At 31 December | | | | |
|---------------------------------------|----------------|----------|----------|----------|-----------------|
| | 2018 | 2019 | 2020 | 2021 | 2022 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Total assets | 135,498 | 138,409 | 165,388 | 195,165 | 205,975 |
| Total liabilities | (35,237) | (43,946) | (60,722) | (57,790) | (47,412) |
| Net assets | 100,261 | 94,463 | 104,666 | 137,375 | 158,563 |
| Attributable to Owners of the Company | 100,261 | 94,463 | 104,666 | 137,375 | 158,563 |