



**REM Group (Holdings) Limited**

**全達電器集團（控股）有限公司**

(incorporated in the Cayman Islands with limited liability)

Stock code : 1750

# SHARE OFFER

Sponsor

Sole Global Coordinator,  
Joint Bookrunner  
and Joint Lead Manager

Joint Bookrunner and  
Joint Lead Manager

Co-Lead Manager

**AmCap**

*Ample Capital Limited*  
豐盛融資有限公司

 **首盛資本集團**  
Alpha Financial Group

 **富滙證券**  
**WealthLink**  
Securities Limited

**AFG**  
高鈺證券

## IMPORTANT

*If you are in any doubt about any of the contents of this prospectus, you should obtain independent professional advice.*

**REM Group (Holdings) Limited**  
**全達電器集團(控股)有限公司**  
(incorporated in the Cayman Islands with limited liability)

### SHARE OFFER

- Number of Offer Shares : 450,000,000 Shares comprising 360,000,000 New Shares and 90,000,000 Sale Shares (subject to the Over-allotment Option)**
- Number of Public Offer Shares : 45,000,000 New Shares (subject to reallocation)**
- Number of Placing Shares : 405,000,000 Shares comprising 315,000,000 New Shares and 90,000,000 Sale Shares (subject to reallocation and the Over-allotment Option)**
- Offer Price : Not more than HK\$0.38 per Offer Share and expected to be not less than HK\$0.30 per Offer Share, plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)**
- Nominal value : HK\$0.01 per Share**
- Stock code : 1750**

Sponsor

**AmCap**

Ample Capital Limited

豐盛融資有限公司

**Sole Global Coordinator,  
Joint Bookrunner and  
Joint Lead Manager**



**Joint Bookrunner and  
Joint Lead Manager**



**Co-Lead Manager**



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

A copy of this prospectus, having attached thereto the documents specified in the section headed "Documents Delivered to the Registrar of Companies in Hong Kong and Available for Inspection" in Appendix VI to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this prospectus or any other documents referred to above.

**The Offer Price is expected to be determined by agreement between our Company (for ourselves and on behalf of the Selling Shareholder) and the Sole Global Coordinator (for itself and on behalf of the Underwriters) on or around the Price Determination Date. The Offer Price will be not more than HK\$0.38 per Offer Share and is expected to be not less than HK\$0.30 per Offer Share, unless otherwise announced.**

The Sole Global Coordinator (for itself and on behalf of the Underwriters) may, with our Company's consent (for ourselves and on behalf of the Selling Shareholder), reduce the indicative Offer Price range stated in this prospectus and/or the number of Offer Shares being offered at any time on or prior to the morning of the last day for lodging applications under the Public Offer. In such case, a notice of the reduction of the indicative Offer Price range and/or the number of Offer Shares will be published on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and our website at [www.rem-group.com.hk](http://www.rem-group.com.hk) not later than the morning of the last day for lodging applications under the Public Offer. Further details are set out in the sections headed "Structure and Conditions of the Share Offer" and "How to Apply for Public Offer Shares" in this prospectus.

If, for any reason, the Offer Price is not agreed between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company (for ourselves and on behalf of the Selling Shareholder) on or around Friday, 4 May 2018 and in any event, no later than 5:00 p.m. on Tuesday, 8 May 2018 or such later date as may be agreed by our Company (for ourselves and on behalf of the Selling Shareholder) and the Sole Global Coordinator (for itself and on behalf of the Underwriters), the Share Offer will not become unconditional and will lapse immediately.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this prospectus and the Application Forms, including the risk factors set out in the section headed "Risk Factors" in this prospectus.

The obligations of the Underwriters under the Underwriting Agreements are subject to termination by the Sole Global Coordinator (for itself and on behalf of the Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. Such grounds are set out in the paragraph headed "Underwriting – Underwriting arrangements and expenses – Public Offer – Grounds for termination" in this prospectus.

27 April 2018

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## EXPECTED TIMETABLE<sup>(1)</sup>

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*If there is any change in the following expected timetable, we will issue an announcement on the respective website of our Company at [www.rem-group.com.hk](http://www.rem-group.com.hk) and the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk).*

Latest time to complete electronic applications under the <b>HK eIPO White Form</b> service through the designated website at <a href="http://www.hkeipo.hk">www.hkeipo.hk</a> <sup>(2)</sup> .....	11:30 a.m. on Thursday, 3 May 2018
Application lists of the Public Offer open <sup>(3)</sup> .....	11:45 a.m. on Thursday, 3 May 2018
Latest time for lodging <b>WHITE</b> and <b>YELLOW</b> Application Forms .....	12:00 noon on Thursday, 3 May 2018
Latest time for giving <b>electronic application instructions</b> to HKSCC <sup>(4)</sup> .....	12:00 noon on Thursday, 3 May 2018
Latest time to complete payment of <b>HK eIPO White Form</b> applications by effecting internet banking transfer(s) or PPS payment transfer(s) .....	12:00 noon on Thursday, 3 May 2018
Application lists of the Public Offer close <sup>(3)</sup> .....	12:00 noon on Thursday, 3 May 2018
Expected Price Determination Date <sup>(5)</sup> .....	Friday, 4 May 2018
Announcement of the final Offer Price, the level of indication of interest in the Placing, the level of applications in the Public Offer and the basis of allocation of the Public Offer Shares to be published on the website of our Company at <a href="http://www.rem-group.com.hk">www.rem-group.com.hk</a> <sup>(6)</sup> and the Stock Exchange at <a href="http://www.hkexnews.hk">www.hkexnews.hk</a> on or before .....	Thursday, 10 May 2018
Results of allocations in the Public Offer (with successful applicants' identification document or business registration numbers, where appropriate) to be available through a variety of channels as described in the paragraph headed "How to Apply for Public Offer Shares – 11. Publication of results" in this prospectus including the website of our Company at <a href="http://www.rem-group.com.hk">www.rem-group.com.hk</a> <sup>(6)</sup> and the Stock Exchange at <a href="http://www.hkexnews.hk">www.hkexnews.hk</a> from .....	Thursday, 10 May 2018

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## EXPECTED TIMETABLE<sup>(1)</sup>

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Results of allocations in the Public Offer will  
be available at [www.tricor.com.hk/ipo/result](http://www.tricor.com.hk/ipo/result) with a  
“search by ID” function from . . . . . Thursday, 10 May 2018

Despatch/Collection of Share certificates or deposit of  
the Share certificates into CCASS in respect of  
wholly or partially successful applications  
pursuant to the Public Offer on or before<sup>(7)(9)</sup>. . . . . Thursday, 10 May 2018

Despatch of **HK eIPO White Form** e-Auto Refund  
payment instructions and despatch/collection  
of refund cheques in respect of wholly or  
partially successful applications if the final Offer Price  
is less than the price payable on application (if applicable) or  
wholly or partially unsuccessful applications pursuant  
to the Public Offer on or before<sup>(8)(9)</sup>. . . . . Thursday, 10 May 2018

Dealings in the Shares on the Stock Exchange  
expected to commence at 9:00 a.m. on . . . . . Friday, 11 May 2018

*Notes:*

1. All times and dates refer to Hong Kong local times and dates, unless otherwise stated.
2. You will not be permitted to submit your application through the designated website at [www.hkeipo.hk](http://www.hkeipo.hk), after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained a payment reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
3. If there is a tropical cyclone warning signal number eight or above or a “black” rainstorm warning in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, 3 May 2018, the application lists will not open on that day. See the paragraph headed “How to Apply for Public Offer Shares – 10. Effect of bad weather on the opening of the application lists” in this prospectus.
4. Applicants who apply for Public Offer Shares by giving electronic application instructions to HKSCC via CCASS should refer to the the paragraph headed “How to Apply for Public Offer Shares – 6. Applying by giving electronic application instructions to HKSCC via CCASS” in this prospectus.
5. The Price Determination Date is expected to be on or around Friday, 4 May 2018 and in any event, no later than 5:00 p.m. on Tuesday, 8 May 2018. If, for any reason, the Offer Price is not agreed between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company (for ourselves and on behalf of the Selling Shareholder), the Share Offer will not proceed and will lapse.
6. None of the website or any of the information contained on the website forms part of this prospectus.
7. Share certificates will only become valid at 8:00 a.m. on Friday, 11 May 2018 provided that the Share Offer has become unconditional and the right of termination described in the the paragraph headed “Underwriting – Underwriting arrangements and expenses – Public Offer – Grounds for termination” in this prospectus has not been exercised. Investors who trade Shares on the basis of publicly available allocation details prior to the receipt of Share certificates or prior to the Share certificates becoming valid certificates of title do so entirely at their own risk.



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## EXPECTED TIMETABLE<sup>(1)</sup>

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8. e-Auto Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications pursuant to the Public Offer and also in respect of wholly or partially successful applications in the event that the final Offer Price is less than the price payable per Offer Share on application. Part of the applicant's Hong Kong identity card number or passport number, or, if the application is made by joint applicants, part of the Hong Kong identity card number or passport number of the first-named applicant, provided by the applicant(s) may be printed on the refund cheque, if any. Such data would also be transferred to a third party for refund purposes. Banks may require verification of an applicant's Hong Kong identity card number or passport number before encashment of the refund cheque, if any. Inaccurate completion of an applicant's Hong Kong identity card number or passport number may invalidate or delay in encashment of the refund cheque, if any.
9. Applicants who apply on **WHITE** Application Forms or through the **HK eIPO White Form** service for 1,000,000 or more Public Offer Shares and have provided all information required by the Application Form may collect any refund cheques and/or Share certificates (where applicable) in person from our Company's Hong Kong Branch Share Registrar, Tricor Investor Services Limited, from 9:00 a.m. to 1:00 p.m. on Thursday, 10 May 2018 or such other date as notified by our Company on the website of our Company at [www.rem-group.com.hk](http://www.rem-group.com.hk) or the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) as the date of despatch/collection of Share certificates/refund cheques/e-Auto Refund payment instructions. Applicants being individuals who opt for personal collection may not authorise any other person to collect on their behalf. Applicants being corporations which opt for personal collection must attend through their authorised representatives bearing letters of authorisation from their corporation stamped with the corporation's chop. Both individuals and authorised representatives of corporations must produce evidence of identity acceptable to our Company's Hong Kong Branch Share Registrar at the time of collection.

Applicants who apply on **YELLOW** Application Forms for 1,000,000 or more Public Offer Shares and have provided all information required by the Application Form may collect their refund cheques, if any, in person but may not elect to collect their Share certificates as such Share certificates will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit to their or the designated CCASS Participants' stock account as stated in their Application Forms. The procedures for collection of refund cheques for **YELLOW** Application Form applicants are the same as those for **WHITE** Application Form applicants.

Applicants who have applied for Public Offer Shares by giving electronic application instructions to HKSCC should refer to the paragraph headed "How to Apply for Public Offer Shares – 14. Despatch/Collection of Share certificates and refund monies – Personal collection – (iv) If you apply via electronic application instructions to HKSCC" in this prospectus for details.

Applicants who have applied for less than 1,000,000 Public Offer Shares and any uncollected Share certificates and/or refund cheques will be despatched by ordinary post, at the applicants' risk, to the addresses specified in the relevant applications. Further information is set out in the paragraphs headed "How to Apply for Public Offer Shares – 13. Refund of application monies" and "How to Apply for Public Offer Shares – 14. Despatch/Collection of Share certificates and refund monies" in this prospectus.

**The above expected timetable is a summary only. You should read carefully the sections headed "Structure and Conditions of the Share Offer" and "How to Apply for Public Offer Shares" in this prospectus for details of the structure and conditions of the Share Offer, including the conditions of the Share Offer and the procedures for application for the Public Offer Shares.**

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### IMPORTANT NOTICE TO INVESTORS

*This prospectus is issued by our Company, solely in connection with the Share Offer and the Offer Shares and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Offer Shares. This prospectus may not be used for the purpose of, and does not constitute, an offer to sell or a solicitation of an offer to buy in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offer of the Offer Shares or the distribution of this prospectus. The offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdiction pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom. You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. Our Company, the Selling Shareholder, the Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Co-Lead Manager and the Underwriters have not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not included in this prospectus must not be relied on by you as having been authorised by us, the Selling Shareholder, the Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Co-Lead Manager, the Underwriters, any of their respective directors, officers or representatives or any other person or party involved in the Share Offer. Information contained in our Company's website, at [www.rem-group.com.hk](http://www.rem-group.com.hk), does not form part of this prospectus.*

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## SUMMARY

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*This summary aims to give you an overview of the information contained in this prospectus. As it is a summary, it does not contain all the information that may be important to you. You should read the whole document before you decide to invest in the Offer Shares.*

*There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set forth in the section headed "Risk Factors" in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.*

### **BUSINESS OVERVIEW**

#### **Our business model**

We are a manufacturer and supplier of low-voltage electrical power distribution and control devices. During the Track Record Period, our products included low-voltage switchboard, motor control centre, local motor control panel, certain electrical distribution board and control box including miniature circuit breaker board, molded case circuit breaker board, automatic transfer switch panel, manual transfer switch panel and contactor box, and certain electrical parts and replacements including busbar connections, fuses, fuse switches, panel covers and insulating plates.

Our products manufactured by GZ Quanda were supplied to our customers in the PRC, while our products manufactured by DG Quanda were supplied to our customers in Hong Kong and Macau through Ready Electrical Metal.

Our Group's business model is not analogous to those manufacturing units producing standardised products. Our products are made with different sizes and specifications to fulfill our customers' needs and site conditions which are different from project-to-project, and therefore the actual production duration and complexity also vary from project-to-project.

During the Track Record Period, we secured new businesses through direct invitation to submit quotation or tender by our customers. Whether it was by way of quotation or tender, is a matter of form chosen by our customers, and nevertheless involved similar operation procedures. There is no assurance that our customers will award us sales projects for every quotation/tender we submit. We must face competitors.

#### **Our products**

Our products are used for power distribution, power control, circuit connection, circuit switch and protection, and panel control and display and cover various application scenarios including commercial buildings, shopping malls, casinos, hotels, banks, sewage treatment plants, schools, hospitals, railway stations, data centers and government headquarter.

#### **Our ranking**

According to the Frost & Sullivan Report, we attribute approximately 8.1% of the total revenue generated from the entire low-voltage electrical power distribution and control devices market in Hong Kong in 2017, and therefore ranked the second.

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## SUMMARY

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### **Our qualifications**

We have been operating for over 20 years and have gained our reputation as a renowned manufacturer and supplier of low-voltage electrical power distribution and control devices in Hong Kong, Macau and the PRC. Ready Electrical Metal has been included in the register of registered electrical contractors kept under Regulation 10(1) of the Electricity (Registration) Regulations (Chapter 406D of the Laws of Hong Kong) and the list of approved suppliers of materials and specialist contractors for public works under the category of low-voltage cubicle switchboard installation maintained by the Development Bureau of the Government. Our major products have also obtained the Association of Short-Circuit Authorities (ASTA) Certificates of Verification Tests and Certificates for China Compulsory Product Certification (CCC) issued by the China Quality Certification Centre. Our design, supply, manufacture and installation of low-voltage switchboards, motor control centres and motor control panels have been assessed and certified as meeting the requirements of ISO 9001:2008 quality management system standard since 2001.

### **Our customers**

Our top five customers during the Track Record Period comprised, among others, E&M engineering companies (being either subsidiary of Hong Kong listed company, PRC listed company or member of established private group headquartered in Hong Kong or Japan) with operations in Hong Kong, the PRC and/or Macau.

### **Our suppliers and raw materials**

During the Track Record Period, our top five suppliers comprised suppliers of raw materials we used for manufacturing of our products including various electrical parts and components, and copper products. Our total cost of raw materials for production accounted for approximately 82.3%, 82.7% and 82.2% of our total cost of sales for each of the three years ended 31 December 2017, respectively.

During the Track Record Period, we engaged third party subcontractors to carry out part of our production process, which includes part of the manufacturing process for our DG Quanda Factory, as well as installation work after our products have been delivered to construction sites for Hong Kong and Macau sales. For each of the three years ended 31 December 2017, our subcontracting cost amounted to approximately HK\$1.6 million, HK\$1.4 million and HK\$4.3 million, respectively.

### **Our production facilities**

While we are headquartered in Hong Kong, our production activities are carried out at our production bases in the PRC. Our two operating entities, GZ Quanda and DG Quanda, each operates a factory in the Guangdong Province, the PRC.

The factory of GZ Quanda (the “**GZ Quanda Factory**”) was previously situated at Zhong Xin Cun Industrial Zone, Panyu District, Guangzhou City, Guangdong Province, the PRC with gross floor area of production factory and staff dormitory together of approximately 2,800 sq. m. and open area of approximately 580 sq. m., and was relocated to Da Long Street, Panyu District, Guangzhou City, Guangdong Province, the PRC with gross floor area for factory of approximately 1,200 sq. m.. The relocation commenced in December 2016 and completed in May 2017.

The factory of DG Quanda (the “**DG Quanda Factory**”) is situated at Wangdong Village, Wangniudun Town, Dongguan City, Guangdong Province, the PRC with gross floor area of production factory at approximately 14,000 sq. m. and staff dormitory at approximately 5,200 sq. m..



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## SUMMARY

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### **Our operation flow**

The operation flow of our manufacturing and supply of low-voltage electrical power distribution and control devices generally starts from (i) quotation/tender submission and acceptance; (ii) design and production (which comprises of (a) steel case production; (b) electrical parts and equipment assembly and installation; and (c) copper bar installation); (iii) testing and commissioning, delivery and installation; and (iv) defect liability period. We also implement stringent quality control measures at each key stage of our production process to ensure our products are in compliance with the standards and specifications required by our customers.

The time span from the quotation/tender submission to completion of testing and commissioning, delivery and installation generally lasts for eight months, while the defect liability period generally lasts for six months to two years. In stating so, the actual duration shall depend on various factors including, among others, the contract size and customers' work schedule.

### **Our employees**

As at the Latest Practicable Date, we had 232 full-time employees who were directly employed by us in Hong Kong and the PRC, among which 40, 159 and 33 employees were stationed in Hong Kong, DG Quanda Factory and GZ Quanda Factory, respectively.

Our staff cost (including fees, salaries and other allowance, and retirement benefit scheme contributions) for each of the three years ended 31 December 2017 amounted to approximately HK\$25.3 million, HK\$23.1 million and HK\$26.9 million, respectively.

### **Our financial performance**

For each of the three years ended 31 December 2017, our revenue amounted to approximately HK\$186.7 million, HK\$179.3 million and HK\$198.5 million, respectively, while our total comprehensive income amounted to approximately HK\$22.3 million, HK\$25.5 million and HK\$15.8 million for the same periods, respectively.

### **Our quotations/tenders success rates**

For each of the three years ended 31 December 2017, our quotations/tenders success rates attributable to Hong Kong and Macau were approximately 16.7%, 19.8% and 14.3%, while that attributable to the PRC were approximately 20.0%, 4.6% and 16.3%, respectively. The significant decrease in quotations/tenders success rate attributable to the PRC from approximately 20.0% for the year ended 31 December 2015 to approximately 4.6% for the year ended 31 December 2016 was attributable to the relocation of our GZ Quanda Factory to Da Long Street, Panyu District, Guangzhou City, Guangdong Province, the PRC resulting in reduction of more than half of the gross floor area for production. As to the year ended 31 December 2017, our Directors had, at the beginning of 2017, already contemplated that the relocation would complete in mid-2017, and so consider that GZ Quanda Factory would need new orders to maintain its normal operation after relocation. Therefore, starting in 2017, we resumed to our normal approach in bidding small orders while remaining conservative in bidding sizable orders because, given the decreased production capacity in our GZ Quanda Factory after the relocation, we might not be able to smoothly satisfy much sizable orders. We had an increase in tender success rate for the year ended 31 December 2017 as compared to the year ended 31 December 2016 which was principally driven by the award of small orders. For further information, please refer to the paragraph headed "Business – Business model and our operation – Quotation/tender submission and acceptance" in this prospectus.

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## SUMMARY

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### OUR COMPETITIVE STRENGTHS

We believe the following competitive strengths contribute to our continued success and potential for growth:

- We have established operating history and track record in the low-voltage electrical power distribution and control devices industry.
- We have established relationships with our top five customers and top five suppliers.
- We have an experienced and dedicated management team.

### BUSINESS STRATEGIES

Our business objectives are to achieve sustainable growth in our business and to create long-term shareholders' value by mainly focusing on the markets of Hong Kong, the PRC and Macau in the near future. We intend to achieve this by implementing the following business strategies:

- to acquire a factory in the Guangdong Province, the PRC; and
- to acquire and replace our machines and equipment in our DG Quanda Factory.

We target to commence relocation of the production facilities from our existing GZ Quanda Factory to the New Factory in June 2019 and we expect our financial results in the PRC will be adversely affected after the Track Record Period until the relocation is completed of the operation. For further details on our business objective and future plans, please refer to the paragraph headed "Business – Business strategies" in this prospectus.

### FUTURE PLANS AND USE OF PROCEEDS

We estimate that the aggregate net proceeds from the Share Offer, after deducting underwriting commissions and estimated expenses paid and payable by us in connection with the Share Offer and assuming that the Over-allotment Option is not exercised at all, to be approximately HK\$89.7 million, assuming an Offer Price of HK\$0.34 per Share, being the mid-point of the proposed Offer Price range of HK\$0.30 to HK\$0.38 per Offer Share. We intend to apply the net proceeds from the Share Offer as follows:

- approximately HK\$70.1 million or approximately 78.2% of the net proceeds to acquire a factory in the Guangdong Province, the PRC, which comprises of (i) approximately HK\$38.5 million as our payment of the consideration for the New Factory; (ii) approximately HK\$25.4 million for the acquisition of machines and equipment for the New Factory; (iii) approximately HK\$1.6 million as commission, deed tax, stamp duty and professional fees payable in relation to the acquisition; (iv) approximately HK\$0.5 million as the logistic expenses for the relocation of our GZ Quanda Factory to the New Factory; and (v) approximately HK\$4.1 million as the capital expenditure for refurbishing the New Factory;
- approximately HK\$15.9 million or approximately 17.7% of the net proceeds to acquire and replace our machines and equipment in our DG Quanda Factory; and

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## SUMMARY

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- approximately HK\$3.7 million or approximately 4.1% of the net proceed for general working capital of our Group.

Assuming the Offer Price is fixed at HK\$0.34 per Share (being the mid-point of the indicative range of the Offer Price) and that the Over-allotment Option is not exercised at all, we estimate that the Selling Shareholder will receive net proceeds of approximately HK\$27.0 million, after deducting the underwriting commissions, estimated expenses paid and payable by the Selling Shareholder in connection with the Share Offer and fees payable by the Selling Shareholder in respect of the Sale Shares. We will not receive the net proceeds from the sales of the Sale Shares by the Selling Shareholder in the Share Offer.

For further details on our future plans and use of proceeds, please refer to the section headed “Future Plans and Use of Proceeds” in this prospectus.

### SELECTED KEY OPERATIONAL AND FINANCIAL DATA

The following is a summary of the consolidated statements of profit or loss and other comprehensive income of our Group for the Track Record Period extracted from the accountants’ report, the text of which is set out in Appendix I to this prospectus. This summary should be read in conjunction with the accountants’ report as set out in Appendix I to this prospectus.

	For the year ended 31 December		
	2015	2016	2017
Revenue (HK\$’000)	186,743	179,292	198,507
Gross profit (HK\$’000)	50,246	55,180	56,908
Gross profit margin (%)	26.9	30.8	28.7
Net profit (HK\$’000)	24,416	26,587	12,448
Net profit margin (%)	13.1	14.8	6.3
Total comprehensive income for the year (HK\$’000) (Note)	22,345	25,464	15,800

*Note:* If excluding the listing expenses, which is a one-off non-recurring expense, our adjusted net profit for each of the years ended 31 December 2015, 2016 and 2017 was approximately HK\$24.4 million, HK\$28.1 million and HK\$24.2 million, respectively. We use adjusted net profit as an additional non-GAAP financial measure to supplement our consolidated financial statements which are prepared in accordance with HKFRSs. A non-GAAP financial measure is a numerical measure that adjusts the most directly comparable measure determined in accordance with GAAP. Such measures provide supplemental information regarding a company’s historical or future financial position, performance, cash flow, or liquidity. The use of adjusted net profit has material limitations as an analytical tool, as it does not include all items that impact our profit or loss for the relevant period. In light of the foregoing limitations for this non-GAAP measure, when assessing our operating and financial performance, you should not consider adjusted net profit in isolation or as a substitute for our profit or loss for the period, operating profit or any other operating performance measure that is calculated in accordance with HKFRSs, because this non-GAAP measure may not be calculated in the same manner by all companies, it may not be comparable to other similar titled measures used by other companies.

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## SUMMARY

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Our Group's revenue decreased by approximately HK\$7.5 million, or approximately 4.0%, from approximately HK\$186.7 million for the year ended 31 December 2015 to approximately HK\$179.3 million for the year ended 31 December 2016, which was due to the decrease of sales attributable to the PRC and Macau of approximately HK\$15.8 million and HK\$11.0 million respectively, and was offset by the increase in sales attributable to Hong Kong of approximately HK\$19.3 million. The significant decrease in revenue attributable to the PRC was mainly due to the relocation of our GZ Quanda Factory, which in anticipation of the shrink of production capacity to our GZ Quanda Factory, our Group was less aggressive in bidding orders for GZ Quanda in 2016. In order to minimise the adverse impact caused by the relocation on our overall financial performance for the year ended 31 December 2016, our Directors focused on the operations of our DG Quanda Factory. Our Group's revenue increased by approximately 10.7%, from approximately HK\$179.3 million for the year ended 31 December 2016 to approximately HK\$198.5 million for the year ended 31 December 2017, which was due to the increase in sales attributable to Hong Kong and Macau of approximately HK\$14.4 million and HK\$18.2 million respectively, and was offset by the decrease in sales attributable to the PRC of approximately HK\$13.4 million. Our revenue attributable to the PRC continued to decrease mainly due to relocation of the GZ Quanda Factory, which our Group commenced production for PRC customers in May 2017 and only operated seven months in the year ended 31 December 2017. The following table sets forth our revenue by product and geographical market for the years indicated:

	<b>For the year ended 31 December</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>By products</b>			
Low-voltage switchboard	84,379	84,469	71,322
Local motor control panel	61,431	43,912	75,308
Motor control centre	24,859	31,847	34,839
Electrical distribution board and control box	13,875	16,826	14,427
Electrical parts and replacements	2,199	2,238	2,611
	<u>186,743</u>	<u>179,292</u>	<u>198,507</u>
<b>By geographical markets</b>			
Hong Kong	110,274	129,583	143,999
The PRC	41,404	25,633	12,261
Macau	35,065	24,076	42,247
	<u>186,743</u>	<u>179,292</u>	<u>198,507</u>

We recorded cost of sales of approximately HK\$136.5 million, HK\$124.1 million and HK\$141.6 million for each of the three years ended 31 December 2017, respectively. During the Track Record Period, our cost of sales was consisted of (i) raw materials; (ii) staff costs; (iii) depreciation; (iv) rental expenses; (v) subcontracting fee; and (vi) manufacturing costs.

During the Track Record Period, our Group's gross profit amounted to approximately HK\$50.2 million, HK\$55.2 million and HK\$56.9 million, and our gross profit margin amounted to approximately 26.9%, 30.8% and 28.7% for each of the three years ended 31 December 2017, respectively.

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## SUMMARY

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Our Group's gross profit increased by approximately 9.8%, from approximately HK\$50.2 million for the year ended 31 December 2015 to approximately HK\$55.2 million for the year ended 31 December 2016, while our gross profit margin increased from approximately 26.9% to 30.8%. The increase of gross profit margin was mainly due to our decrease in cost of sales mainly attributable to (i) the decrease in cost of raw materials, which was caused by the decrease of average prices of our major raw materials; and (ii) further increase in revenue contribution from Hong Kong and Macau, which have higher gross profit margin than that of the PRC.

Our Group's gross profit increased by approximately 3.1%, from approximately HK\$55.2 million for the year ended 31 December 2016 to approximately HK\$56.9 million for the year ended 31 December 2017, while our gross profit margin decreased from approximately 30.8% to 28.7%. The decrease of gross profit margin was mainly due to our increase in subcontracting fee of approximately HK\$2.9 million as a result of the saturated production capacity of DG Quanda Factory resulting in we subcontracted more manufacturing procedures and installation work to third parties in the year ended 31 December 2017.

For each of the three years ended 31 December 2017, the gross profit margin attributable to Hong Kong and Macau (i.e. sales of products manufactured by our DG Quanda Factory) was 30.7%, 32.2%, and 28.2%, respectively, while the gross profit margin attributable to the PRC (i.e. sales of products manufactured by our GZ Quanda Factory) was 13.7%, 22.1% and 35.8%, respectively.

Our Group's net profit amounted to approximately HK\$24.4 million, HK\$26.6 million and HK\$12.4 million, and our net profit margin amounted to approximately 13.1%, 14.8% and 6.3% for each of the three years ended 31 December 2017, respectively. We recorded listing expenses of approximately HK\$1.5 million and HK\$11.8 million for the two years ended 31 December 2017, respectively. Our net profit and net profit margin, excluding listing expenses, amounted to approximately HK\$28.1 million, HK\$24.2 million, 15.7% and 12.2% for the two years ended 31 December 2017, respectively.

For details of the period to period comparison of our financial performance, please refer to the section headed "Financial Information" in this prospectus.

### KEY FINANCIAL RATIOS

The following table sets out major financial ratios for our Group during the Track Record Period:

	For the year ended/ As at 31 December		
	2015	2016	2017
Return on equity	42.0%	32.8%	12.8%
Return on assets	17.0%	17.2%	8.0%
Current ratio	1.3 times	1.7 times	2.1 times
Gearing ratio	65.6%	37.1%	14.7%
Debt to equity ratio	35.4%	17.9%	nil
Interest coverage	61.5 times	93.9 times	66.6 times

The gearing ratio is calculated as the total debt divided by total equity. For the avoidance of doubt, total debt includes bank borrowing.

You may refer to the paragraph headed "Financial Information – Other key financial ratios" in this prospectus for details.



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## SUMMARY

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### CASH FLOWS

	For the year ended 31 December		
	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000
Net cash from (used in) operating activities	<u>2,407</u>	<u>(46)</u>	<u>34,203</u>
Net cash from (used in) investing activities	<u>415</u>	<u>9,641</u>	<u>(281)</u>
Net cash used in financing activities	<u>(6,739)</u>	<u>(11,215)</u>	<u>(7,104)</u>
Net (decrease) increase in cash and cash equivalents	(3,917)	(1,620)	26,818
Cash and cash equivalents at the beginning of the year	22,299	17,509	15,506
Effect of foreign exchange rate changes	<u>(873)</u>	<u>(383)</u>	<u>638</u>
Cash and cash equivalents at the end of the year, represented by bank balances and cash	<u><u>17,509</u></u>	<u><u>15,506</u></u>	<u><u>42,962</u></u>

For the year ended 31 December 2016, we recorded the net cash used in operating activities of approximately HK\$0.05 million, which was mainly due to the increase in trade and retention and other receivables of approximately HK\$23.3 million.

### LISTING EXPENSES

Our Group expects the listing expenses to be approximately HK\$36.3 million (based on the Offer Price of HK\$0.34 per Share, being the mid-point of the Offer Price range between HK\$0.30 and HK\$0.38 per Share). Of the aggregate listing expenses of approximately HK\$36.3 million, approximately HK\$3.6 million of the listing expenses is expected to be borne by the Selling Shareholder and approximately HK\$14.7 million will be accounted for as a deduction from our equity upon Listing. The remaining amount of approximately HK\$18.0 million is expected to be charged to our profit and loss accounts, of which approximately HK\$1.5 million and HK\$11.8 million were charged for the two years ended 31 December 2017, respectively, the remaining approximately HK\$4.7 million is expected to be charged during the year ending 31 December 2018. The actual amount may differ from this estimate.

### RECENT DEVELOPMENT AND NO MATERIAL ADVERSE CHANGE

Our business model and cost structure remain largely unchanged subsequent to the Track Record Period. Subsequent to the Track Record Period and up to the Latest Practicable Date, we continued to be a manufacturer and supplier of low-voltage electrical power distribution and control devices. Our operating performance remain stable subsequent to 31 December 2017. According to the unaudited financial statements of our Group for the two months ended 28 February 2018, the average monthly revenue for the two months ended 28 February 2018 has increased by approximately 3.5% as compared to the average monthly revenue for the two months ended 28 February 2017.

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## SUMMARY

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Further, our existing GZ Quanda Factory is much smaller than our previous GZ Quanda Factory and does not have staff dormitory, we shrink our production capacity in order to fit in our existing GZ Quanda Factory. Under this situation, our revenue attributable to the PRC (i.e. sales of products manufactured by GZ Quanda Factory) decreased from approximately HK\$41.4 million for the year ended 31 December 2015 to approximately HK\$25.6 million for the year ended 31 December 2016 and further to approximately HK\$12.3 million for the year ended 31 December 2017. Our Directors also consider that there is no assurance our results of operation regarding our sales to our PRC customers will improve in subsequent financial years after 2017 unless and until we have acquired the New Factory to improve our production capacity of our GZ Quanda Factory.

For further discussion about our necessity to acquire the New Factory to improve our sales in the PRC, please refer to the paragraph headed “Business – Business strategies – To acquire a factory in the Guangdong Province, the PRC” and the paragraph headed “Business – Business model and our operation – Quotation/tender submission and acceptance” in this prospectus.

Our Directors confirm that, save for disclosed in this subsection and the listing expenses as set out in the above paragraph, there has been no material adverse change in the financial or trading position or prospects of our Group since 31 December 2017 (being the date to which the latest audited consolidated financial statements of our Group were made up) and up to the date of this prospectus.

### STATISTICS OF THE SHARE OFFER

Number of Offer Shares:	450,000,000 Shares (subject to the Over-allotment Option)	
Offer Price:	Not more than HK\$0.38 per Offer Share and expected to be not less than HK\$0.30 per Offer Share	
	<b>Based on the indicative Offer Price of HK\$0.30 per Share</b>	<b>Based on the indicative Offer Price of HK\$0.38 per Share</b>
Market capitalisation <sup>(Note 1)</sup> :	HK\$540,000,000	HK\$684,000,000
Unaudited pro forma adjusted consolidated net tangible assets of our Group per Share <sup>(Note 2)</sup> :	HK\$0.10	HK\$0.12

*Notes:*

1. The calculation of the market capitalisation of the Shares is based on 1,800,000,000 Shares in issue immediately after completion of the Share Offer but does not take into account (i) any Shares which may fall to be issued upon the exercise of the Over-allotment Option; and (ii) the number of share options that may be vested and may become exercisable upon the date of the Listing under the Share Option Scheme.
2. Please refer to Appendix II to this prospectus for the bases and assumptions in calculating this figure.

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## SUMMARY

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### OUR SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the Capitalisation Issue and the Share Offer without taking into account of any Shares which may be allotted and issued upon the exercise of the Over-allotment Option or any option which may be granted under the Share Option Scheme, our Company will be owned as to 75% by Unique Best, which is owned as to 85.14% by WANs Limited, 13.33% by REM Enterprises and 1.53% by REM Limited. WANs Limited is wholly owned by WAN Union (as trustee of the WAN Union Trust). REM Enterprises is wholly owned by Mr. KW Leung (our chief executive officer and executive Director). REM Limited is wholly owned by Mr. CK Yu. For the purposes of the Listing Rules, Mr. MK Wan, Mr. CW Wun, Mr. KW Leung, WAN Union, WANs Limited, Unique Best and REM Enterprises are a group of our Controlling Shareholders.

### DIVIDENDS

Our Group currently does not have a dividend policy and may distribute dividends by way of cash or by other means that our Directors consider appropriate.

During the Track Record Period, a subsidiary of our Company distributed interim dividends of HK\$2.4 million, HK\$2.4 million and nil for the years ended 31 December 2015, 2016 and 2017, respectively, to its then shareholders prior to the Reorganisation. Other than the above, no dividend has been paid or declared by other companies comprising our Group during the Track Record Period or our Company since its incorporation. The dividends of our Company's subsidiary had been paid as at the Latest Practicable Date.

### RISK FACTORS

Potential investors are advised to carefully read the section headed "Risk Factors" in this prospectus before making any investment decision in the Offer Shares. Some of the more particular risk factors include:

- Our results of operation regarding our sales to our PRC customers for the year ended 31 December 2017 decreased by approximately 52.2% in terms of revenue as compared to the year ended 31 December 2016 and there is no assurance our results of operation regarding our sales to our PRC customers will improve in subsequent financial years after 2017.
- We plan to relocate our existing GZ Quanda Factory and maintain and enhance our production capacity in our DG Quanda Factory, and such future plans may result in increase in depreciation expenses and may adversely affect our operating results and financial position.
- Our top five customers for each of the three years ended 31 December 2017 accounted for over 50% of our revenue and any decrease in our sales to any one of them would affect our operations and financial results.

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## SUMMARY

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- Our sales are made on the basis of individual sales projects or purchase orders which are non-recurring in nature and any significant decrease in the number of sales projects or purchase orders would affect our operations and financial results.
- We are exposed to payment delays and/or default by our customers which would adversely affect our operations and financial condition.
- Our business is susceptible to fluctuations in purchase prices of our principal raw materials used in our production.
- We may face shortage in supply of our principal raw materials used in our production.
- We depend on third party suppliers for our raw materials with acceptable quality and standards.

### LEGAL PROCEEDINGS AND LEGAL COMPLIANCE

As at the Latest Practicable Date, no member of our Group was engaged in any litigation, claim or arbitration of material importance, and no litigation, claim or arbitration of material importance is known to our Directors to be pending or threatened against any member of our Group.

During the Track Record Period, there were a number of instances of non-compliance with certain Hong Kong and the PRC regulatory requirements on various occasions by our Group. These include, among others: non-compliances with (i) the environmental protection regulations of the PRC; (ii) the Social Insurance Law of the PRC (中華人民共和國社會保險法); (iii) the Regulations on the Administration of Housing Provident Fund (住房公積金管理條例); and (iv) the Predecessor Companies Ordinance and the Companies Ordinance. For details, please refer to the paragraph headed “Business – Legal proceedings and legal compliance – Legal compliance” in this prospectus.

### TITLE DEFECT OF OUR DG QUANDA FACTORY

During the Track Record Period, our DG Quanda Factory did not obtain all the required certificates (including the construction planning permit (建設工程規劃許可證)).

To rectify the title defect of our DG Quanda Factory, as at the Latest Practicable Date, our DG Quanda Factory had obtained the construction land use planning permit (建設用地規劃許可證), the construction planning permit (建設工程規劃許可證), the certificate of housing safety inspection (房屋安全檢查證書) and the property right certificate (不動產權證).

For details of the title defect of our DG Quanda Factory, please refer to the paragraph headed “Business – Legal proceedings and legal compliance – Title defect of our DG Quanda Factory and GZ Quanda Factory” in this prospectus.

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## DEFINITIONS

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*In this prospectus, unless the context otherwise requires, the following terms shall have the meanings set forth below. Certain technical terms are explained in the section headed “Glossary of Technical Terms” in this prospectus.*

“Apex Holding”	Apex Holding Limited, a company incorporated in the BVI on 29 July 2014 with limited liability. Apex Holding forms part of the Excluded Group
“Apex Investment (FE)”	Apex Investment (FE) Limited, a company incorporated in the BVI on 29 July 2014 with limited liability. Apex Investment (FE) forms part of the Excluded Group
“Application Form(s)”	<b>WHITE</b> Application Form(s), <b>YELLOW</b> Application Form(s) and <b>GREEN</b> Application Form(s), or where the context so requires, any of them, relating to the Public Offer
“Articles of Association” or “Articles”	the articles of association of our Company, adopted on 23 April 2018 and as amended from time to time, a summary of which is set forth in the section headed “Summary of the Constitution of our Company and Cayman Islands Company Law” in Appendix IV to this prospectus
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Bestek Holding”	Bestek Holding Limited, a company incorporated in the BVI on 29 July 2014 with limited liability. Bestek Holding forms part of the Excluded Group
“Bestek Investment”	Bestek Investment Limited, a company incorporated in the BVI on 29 July 2014 with limited liability. Bestek Investment forms part of the Excluded Group
“Board”	our Board of Directors of our Company
“business day”	any day (other than a Saturday, Sunday or public holiday) on which licensed banks in Hong Kong are normally open for business
“BVI”	the British Virgin Islands



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## DEFINITIONS

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“Capitalisation Issue”	the issue of 1,439,990,000 Shares to be made upon capitalisation of part of the amount standing to the credit of our share premium account as referred to in the paragraph headed “Statutory and General Information – A. Further information about our Company – 3. Written resolutions of our sole Shareholder passed on 23 April 2018” in Appendix V to this prospectus
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or a general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Participant”	a CCASS Clearing Participant or a CCASS Custodian Participant or a CCASS Investor Participant
“Chairman”	the Chairman of our Board, Mr. MK Wan
“close associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Co-Lead Manager”	AFG Securities Limited
“Companies Law”	the Companies Law (as revised) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Competition Ordinance”	the Competition Ordinance (Chapter 619 of the Laws of Hong Kong), as amended, supplemented and otherwise modified from time to time
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Companies Registry”	the Companies Registry of Hong Kong

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## DEFINITIONS

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“Company”	REM Group (Holdings) Limited (全達電器集團(控股)有限公司) an exempted company incorporated in the Cayman Islands with limited liability on 15 March 2017 and registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 2 May 2017
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“connected transactions(s)”	has the meaning ascribed thereto under the Listing Rules
“Construction Industry Council”	the Construction Industry Council of Hong Kong
“construction machinery”	the construction machines and construction vehicles
“Controlling Shareholder(s)”	has the meaning ascribed to it thereto under the Listing Rules and refers to the controlling shareholders of our Company immediately after the Share Offer, being Mr. MK Wan, Mr. CW Wun, Mr. KW Leung, WAN Union (as the trustee of the WAN Union Trust), REM Enterprises, Unique Best and WANs Limited. Please refer to the section headed “Relationship with our Controlling Shareholders” in this prospectus for further details
“core connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Deed of Indemnity”	the deed of indemnity dated 23 April 2018 executed by our Controlling Shareholders in favour of our Company (for ourselves and as trustee for our subsidiaries) regarding certain indemnities, details of which are set out in the paragraph headed “Statutory and General Information – E. Other information – 1. Estate duty, tax and other indemnity” in Appendix V to this prospectus
“Deed of Non-competition”	the deed of non-competition dated 23 April 2018 executed by our Controlling Shareholders in favour of our Company (for ourselves and as trustee for our subsidiaries) regarding non-competition undertakings, details of which are set out in the paragraph headed “Relationship with our Controlling Shareholders – Non-competition undertakings from our Controlling Shareholders” in this prospectus
“DG Jintai”	東莞錦泰思朗置業有限公司 (Dongguan Jintaisilang Property Limited*), a company incorporated in the PRC on 11 October 2013 with limited liability. DG Jintai forms part of the Excluded Group

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## DEFINITIONS

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“DG Quanda”	東莞全達機電設備有限公司 (Dongguan Quanda Electrical Equipment Limited*), a company incorporated in the PRC with limited liability on 17 January 2011 and an indirect wholly-owned subsidiary of our Company
“DG Quanda Property Development”	東莞全達房地產開發有限公司 (Dongguan Quanda Property Limited*), a company incorporated in the PRC on 24 April 2012 with limited liability. DG Quanda Property Development forms part of the Excluded Group
“DG Zhaoheng”	東莞市兆恒建材貿易有限公司 (Dongguan Zhaoheng Building Material Trading Company Limited*), a company incorporated in the PRC on 16 April 2013 with limited liability. DG Zhaoheng forms part of the Excluded Group
“DG Zhaokang”	東莞市兆康五金貿易有限公司 (Dongguan Zhaokang Hardware Trading Company Limited*), a company incorporated in the PRC on 4 July 2011. DG Zhaokang forms part of the Excluded Group
“Director(s)”	the director(s) of our Company
“Excluded Businesses”	principal business carried out by the Excluded Group
“Excluded Group”	collectively, Ready System Engineering, SZ Jianda, Ready Investment, Huatao Stainless Steel, Ningbo Huatao, Shun Tat M&E Equipment, Apex Holding, Apex Investment (FE), Ready Asia, SZ Yongkeda, DG Zhaokang, Bestek Holding, Bestek Investment, Ready I & T, SZ Anda, DG Zhaoheng, DG Jintai, Ready Engineering, SEM Enterprises, SEM Holding, SEM Macau Group, Metro Linkage, DG Quanda Property Development and SZ Jianda Construction, which engage in non-core businesses and do not form part of our Group, details of which are set out in the section headed “History, Reorganisation and Group Structure” in this prospectus
“Frost & Sullivan”	Frost & Sullivan International Limited, an Independent Third Party, being a professional market research company
“Frost & Sullivan Report”	the commissioned report on the market overview and competitive analysis for the low-voltage power distribution and control devices industry in Hong Kong, Macau and the PRC compiled by Frost & Sullivan, the content of which is quoted in this prospectus
“Government”	the Government of Hong Kong

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## DEFINITIONS

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“ <b>GREEN</b> Application Form(s)”	the application form(s) to be completed by <b>HK eIPO White Form</b> Service Provider designated by our Company
“Group”, “our Group”, “we”, “our” or “us”	our Company and its subsidiaries at the relevant time or, where the context refers to any time prior to our Company becoming the holding company of our present subsidiaries, such subsidiaries and the business carried on by such subsidiaries or (as the case maybe) our predecessors, and “we”, “our” or “us” shall be construed accordingly
“GZ Quanda”	廣州全達電器金屬製品有限公司 (Guangzhou Quanda Electrical Metal Products Limited*), a company incorporated in the PRC with limited liability on 22 October 1993 and an indirect wholly-owned subsidiary of our Company
“HIBOR”	Hong Kong Interbank Offered Rate
“ <b>HK eIPO White Form</b> ”	the application process for Public Offer Shares with applications issued in the applicant’s own name and submitted online through the designated website of <a href="http://www.hkeipo.hk">www.hkeipo.hk</a>
“ <b>HK eIPO White Form</b> Service Provider”	the <b>HK eIPO White Form</b> service provider designated by our Company, as specified on the designated website at <a href="http://www.hkeipo.hk">www.hkeipo.hk</a>
“Hong Kong dollar(s)” or “HK\$”	Hong Kong dollars, lawful currency of Hong Kong
“HKFRSs”	Hong Kong Financial Reporting Standards
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“Hong Kong”	the Hong Kong Special Administrative Region of PRC
“Hong Kong Branch Share Registrar”	Tricor Investor Services Limited, our Hong Kong branch share registrar and transfer office
“Huatao Stainless Steel”	Huatao Stainless Steel Pipe Company Limited (華濤不銹鋼管材有限公司), a company incorporated in Hong Kong on 26 August 2009 with limited liability. Huatao Stainless Steel forms part of the Excluded Group

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## DEFINITIONS

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“Independent Third Party(ies)”	an individual(s) or a company(ies) who or which is/are independent of and not connected with (within the meaning of the Listing Rules) any Directors, chief executive or substantial shareholders of our Company, our subsidiaries or any of their respective associates
“Independent Valuer”	Roma Appraisals Limited
“Issuing Mandate”	the unconditional mandate granted to our Directors to allot and issue Shares pursuant to the resolutions set forth in the paragraph headed “Statutory and General Information – A. Further information about our Company – 3. Written resolutions of our sole Shareholder passed on 23 April 2018” in Appendix V to this prospectus
“Joint Bookrunner(s)” or “Joint Lead Manager(s)”	Alpha Financial Group Limited and Wealth Link Securities Limited
“Latest Practicable Date”	18 April 2018, being the latest practicable date prior to the printing of this prospectus for ascertaining certain information in this prospectus
“Legal Counsel”	Ms. Queenie W.S. Ng, barrister-at-law of Hong Kong
“Listing”	the listing of the Shares on the Main Board
“Listing Committee”	the Listing Committee of the Stock Exchange
“Listing Date”	the date expected to be on or about Friday, 11 May 2018, on which our Shares are listed and from which dealings in our Shares commence on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
“Macau”	the Macau Special Administrative Region of PRC
“Main Board”	the stock exchange (excluding the option markets) operated by the Stock Exchange which is independent from and operated in parallel with the GEM of the Stock Exchange
“Memorandum of Association” or “Memorandum”	the memorandum of association of our Company, adopted on 23 April 2018, as amended, supplemented or otherwise modified from time to time
“Metro Linkage”	Metro Linkage Limited (城通有限公司), a company incorporated in the BVI on 18 January 2016 with limited liability. Metro Linkage principally engages in investment holding
“MOP”	Macau patacas, lawful currency of Macau



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## DEFINITIONS

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“Mr. CK Wun”	Mr. Wun Chi Keung (尹志強), who had passed away as at the Latest Practicable Date
“Mr. CK Yu”	Mr. Yu Chi Kwan (俞志軍), being an Independent Third Party
“Mr. CW Wun”	Mr. Wun Chi Wai (尹志偉), being a Controlling Shareholder
“Mr. KW Leung”	Mr. Leung Ka Wai (梁家威), being our chief executive officer, executive Director and a Controlling Shareholder
“Mr. MK Wan”	Mr. Wan Man Keung (尹民強), being our Chairman, executive Director and a Controlling Shareholder
“Mrs. Kan”	Mrs. Kan Wan Wai Yee Mavis (簡尹慧兒), being our non-executive Director
“New Factory”	has the meaning ascribed thereto under the paragraph headed “Business – Business Strategies – to acquire a factory in the Guangdong Province, the PRC” in this prospectus
“New Shares”	360,000,000 new Shares being offered by our Company for subscription at the Offer Price under the Share Offer
“Ningbo Huatao”	寧波市華濤不銹鋼管材有限公司 (Ningbo Huatao Stainless Steel Limited*), a company incorporated in the PRC on 27 April 1999 with limited liability. Ningbo Huatao forms part of the Excluded Group
“Offer Price”	the final price per Offer Share in Hong Kong dollars (exclusive of brokerage of 1%, SFC transaction levy of 0.0027% and the Stock Exchange trading fee of 0.005%) at which the Offer Shares are to be subscribed for or purchased pursuant to the Share Offer, to be determined in the manner further described in the paragraph headed “Structure and Conditions of the Share Offer – Determining the Offer Price” in this prospectus
“Offer Shares”	the Public Offer Shares and the Placing Shares
“Over-allotment Option”	the option expected to be granted by our Company to the Placing Underwriters exercisable by the Sole Global Coordinator (for itself and on behalf of the Placing Underwriters), pursuant to which our Company may be required to allot and issue up to an aggregate of 67,500,000 additional new Shares at the Offer Price, to cover over-allocations in the Placing and/or to satisfy the obligation of the Stabilising Manager to return securities borrowed under the Stock Borrowing Agreement subject to the terms of the Placing Underwriting Agreement

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## DEFINITIONS

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“Placing”	the conditional placing of the Placing Shares by the Placing Underwriters at the Offer Price to selected professional, institutional and private investors as set forth in the section headed “Structure and Conditions of the Share Offer” in this prospectus
“Placing Shares”	the 405,000,000 Shares (comprising 315,000,000 New Shares initially offered by us for subscription and 90,000,000 Sale Shares initially offered by the Selling Shareholder for purchase) at the Offer Price pursuant to the Placing, subject to reallocation and the Over-allotment Option as described in the section headed “Structure and Conditions of the Share Offer” in this prospectus
“Placing Underwriters”	the underwriters of the Placing, who are expected to enter into the Placing Underwriting Agreement to underwrite the Placing Shares
“Placing Underwriting Agreement”	the conditional placing underwriting agreement relating to the Placing expected to be entered into on or about the Price Determination Date by, among others, our Company, the Selling Shareholder and the Placing Underwriters, particulars of which are summarised in the section headed “Underwriting” in this prospectus
“PRC” or “China”	the People’s Republic of China and, except where the context otherwise requires and for the purpose of this prospectus only, does not include Hong Kong, Macau and Taiwan
“PRC Legal Advisers”	Li & Partners (Shenzhen)
“Predecessor Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) as in force from time to time before 3 March 2014
“Price Determination Agreement”	the agreement expected to be entered into between our Company (for ourselves and on behalf of the Selling Shareholder) and the Sole Global Coordinator (for itself and on behalf of the Underwriters) on or around the Price Determination Date to record the agreement on the final Offer Price
“Price Determination Date”	the date, expected to be on or around Friday, 4 May 2018, on which the final Offer Price is to be fixed for the purpose of the Share Offer, but in any event no later than 5:00 p.m. on Tuesday, 8 May 2018

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## DEFINITIONS

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“Public Offer”	the offer of the Public Offer Shares for subscription by the public in Hong Kong for cash at the Offer Price (plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%), payable in full on application, and subject to the terms and conditions described in this prospectus and the Application Forms
“Public Offer Shares”	45,000,000 New Shares being initially offered by us for subscription pursuant to the Public Offer, subject to reallocation as described in the section headed “Structure and Conditions of the Share Offer” in this prospectus
“Public Offer Underwriters”	the underwriters of the Public Offer whose names are set forth in the paragraph headed “Underwriting – Underwriters – Public Offer Underwriters” in this prospectus
“Public Offer Underwriting Agreement”	the conditional public offer underwriting agreement dated 26 April 2018 relating to the Public Offer entered into by, among others, our Company and the Public Offer Underwriters, particulars of which are summarised in the section headed “Underwriting” in this prospectus
“Ready Asia”	Ready Asia Limited (全達亞洲有限公司), a company incorporated in Hong Kong on 13 March 2013. Ready Asia forms part of the Excluded Group
“Ready Electrical Metal”	Ready Electrical Metal Work Limited (全達電器金屬製品有限公司), a company incorporated in Hong Kong with limited liability on 25 August 1992 and an indirect wholly-owned subsidiary of our Company
“Ready Engineering”	Ready Engineering Limited (全達工程有限公司), a company incorporated in Hong Kong with limited liability on 18 December 1987, which is indirectly owned as to 99% by Metro Linkage, 0.73% by Mr. MK Wan, 0.24% by Mr. CW Wun and 0.03% by Mr. CK Yu
“Ready Enterprise (China)”	Ready Enterprise (China) Limited (全達實業(中國)有限公司), a company incorporated in Hong Kong with limited liability on 28 June 2007 and an indirect wholly-owned subsidiary of our Company
“Ready Investment”	Ready Investment Holding Limited (全達投資控股有限公司), a company incorporated in Hong Kong on 6 January 2012. Ready Investment forms part of the Excluded Group

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## DEFINITIONS

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“Ready I & T”	Ready I & T Limited (全達工貿有限公司), a company incorporated in Hong Kong on 13 March 2013. Ready I & T forms part of the Excluded Group
“Ready System Engineering”	Ready System Engineering Limited (全達系統工程有限公司), a company incorporated in Hong Kong with limited liability on 23 July 1991, which was beneficially owned as to 5% by Mr. MK Wan and 95% by an Independent Third Party as at the Latest Practicable Date. Ready System Engineering forms part of the Excluded Group
“Ready System (Macau)”	Ready System Engineering Limited (全達系統工程有限公司), a company incorporated in Macau with limited liability on 15 May 2006, which is indirectly owned by SEM Enterprises Limited as to 90%, with the remaining 10% held by independent Third Parties. Ready System (Macau) forms part of the Excluded Group
“REM Capital”	REM Capital Limited, a company incorporated in the BVI with limited liability on 7 November 2016 and a direct wholly-owned subsidiary of our Company upon completion of the Reorganisation
“REM Enterprises”	REM Enterprises Limited, a company incorporated in the BVI with limited liability on 7 November 2016, which is wholly owned by Mr. KW Leung, and a Controlling Shareholder
“REM Limited”	REM Limited, a company incorporated in the BVI with limited liability on 18 January 2017, which is wholly owned by Mr. CK Yu
“Reorganisation”	the reorganisation we have undergone in preparation for the Listing of Shares on the Stock Exchange which are more particularly described in the paragraph headed “History, Reorganisation and Group Structure – Reorganisation” in this prospectus
“Repurchase Mandate”	the general unconditional mandate to repurchase Shares given to our Directors by our Shareholders, particulars of which are set forth in the paragraph headed “Statutory and General Information – A. Further information about our Company – 3. Written resolutions of our sole Shareholder passed on 23 April 2018” in Appendix V to this prospectus

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## DEFINITIONS

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“Restricted Business”	the business currently and from time to time engaged by our Group (including but not limited to manufacturing and supply of low-voltage electrical power distribution and control devices in Hong Kong, Macau and the PRC)
“RMB” or “Renminbi”	renminbi, lawful currency of the PRC
“SAFE”	the State Administration of Foreign Exchange of the PRC
“Sale Shares”	90,000,000 existing Shares being offered by the Selling Shareholder for purchase at the Offer Price under the Placing
“SAT”	the State Administration of Taxation of the PRC
“Selling Shareholder”	Unique Best, one of the Controlling Shareholders, which is expected to offer to sell the Sale Shares under the Placing
“SEM Development”	SEM Development Limited, a company incorporated in the BVI on 2 October 2015 with limited liability. SEM Development forms part of the Excluded Group
“SEM Enterprises”	SEM Enterprises Limited, a company incorporated in the BVI with limited liability on 2 October 2015 with limited liability. SEM Enterprises forms part of the Excluded Group
“SEM Holding”	SEM Holding Limited, a company incorporated in Hong Kong on 23 December 2015 with limited liability. SEM Holding forms part of the Excluded Group
“SEM Holdings”	SEM Holdings Limited, a company incorporated in the Cayman Islands on 6 November 2015 with limited liability. SEM Holdings forms part of the Excluded Group
“SEM Investments”	SEM Investments Limited, a company incorporated in the BVI on 2 October 2015 with limited liability. SEM Investments forms part of the Excluded Group
“SEM Macau Group”	means SEM Holdings, SEM Investments, SEM Development, SEM Resources and Ready System (Macau), collectively, which principally provide electrical engineering services in Macau and forms part of the Excluded Group
“SEM Resources”	SEM Resources Limited, a company incorporated in Hong Kong on 5 November 2015 with limited liability. SEM Resources forms part of the Excluded Group

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## DEFINITIONS

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“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) in the share capital of our Company with a nominal value of HK\$0.01 each
“Share Offer”	the Public Offer and the Placing
“Share Option Scheme”	the share option scheme our Company conditionally adopted on 23 April 2018, the principal terms of which are summarised in the paragraph headed “Statutory and General Information – D. Share Option Scheme” in Appendix V to this prospectus
“Shareholder(s)”	holder(s) of Shares
“Shun Tat M&E Equipment”	Shun Tat M&E Equipment Limited (順達機電設備有限公司), a company incorporated in Hong Kong on 17 May 2012 with limited liability. Shun Tat M&E Equipment forms part of the Excluded Group
“Sole Global Coordinator” or “Stabilising Manager”	Alpha Financial Group Limited
“Sponsor”	Ample Capital Limited
“Stock Borrowing Agreement”	the stock borrowing agreement expected to be entered into on or around the Price Determination Date between Unique Best and the Stabilising Manager, pursuant to which the Stabilising Manager may borrow up to 67,500,000 Shares from Unique Best
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed thereto under the Listing Rules
“substantial shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“SZ Anda”	深圳市安達建材採購有限公司 (Shenzhen Anda Building Material Procurement Limited*), a company incorporated in the PRC on 26 July 2013 with limited liability. SZ Anda forms part of the Excluded Group

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## DEFINITIONS

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“SZ Jianda”	深圳市建達機電設備有限公司 (Shenzhen Jianda Electrical Equipment Limited*), a company incorporated in the PRC on 3 April 2001 with limited liability. SZ Jianda forms part of the Excluded Group
“SZ Jianda Construction”	深圳市建達建築工程有限公司 (Shenzhen Jianda Construction Company Limited*), a company incorporated in the PRC on 3 January 2003 with limited liability. SZ Jianda Construction forms part of the Excluded Group
“SZ Yongkeda”	深圳市永科達貿易有限公司 (Shenzhen Yongkeda Trading Company Limited*), a company incorporated in the PRC on 26 July 2013 with limited liability. SZ Yongkeda forms part of the Excluded Group
“Takeovers Code”	the Codes on Takeovers and Mergers and Share Buybacks issued by the SFC, as amended, supplemented or otherwise modified from time to time
“Tax Consultant”	RSM Tax Advisory (Hong Kong) Limited
“Track Record Period”	the period comprising the three financial years ended 31 December 2017
“Underwriters”	the Public Offer Underwriters and the Placing Underwriters
“Underwriting Agreements”	the Public Offer Underwriting Agreement and the Placing Underwriting Agreement
“Unique Best”	Unique Best Limited, a company incorporated in the BVI on 14 June 2017 with limited liability, a Controlling Shareholder and the Selling Shareholder, and is directly owned as to 85.14% by WANs Limited, 13.33% by REM Enterprises and 1.53% by REM Limited
“United States” or “U.S.”	the United States of America
“U.S. dollar(s)” or “US\$”	United States dollars, the lawful currency of the United States
“WAN Union”	WAN Union Limited, a company incorporated in the BVI on 29 December 2017 limited by guarantee and a Controlling Shareholder



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## DEFINITIONS

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“WAN Union Trust”	a discretionary family trust established by Mr. MK Wan, Mr. CW Wun and Mr. CK Wun as settlors of which WAN Union acts as the trustee which holds the entire interest in WANs Limited on trust for the benefits of Mr. MK Wan, Mr. CW Wun and Mr. CK Wun, and their immediate family members
“WANs Limited”	WANs Limited, a company incorporated in the BVI with limited liability on 7 February 2017, which is wholly owned by WAN Union (as trustee of the WAN Union Trust) and a Controlling Shareholder
“WHITE Application Form(s)”	the application form(s) for use by the public who require(s) such Public Offer Shares to be issued in the applicants’ own name
“YELLOW Application Form(s)”	the application form(s) for use by the public who require(s) such Public Offer Shares to be deposited directly into CCASS

*Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Unless otherwise stated, all the numerical figures are rounded to one decimal place. Any discrepancy in any table between totals and sums of individual amounts listed in any table are due to rounding. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.*

*Unless expressly stated or the context otherwise requires, all data in this prospectus is as at the date of this prospectus.*

*If there is any inconsistency between the official Chinese name of the PRC entities mentioned in this prospectus and their English translation, the Chinese version shall prevail. English translations of official Chinese names and English translations which are marked with “\*” are for identification purposes only.*

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## GLOSSARY OF TECHNICAL TERMS

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*This glossary contains explanations of certain terms used in this prospectus. These terms and their meanings may or may not correspond to standard industry meaning or usage of these terms.*

“A”	Ampere, the base unit of electric current
“Association of Short-Circuit Authorities (ASTA) Certificates of Verification Tests”	The Association of Short-Circuit Authorities (ASTA) was founded in 1938. ASTA Verification Test Certification is an established certification system used in the electrical transmission, installation and distribution industry. Having been in place for decades, it has recognition and acceptance by regulatory authorities around the globe. ASTA Verification Test Certificates provide authoritative objective evidence that the certificate holder’s bespoke equipment is compliant to relevant safety standards
“CAGR”	Compound annual growth rate, a method of assessing the average growth of a value over time
“Certificate for China Compulsory Product Certification”	A statutory certificate issued by the China Quality Certification Centre
“China Compulsory Product Certification”	China Compulsory Product Certification (CCC) (中國強制性產品認證) is a compulsory safety certification for many products imported, sold or used in the PRC market. The CCC certification is administered by the Certification and Accreditation Administration of the PRC (CNCA) (中國國家認證認可監督管理委員會). The China Quality Certification Centre (CQC) (中國質量認證中心) is designated by CNCA to process CCC certification applications
“China Quality Certification Centre”	China Quality Certification Centre (CQC) (中國質量認證中心) is a PRC administration based in Beijing with responsibilities for the implementation of product certification. It is responsible for product standards and quality standards sold on the PRC market. It is under control of the China Certification and Inspection Group (中國檢驗認證集團), which is approved by the State General Administration for Quality Supervision and Inspection and Quarantine (中華人民共和國國家質量監督檢驗檢疫總局) and the Certification and Accreditation Administration (CNCA) (中國國家認證認可監督管理委員會) of the PRC
“E&M”	Electrical and mechanical

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## GLOSSARY OF TECHNICAL TERMS

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“ERP system”	acronym for “Enterprise Resource Planning system”, a software-packaged system which integrates several data sources and processes of an organisation into a single unified system
“GDP”	Gross Domestic Product
“Guobiao”	Guobiao/GB standards (中華人民共和國國家標準) are the PRC national standards issued by the Standardisation Administration of China (SAC) (中國國家標準化管理委員會). GB stands for Guobiao (國標), Chinese language for national standard. Mandatory standards are prefixed “GB”. Recommended standards are prefixed “GB/T” (T stands for tuījiàn (推薦), Chinese language for “recommended”). A standard number follows “GB” or “GB/T”. Guobiao/GB standards are the basis for the product testing which products must undergo during the China Compulsory Product Certification (CCC) (中國強制性產品認證). If there is no corresponding GB Standard, CCC is not required
“IEC”	The International Electrotechnical Commission (IEC) is a non-profit, non-governmental international standards organisation that prepares and publishes international standards for all electrical, electronic and related technologies – collectively known as “electrotechnology”. IEC standards cover a vast range of technologies from power generation, transmission and distribution to home appliances and office equipment, semiconductors, fibre optics, batteries, solar energy, nanotechnology and marine energy as well as many others. The IEC also manages three global conformity assessment systems that certify whether equipment, system or components conform to its international standards
“ISO”	An acronym for a series of quality management and quality assurance standards published by International Organisation for Standardisation, a non-government organisation based in Geneva, Switzerland, for assessing the quality systems of business organisations
“ISO 9001”	Quality management system requirements published by ISO
“ISO 14001”	Environmental management system requirements published by ISO
“List of Approved Suppliers of Materials and Specialist Contractors for Public Works”	A list of suppliers who are approved by Works Branch, Development Bureau of the Government and can tender for public works contracts only in the works categories, classes and groups for which they are approved

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## GLOSSARY OF TECHNICAL TERMS

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“mm”	millimeter
“OHSAS 18001”	A framework for occupational health and safety management system
“Registered Electrical Contractor”	A contractor whose name is entered into the Register of registered electrical contractors kept under Regulation 10(1) of the Electricity (Registration) Regulations (Chapter 406D of the Laws of Hong Kong)
“Registered Professional Engineer”	A person whose name is on the register of registered professional engineers established and maintained under Section 7 of the Engineers Registration Ordinance (Chapter 409 of the Laws of Hong Kong)
“sq. ft.”	square feet
“sq. m.”	square meter
“V”	Volt, the unit of voltage
“%”	percentage

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## FORWARD-LOOKING STATEMENTS

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This prospectus contains certain forward-looking statements and information relating to our Company and our subsidiaries that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this prospectus, the words “aim”, “anticipate”, “believe”, “could”, “expect”, “going forward”, “intend”, “may”, “ought to”, “plan”, “project”, “seek”, “should”, “will”, “would” and the negative of these words and other similar expressions, as they relate to our Group or our management, are intended to identify forward-looking statements. Such statements reflect the current views of our management with respect to future events, operations, liquidity and capital resources, some of which may not materialise or may change. These statements are subject to certain risks, uncertainties and assumptions, including the other risk factors as described in this prospectus. You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. The risks and uncertainties facing our Company which could affect the accuracy of forward-looking statements include, but are not limited to the following:

- our Group’s business prospects;
- our Group’s contracts on hand;
- future developments, trends and conditions in the industry and markets in which we operate;
- our Group’s business strategies and plans to achieve these strategies;
- general economic, political and business conditions in the markets in which our Group operates;
- changes to the regulatory environment and general outlook in the industry and markets in which our Group operates;
- the effects of the global financial markets and economic crisis;
- our Group’s financial position;
- our Group’s ability to reduce costs;
- our Group’s dividend;
- the amount and nature of, and potential for, future development of our Group’s business;
- various business opportunities that our Group may pursue;
- capital market developments;
- our Group’s ability to source raw materials;
- fluctuation in the prices of raw materials and our Group’s ability to pass-through any increases in price to customers;

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## FORWARD-LOOKING STATEMENTS

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- our Group's ability to protect our Group's intellectual property rights;
- our Group's ability to hire and retain talented employees;
- the actions and developments of our competitors and our Group's ability to compete under these actions and developments;
- change or volatility in interest rates, foreign exchange rates, equity prices, volumes, operations, margins, risk management and overall market trends; and
- other factors beyond our Group's control.

Subject to the requirements of applicable laws, rules and regulations, we do not have any and undertake no obligation to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this prospectus are qualified by reference to the cautionary statements in this section.

In this prospectus, statements of or references to our intentions or those of our Directors are made as of the date of this prospectus. Any such information may change in light of future developments.

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## RISK FACTORS

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*Potential investors should consider carefully all the information presented in this prospectus and, in particular, should consider the following risks and specific considerations in connection with an investment in our Company before making any investment decision in relation to the Offer Shares. If any of the possible events described below materialises, our business, financial position and prospects may be materially and adversely affected. Additional risks not currently known to us or that we now consider immaterial may also harm us and affect our investment value. The trading prices of our Shares could decline considerably due to the occurrence of any of such risks and investors may lose part or all of their investments.*

### RISKS RELATING TO OUR BUSINESS

**Our results of operation regarding our sales to our PRC customers for the year ended 31 December 2017 decreased by approximately 52.2% in terms of revenue as compared to the year ended 31 December 2016 and there is no assurance our results of operation regarding our sales to our PRC customers will improve in subsequent financial years after 2017**

The relocation of our GZ Quanda Factory commenced in December 2016 and we completed the refurbishment and complied with all relevant standards and safety regulations such as fire safety and environmental protection, and fully resumed our production operations of our GZ Quanda Factory in May 2017. Therefore, during the first half year of 2017, GZ Quanda generally had no material operations and sales to our PRC customers.

Further, our existing GZ Quanda Factory is much smaller than our previous GZ Quanda Factory and does not have staff dormitory, we shrink our production capacity in order to fit in our existing GZ Quanda Factory.

In view of the aforesaid, for the year ended 31 December 2017, our revenue in the PRC decreased by approximately 52.2% as compared to the year ended 31 December 2016.

For the years ended 31 December 2016 and 2017, our revenue attributable to our sales in the PRC amounted to approximately HK\$25.6 million and HK\$12.3 million, respectively, representing approximately 14.3% and 6.2% of our total revenue for the same periods, respectively.

Our Directors consider that there is no assurance our results of operation regarding our sales to our PRC customers will improve in subsequent financial years after 2017 unless and until we have acquired the New Factory to improve our production capacity of our GZ Quanda Factory.

For further discussion about our necessity to acquire the New Factory to improve our sales in the PRC, please refer to the paragraph headed “Business – Business strategies – To acquire a factory in the Guangdong Province, the PRC” and the paragraph headed “Business – Business model and our operation – Quotation/tender submission and acceptance” in this prospectus.



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## RISK FACTORS

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**We plan to relocate our existing GZ Quanda Factory and maintain and enhance our production capacity in our DG Quanda Factory, and such future plans may result in increase in depreciation expenses and may adversely affect our operating results and financial position**

We plan to relocate our existing GZ Quanda Factory to the New Factory and the capital expenditure of which is estimated to be approximately HK\$70.1 million. We also plan to maintain and enhance our production capacity in our DG Quanda Factory by purchasing one punching and shearing machine and one automatic powder coating production line (which will replace our current one punching machine and one dusting machine, respectively, all of which aged more than five years), and one steel bending machine, six automatic welding machines, one copper bar punching machine and one copper bar bending machine (all of which will be our additional machines) and the capital expenditure of which is estimated to be approximately HK\$15.9 million. For further details, please refer to the paragraph headed “Business – Business strategies” in this prospectus. Our depreciation expenses may increase as a result of the relocation of our existing GZ Quanda Factory to the New Factory and the acquisition of additional machinery and equipment.

For each of the three years ended 31 December 2017, (i) our additions of plant and machinery were approximately HK\$297,000, HK\$334,000 and HK\$93,000, respectively; and (ii) the depreciation expenses related to our owned plant and equipment recorded under direct cost amounted to approximately HK\$626,000, HK\$705,000 and HK\$744,000, respectively.

The estimated additional depreciation charges as a result of the relocation of our existing GZ Quanda Factory to the New Factory, and the acquisition of additional machinery and equipment in our DG Quanda Factory (capital expenditure of all of which is estimated to be financed from the net proceeds of the Share Offer) amount to approximately HK\$5.0 million, approximately HK\$6.2 million, approximately HK\$6.3 million and approximately HK\$6.3 million, respectively for each of the four years ending 31 December 2022. In the event that our depreciation expenses increase substantially due to the relocation of our existing GZ Quanda Factory to the New Factory and the acquisition of additional machinery and equipment in our DG Quanda Factory, our business and financial performance may be adversely affected.

**Our top five customers for each of the three years ended 31 December 2017 accounted for over 50% of our revenue and any decrease in our sales to any one of them would affect our operations and financial results**

For each of the three years ended 31 December 2017, our aggregate sales attributable to our top five customers amounted to approximately HK\$126.7 million, HK\$115.2 million and HK\$107.8 million, representing approximately 67.8%, 64.3% and 54.3% of our total revenue, respectively. For the same periods, sales to our largest customer were approximately HK\$41.3 million, HK\$33.4 million and HK\$34.4 million, representing approximately 22.1%, 18.6% and 17.3% of our total revenue, respectively. Nevertheless, there can be no assurance that we will be able to retain these customers or that they will maintain their current level of business with us. If there is a significant decrease in the amount of sales to these customers for whatever reasons and we are unable to secure other sales with comparable size in substitution, our financial condition and operating results may be materially and adversely affected.

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## RISK FACTORS

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**Our sales are made on the basis of individual sales projects or purchase orders which are non-recurring in nature and any significant decrease in the number of sales projects or purchase orders would affect our operations and financial results**

Our sales are made on the basis of individual sales projects awarded by or purchase orders placed by our customers which are non-recurring in nature. For each of the three years ended 31 December 2017, our sales projects or purchase orders with total amount over HK\$1 million accounted for approximately 83.2%, 75.7% and 81.1% of our total revenue, respectively. We did not enter into any master long-term contract or framework agreement with our customers during the Track Record Period and up to the Latest Practicable Date. After completion of our sales, our customers are not obliged to purchase any further low-voltage electrical power distribution and control devices from us.

Our success is partly attributable to our ability to maintain and increase our sales to our existing customers and new customers, which depend on a variety of factors including but not limited to our customers' demand for our products, our product and service quality and responsiveness, the then market conditions and the degree of competition in the market.

There can be no assurance that our customers will continue to purchase low-voltage electrical power distribution and control devices from us at the similar prices, quantities or categories, or at all in the future. If there is any significant decrease in the number of sales projects awarded by or purchase orders placed by our customer, our business and results of operations would be materially and adversely affected.

**We are exposed to payment delays and/or default by our customers which would adversely affect our operations and financial condition**

We generally issue invoices to our customers for the outstanding payment after delivery and we generally grant them an average credit period of 30 to 75 days for settling such outstanding amount. As at 31 December 2016 and 2017, the trade and bill receivables amounted to approximately HK\$73.2 million and HK\$32.4 million, respectively, representing a decrease of approximately HK\$40.8 million or 55.7%, whereas the respective trade and bill receivables also accounted for approximately 59.4% and 26.5% of the total current assets, respectively. In addition, the debtors' turnover days were approximately 87.1 days, 126.1 days and 97.0 days for each of the three years ended 31 December 2017, respectively. For details of the fluctuations in our trade and bill receivables from customers and debtors' turnover days, please refer to the paragraph headed "Financial Information — Trade and retention and other receivables" in this prospectus.

There is no assurance that our customers will be able to meet their payment obligations on time or in full or that our average trade receivable days will not increase. Any inability on the part of our customers to settle or settle promptly the amounts due to us may adversely affect our financial performance and operating cash flow.

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## RISK FACTORS

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### **Our insurance coverage may not adequately protect us against compensations in connection with industrial accidents at our production facilities**

Due to the nature of our operations, we are subject to risks of our employees being exposed to industrial-related accidents at our production facilities. For each of the three years ended 31 December 2017, there were 24, 19 and one work injuries recorded in our GZ Quanda Factory and DG Quanda Factory. For details, please refer to the paragraph headed “Business – Work safety” in this prospectus.

There can be no assurance that industrial accidents, whether due to malfunction of machines or other reasons, will not occur at our production facilities in the future and that any compensation to be paid by us will be fully covered by our insurance policy. Under such circumstances, we may be subject to employees’ compensation claims. If we are found to be liable and a substantial amount of damages was awarded by the court against us or a substantial amount of penalty is imposed by the governmental authority on us while the insurance coverage maintained by us is not able to cover such payment, we may have to pay out from our own resources for any uninsured loss, damages and liabilities. Our business, financial condition results of operation and reputation may therefore be adversely affected.

### **Our works are labour intensive. If we experience any shortage of labour, industrial actions, strikes or material increase in labour cost, our operations and financial results would be adversely affected**

We rely on a stable workforce to carry out our production. In particular, we require a significant number of workers with various skills and expertise. For details, please refer to the paragraph headed “Business – Our employees” in this prospectus. According to the Frost & Sullivan Report, historically, average wage in the PRC had been steadily increasing from approximately RMB46,769.0 to RMB75,787.4 per year during 2012 to 2017. From the prospective of overall market, continuous rise in labour cost has a certain effect on the low-voltage electrical power distribution and control devices manufacturers.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any material shortage of labour, industrial actions, strikes or material increase in labour cost. Nevertheless, in view of the current situation in the labour market, we cannot assure you that we will not experience these problems in the future, and as a result, we would have to offer better remuneration packages and other benefits to attract and retain key personnel and skilled labour. There can be no assurance that we will possess sufficient resources for such purpose. If we cannot retain or recruit sufficient number of skilled workers to handle our production in a timely manner, we may experience delay in delivery of our products and our ability to handle future sales projects or purchase orders would in turn be significantly reduced.

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## RISK FACTORS

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### **Our business is susceptible to fluctuations in purchase prices of our principal raw materials used in our production**

Our profitability depends to a large extent on our ability to anticipate and react to changes in purchase prices of our principal raw materials. Our total cost of raw materials for production accounted for approximately 82.3%, 82.7% and 82.2% of our total cost of sales for each of the three years ended 31 December 2017, respectively. Our major raw materials used in our production are various electrical parts and components, and copper products.

According to the Frost & Sullivan Report, the prices of copper and steel in the PRC had been steadily decreasing from 2012 to 2016, followed by rebound in 2017 due to supply fluctuation and are estimated to maintain steady in the next few years.

The availability of our principal raw materials can fluctuate and is subject to factors beyond our control such as general economic conditions and government regulations, and our suppliers may be affected by factors such as rising labour cost and other expenses which may be passed on to us. There can be no assurance that we will be able to accurately anticipate and react to the changes in prices of our principal raw materials, or that we will be able to pass on the increased purchase cost of our raw materials to our customers. Should we fail to manage effectively, our business and results of operations may be adversely affected.

### **We may face shortage in supply of our principal raw materials used in our production**

It is necessary for us to obtain raw materials on a timely basis in order to meet the demand of our customers. We did not enter into any master long-term contract or framework agreement with our suppliers during the Track Record Period and up to the Latest Practicable Date. We have also implemented inventory control measures on our principal raw materials that are frequently used in our production. For details, please refer to the paragraph headed “Business – Our suppliers and raw materials” in this prospectus. Nevertheless, there can be no assurance that we will continue to be able to secure a stable supply of principal raw materials at competitive prices in a timely manner or at all in the future. In the event that we are unable to do so or we experience shortage of principal raw materials we need, our production may be disrupted and our delivery schedule may be delayed. Our business, results of operations and reputation may be adversely affected as a result.

### **We depend on third party suppliers for our raw materials with acceptable quality and standards**

The success of our business depends on our ability to obtain quality raw materials at commercially acceptable prices and terms and in a timely manner. We are generally required to make material submission (which is about the materials, electrical parts and equipment to be used as the component parts of the final products), shop drawings submission (which are drawings about the detailed design of the final products) and submission of testing and commissioning method statements for our customers’ consideration. After our customers accept the aforesaid submissions, we will place purchase orders for the materials, electrical parts and equipment according to the approved material submission.

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In the event that the raw materials are not delivered to us in a timely manner, we may experience delay in product delivery, which may result in claim of damages from our customers and adversely harm our reputation, financial condition and operating results.

Besides, in the event that the raw materials supplied to us fail to satisfy the quality requirements, and we fail to discover such defective quality of raw materials, our products may not pass the testing and commissioning and we may need to repair or re-manufacture our products, or our customers may reject to accept delivery of our products, which may result in claim of damages from our customers and materially and adversely harm our reputation, financial condition and operating results. Further, even if we are able to discover such defective quality of raw materials but fail to secure alternative sources of quality raw materials at acceptable prices and in a timely manner, we may experience delay in product delivery, which may also result in claim of damages from our customers and adversely harm our reputation, financial condition and operating results.

**Two properties in which we carry on our operations are leased from the Independent Third Parties. We are exposed to risks associated with the commercial real estate rental market**

Two properties occupied by us for our operations, namely our GZ Quanda Factory and Hong Kong office premises are leased from the Independent Third Parties, while our Hong Kong workshop is leased from Mr. MK Wan. For details, please refer to the section headed “Connected Transactions” in this prospectus. Accordingly, we are susceptible to rental fluctuation from time to time. Rental expenses accounted for approximately 0.6%, 0.6% and 0.3%, respectively, of our total revenue for each of the three years ended 31 December 2017. In the event that there is any significant increase in rental expenses for our existing leased properties, our operating expenses and pressure on our operating cash flow will increase. Our business and results of operations may therefore be adversely affected. In addition, there can be no assurance that we will successfully renew the lease agreements on commercially acceptable terms, or at all because renewal is subject to factors beyond our control, such as economic conditions and market demand.

**We may need additional capital to fund our future plans, which we may not be able to obtain on acceptable terms, or at all**

We may need additional capital to fund our capital expenditure associated with our future plans. For details, please refer to the section headed “Future Plans and Use of Proceeds” in this prospectus. There can be no assurance that we will generate sufficient cash flow from our operating activities for our intended future plans. In the event we do not have such operating cash flow, we will need to obtain alternative financing. There can be no assurance that we will be able to obtain adequate financing on acceptable terms, or at all. Our ability to obtain additional capital on acceptable terms will be subject to a variety of uncertainties, including:

- investor perceptions of and appetite for securities of manufacturer and supplier of low-voltage electrical power distribution and control devices;
- conditions in the capital and financial markets in which we may seek to raise funds;

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- our future cash flows, financial condition and results of operations; and
- economic, political and other conditions in Hong Kong and the PRC.

We may be required to scale down our planned capital expenditures, which may adversely affect our ability to achieve economies of scale and implement our growth strategy. If we raise additional funds, our interest and debt repayment obligations will increase. The terms of any future debt facilities may also impose restrictive covenants that may restrict our business and operations. Financing in the form of equity may also result in dilution of shareholding of our existing Shareholders. Our inability to raise additional funds in a timely manner and on favourable terms may have a material adverse effect on our business, financial condition and results of operations.

**We rely on our Board members and senior management staff, and their departure would adversely affect our operations and financial results**

The success of our business has been, and will continue to be, heavily dependent upon the continuing service of our executive Directors and senior management team. In particular, we rely on the expertise and experience of Mr. MK Wan, our founder, Chairman and executive Director, and Mr. KW Leung, our founder, chief executive officer and executive Director. They have been key members of our management team and playing a pivotal managerial role in areas such as overseeing our corporate strategy and operational management. If one or more of our executive Directors or members of senior management is/are unable or unwilling to continue in their present positions, we might not be able to identify suitable replacements in a timely manner, or at all. Our business may hence be severely disrupted and our financial condition and operating results may be materially and adversely affected.

**The operations of our production facilities may be disrupted which would adversely affect our operations and financial condition**

Our revenue is dependent on the smooth and continuous operations of our production facilities. Our production is subject to risks including, among other things, the breakdown, failure or sub-standard performance of machines and equipment, natural disasters, and the need to comply with all applicable laws, regulations and standards such as environmental compliance in the PRC. The occurrence of any material operational problems at our production facilities in the future may have a material adverse effect on our business, financial condition and operating results.

**We may not be able to continuously maintain an effective quality control system at our production facilities, and any failure or deterioration of our quality control system would adversely affect our operations and financial condition**

The quality of our products is critical to the success of our business. Our product quality depends significantly on the effectiveness of our quality control systems, which, in turn, depends on a number of factors, including the effective implementation of our quality control policies and guidelines by our quality control department. Any significant failure or deterioration of our quality control systems could seriously damage our product quality and have a material adverse effect on our reputation in the market among current or prospective customers, which could in turn lead to fewer sales projects or purchase orders in the future, and harm our financial condition and operating results.

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**There is no guarantee that we would not be subject to any claims in relation to defects of our products, which may result in further cost to make good the defects, and/or deduction of the retention monies to be released and/or claims from our customers against us**

Being a manufacturer and supplier of low-voltage electrical power distribution and control devices, we may be subject to claims in relation to defects of our products. In general, our customers require us to provide a defect liability period, during which we will remain responsible for remedying any defects or imperfections discovered in relation to our products. Such remedial actions may range from maintenance to minor repair works. In the event that substantive remedial actions were required, we might have to incur significant cost and time or be subject to claims from our customers against us. If we fail to make good the defects as required, our customers may not only reduce or forfeit the retention monies withheld from us, but they may also claim damages from us.

**We rely on our information management systems, the breakdown or disruption of which would adversely affect our operations and financial results**

We rely on our information management systems to oversee our production progress, manage our working schedule, allocate our resources and review our performance, which enables us to review our capacity, trace the information of the sales projects or purchase orders and assess our working progress in a timely and systematic manner. Any long term breakdown or failure of our information management systems, whether as a result of human error or natural disaster, may materially and adversely affect our operations and financial results.

**There is a net cash used in operating activities for the year ended 31 December 2016. If we record a net cash used in operating activities in the future, our liquidity and financial condition may be adversely affected.**

For the year ended 31 December 2016, our net cash used in operating activities was approximately HK\$0.05 million, which was mainly due to the increase in trade and retention and other receivables of approximately HK\$23.3 million. For further information, please refer to the paragraph headed “Financial Information – Liquidity and capital resources – Net cash from or used in operating activities” in this prospectus.

There is no assurance that we will not record net cash used in operating activities in the future. Net cash used in operating activities may adversely affect our liquidity, and reduce our financial flexibility and our ability to obtain additional borrowings from bank, which in turn may adversely affect the implementation of our future plans.

**Expiry, withdrawal, revocation, downgrading and/or failure to renew any of our various registrations, qualifications and certifications would adversely affect our operations and financial results**

We possess various licences and qualifications in relation to our business. For details, please refer to the paragraph headed “Business – Major qualifications and licences” in this prospectus. These registrations, qualifications and/or licences may only be valid for a limited period of time and may be



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subject to periodic reviews and renewal by the relevant Government authorities. There can be no assurance that we would be able to renew the registrations, qualifications and/or licences in a timely manner or at all. If we fail to do so, our customers may cease to purchase our products or we may be required to suspend our operations, which would have a material adverse effect on our business and operating results.

Further, the relevant Government authorities may remove us from their lists or take other disciplinary actions against us such as suspension, downgrading to probationary status, or demotion to a lower group in respect of all or any work category for various reasons, including but not limited to sub-standard works and failure to implement adequate safety measures etc. The occurrence of any of the above scenarios would damage our reputation in the low-voltage electrical power distribution and control devices industry, limit our ability to compete for new sales projects or purchase orders and impair our exposure to our customers, which in turn would have an adverse effect on our growth and operations.

### **We have records of non-compliance with certain Hong Kong and the PRC regulatory requirements which could lead to the imposition of fines**

There have been a number of instances of non-compliance with certain Hong Kong and the PRC regulatory requirements on various occasions by our Group. These include, among others: non-compliances with (i) the environmental protection regulations of the PRC; (ii) the Social Insurance Law of the PRC (中華人民共和國社會保險法); (iii) the Regulations on the Administration of Housing Provident Fund (住房公積金管理條例); and (iv) the Predecessor Companies Ordinance and the Companies Ordinance. For details, please refer to the paragraph headed “Business – Legal proceedings and legal compliance – Legal compliance” in this prospectus.

There is no assurance that the relevant authorities would not take any enforcement action against our Group and our Directors in relation to these non-compliance matters. In the event that such enforcement action is taken, our reputation, cash flow and results of operations may be adversely affected.

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### **We are exposed to risks of obsolete and slow-moving inventory which may adversely affect our financial position**

The amount of our inventory as at 31 December 2015, 2016 and 2017 was approximately HK\$16.0 million, HK\$18.1 million and HK\$24.0 million, respectively. For each of the three years ended 31 December 2017, our average inventory turnover days was approximately 69.0 days, 50.2 days and 54.4 days, respectively and no inventory has been written off during the Track Record Period.

Our sales are made on the basis of individual sales projects or purchase orders placed by our customers and we did not enter into any master long-term contract or framework agreement with our customers during the Track Record Period and up to the Latest Practicable Date. After completion of our sales, our customers are not obliged to purchase any further our products from us.

The demand of our products is highly dependent on our customers' demand which is beyond our control.

Therefore, there is no assurance that we will be able to retain these customers or that they will maintain their current level of business with us.

If we fail to secure sufficient sales from our customers in the future, the volume of obsolete and slow-moving inventory, in particular the raw materials, may increase and we may need to either sell off such inventory at a lower price or write off such inventory, in the event of which our financial position and results of operations may be materially and adversely affected.

### **RISKS RELATING TO THE LOW-VOLTAGE ELECTRICAL POWER DISTRIBUTION AND CONTROL DEVICES INDUSTRY**

#### **We face intense competition in the low-voltage electrical power distribution and control devices industry and we may not be able to respond to such competition strategically**

According to Frost & Sullivan Report, the entry barriers in the low-voltage electrical power distribution and control devices industry in Hong Kong, Macau and the PRC include (i) capital investment; (ii) professional talents; (iii) acquisition of related certificates; (iv) project experience; and (v) relationship with stakeholders. For details, please refer to the paragraph headed "Industry Overview – Entry barriers" in this prospectus. In view of the aforesaid, our Directors consider that our key competitors in the low-voltage electrical power distribution and control devices industry in Hong Kong, Macau and the PRC are those major manufacturers and suppliers of low-voltage electrical power distribution and control devices especially those focuses on low-voltage switchboard, motor control centre and local motor control panel which have stronger financial resources and are larger in size in the industry. Intense competition may exert pressure on the price and profitability of our products and there can be no assurance that we will be able to continue to effectively compete against such competitors in

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terms of service offering and quality, pricing, delivery schedule, scale, production capacity and technological expertise. Should we fail to respond strategically and compete successfully in the future, our business and results of operations may be materially and adversely affected.

### **RISKS RELATING TO CONDUCTING BUSINESS IN HONG KONG AND MACAU**

**Hong Kong and Macau are the two principal markets where our products are sold to and our business is susceptible to any material deterioration in the economic, political and regulatory environment in Hong Kong and Macau**

During the Track Record Period, our products manufactured by GZ Quanda were sold to our customers in the PRC, while our products manufactured by DG Quanda were sold to our customers in Hong Kong and Macau. For each of the three years ended 31 December 2017, our sales attributable to our customers in Hong Kong accounted for approximately 59.0%, 72.3% and 72.5% of our total revenue, respectively while our sales attributable to our customers in Macau accounted for approximately 18.8%, 13.4% and 21.3% of our total revenue for the same periods, respectively.

We expect that Hong Kong and Macau will continue to be our principal markets. Accordingly, if Hong Kong or Macau experience any adverse economic, political or regulatory conditions due to events beyond our control, such as local economic downturn, natural disasters, contagious disease outbreaks, terrorist attacks, or if the government adopts regulations that place restrictions or burdens on our major customers or on our industry in general, our business and results of operations would be materially and adversely affected.

### **RISKS RELATING TO CONDUCTING BUSINESS IN THE PRC**

**The PRC economic, political and social conditions, as well as government policies, could adversely affect our business, financial condition and results of operations**

A substantial part of our businesses, assets and operations are located in or derived from our operations in the PRC. Both our GZ Quanda Factory and DG Quanda Factory are located in the PRC. During the Track Record Period, our products manufactured by GZ Quanda were supplied to our customers in the PRC. For each of the three years ended 31 December 2017, our sales attributable to our customers in the PRC accounted for approximately 22.2%, 14.3% and 6.2% of our total revenue, respectively.

As a result, our business, financial condition and results of operations are subject, to a significant degree, to the economic, political, social and regulatory environment in the PRC. The PRC government exerts substantial control over the growth of the domestic economy by means of resource allocation, setting policy on foreign exchange and payment of debts denominated in foreign currencies, setting monetary policy and giving preferential treatment to specific industries or companies. In recent years, the PRC government has implemented market-oriented reforms. Such economic reform measures could be adjusted or revised and may differ between industries or various regions in the PRC. As such, we may not benefit from such measures. Further, there can be no assurance that the PRC government will continue to pursue economic reforms and we cannot predict whether changes in the PRC's political, economic and

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social conditions, laws, regulations and policies will have any material adverse effect on our current or future business. Even if new policies may benefit our business in the long term, we cannot assure you that we will be able to successfully adjust to such policies. The PRC is one of the fastest-growing economies in the world in recent years, in terms of gross domestic product. Nevertheless, the PRC may fail to sustain such growth rate, and growth rates in recent periods have been lower in the past. If there is a slowdown in the economic growth of the PRC or if its economy experiences a recession, demand for our products may also decrease and our business, financial condition and results of operations may be materially and adversely affected.

### **The payment of dividends by our operating subsidiaries in the PRC is subject to restrictions under the PRC laws**

We operate a substantial part of our core business mainly through our two operating subsidiaries, GZ Quanda and DG Quanda, in the PRC. The PRC laws require that dividends to be paid only out of profit after tax and recovery of accumulated losses, calculated according to the PRC accounting principles, which differ from generally accepted accounting principles in other jurisdictions. The PRC laws require the PRC companies, including foreign-invested enterprises, to set aside 10% of their profit after tax as statutory reserves until the accumulated statutory reserves account for 50% of the registered capital of the PRC companies. These statutory reserves are not available for distribution as cash dividends. Since the availability of funds to fund our operations and to service our indebtedness depends on dividends received from our PRC subsidiaries, any restrictions on the availability and usage of our major source of funding may impact our ability to fund our operations and to service our debts.

### **Dividends from our PRC subsidiaries paid to us might not qualify for the reduced PRC withholding tax rate under the special arrangement between Hong Kong and the PRC**

Under the EIT Law and its implementation rules, if the foreign shareholder is not deemed a PRC tax resident enterprise under the EIT Law, dividend payments from the PRC subsidiary to their foreign shareholders, are subject to a withholding tax at the rate of 10%, unless the jurisdiction of such foreign shareholders has a tax treaty or similar arrangement with the PRC and the foreign shareholder obtains approval from competent local tax authorities for application of such tax treaty or similar arrangement. Pursuant to a special arrangement between Hong Kong and the PRC, the withholding tax rate is lowered to 5% if a Hong Kong resident enterprise is the beneficial owner of more than 25% of a PRC company distributing the dividends. According to the Announcement on the Administrative Measures for Non-resident Taxpayers to Enjoy the Treatment Under Tax Treaties (關於發布《非居民納稅人享受稅收協定待遇管理辦法》的公告), which was promulgated by the SAT on 27 August 2015 and became effective on 1 November 2015, prior approval from or filings with SAT is no longer required before a non-resident taxpayer can enjoy the tax preferential treatment under the relevant treaties. A non-resident taxpayer may enjoy the tax preferential treatment at the time of tax return filings or withholding and declaration through a withholding agent if it is eligible for the tax preferential treatment under the relevant provisions of a tax treaty, subject to the follow-up administration by the relevant tax authority. In order to enjoy the tax preferential treatment, the non-tax resident shall file documents as required by the tax authority when filing tax returns or withholding and declaration through a withholding agent, among which is the tax resident identity issued by the tax authority of the counter party to the treaty. During the follow-up administration, the PRC tax authorities shall verify if the non-resident taxpayer is eligible for the tax

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preferential treatment, ask for supplemental documents from the non-tax resident or, if the non-resident taxpayer is deemed not eligible for the tax preferential treatment, require the non-resident taxpayer to pay up the non-payment or underpayment of the tax within specified timeframe. Moreover, according to the Notice of the State Administration of Taxation on the Issues Concerning the Application of the Dividend Clauses of Tax Agreements (國家稅務總局關於執行稅收協定股息條款有關問題的通知) issued by the SAT on 20 February 2009, if the main purpose of an offshore arrangement is to obtain preferential tax treatment, the PRC tax authorities have the discretion to adjust the preferential tax rate for which an offshore entity would otherwise be eligible. There is no assurance that the PRC tax authorities will recognise and accept the 5% withholding tax rate on dividends paid by our PRC subsidiaries and received by our Hong Kong subsidiaries.

### **Uncertainties with respect to the PRC's legal system which may affect the protection afforded to our business and shareholders**

Our business and operations, especially the manufacturing parts, are primarily conducted in the PRC and are thus governed by the legal system of the PRC. The PRC legal system is based on written laws and statutes. Prior court decisions may be used for reference but have limited precedential value. Since the late 1970s, the PRC government has promulgated laws, regulations and rules that had the effect of enhancing the protections afforded to corporate organisations and their governance, as well as various forms of foreign investments in the PRC. Nevertheless, as the PRC legal system continues to evolve rapidly, the interpretation and enforcement of these laws, regulations and rules involves significant uncertainty and different degrees of inconsistency, limiting potentially the available legal protections to our business operations. In addition, the PRC administrative and court authorities have significant discretion in interpreting and implementing statutory and contractual terms.

It is therefore difficult to evaluate the outcome of administrative and court proceedings and the actual level of legal protection we enjoy. These uncertainties may affect our judgment on the relevance of legal requirements and our decisions on the measures and actions to be taken to ensure full compliance. In addition, any litigation in the PRC may be protracted and result in substantial cost to us and diversion of both our resources and attention of our management.

We cannot predict the effect of future legal developments in the PRC, including the promulgation of new laws, changes to existing laws or the interpretation or their enforcement, or the pre-exemption of local regulations by national laws. We cannot therefore assure you that we will enjoy the same level of legal protection in the future, nor such new laws and regulations will not affect our operations, causing adverse effects on our financial condition and results.

### **Present or future environmental and safety laws and regulations in the PRC may have a material adverse effect on our business, financial condition and results of operations**

Our business is subject to certain PRC laws and regulations relating to environmental and safety matters. Under these laws and regulations, we are required to maintain safe production conditions and to protect the occupational health of our employees. While we have conducted periodic inspections of our operating facilities and carry out equipment maintenance on a regular basis to ensure that our operations are in compliance with applicable laws and regulations, we cannot assure you we will not experience any

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material accidents or work injuries in the course of our manufacturing process in the future. In addition, our manufacturing process produces pollutants such as wastewater and hazardous wastes. The discharge of pollutants from our manufacturing operations into the environment may give rise to liabilities that may require us to incur costs to remedy such discharge. We cannot assure you that all situations that will give rise to material environmental liabilities will be discovered or any environmental laws adopted in the future will not materially increase our operating costs and other expenses. Should the PRC impose stricter environmental protection standards and regulations in the future, we cannot assure you that we will be able to comply with such new regulations at reasonable costs, or at all. Any increase in production costs resulting from the implementation of additional environmental protection measures and/or failure to comply with new environmental laws or regulations may have a material adverse effect on our business, financial condition or results of operations.

### **PRC government control over currency conversion may limit our ability to utilise our cash effectively**

The PRC government imposes controls on the convertibility of Renminbi into foreign currencies and, in certain cases, the remittance of foreign currencies out of the PRC. Under PRC foreign exchange administration regulations, payments of current account items, including expenditures with respect to trade related transactions and other normal payments that occur in the ordinary course of business such as interest payments and profit distributions, can be made in foreign currencies without prior approval from SAFE by complying with certain procedural requirements. However, approval from SAFE or its local branch is required where Renminbi is to be converted into foreign currency and remitted out of the PRC to pay capital expenditures. The PRC government may also at its discretion restrict access to foreign currencies for current account transactions in the future. If the PRC foreign exchange control system prevents us from obtaining sufficient foreign currency, including Hong Kong dollars, to satisfy its requirements, it may restrict the ability of our PRC subsidiaries to remit sufficient foreign currency to pay dividends or make other payments to us or otherwise satisfy its currency-denominated obligations, and may adversely affect our business, financial condition and results of operations.

### **Fluctuations of Renminbi may have material adverse effect on our business, financial condition and results of operations**

The value of Renminbi against the Hong Kong dollar, the U.S. dollar and other foreign currencies is affected by, among other things, changes in the PRC economic and political conditions. On 30 November 2015, the Executive Board of International Monetary Fund completed the regular five-year review of the basket of currencies that make up the Special Drawing Right and decided that with effect from 1 October 2016, Renminbi is determined to be a freely usable currency and will be included in the Special Drawing Right basket as a fifth currency, along with the U.S. dollar, the Euro, the Japanese yen, and the British pound. With the development of the foreign exchange market and progress towards interest rate liberalisation and Renminbi internationalisation, the PRC government may announce further changes to the exchange rate system and we cannot assure that the Renminbi will not appreciate or depreciate significantly against the Hong Kong dollar or the U.S. dollar in the future. That may adversely affect our business, financial condition and results of operations.

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### **RISK RELATING TO THE SHARES AND THE SHARE OFFER**

**There is no prior market for the Shares and the liquidity and market price and the trading volume of the Shares may be volatile**

There is no public market for the Shares prior to the Listing. The listing of, and the permission to deal in, the Shares on the Stock Exchange do not guarantee the development of an active public market or its sustainability following completion of the Share Offer. The market price and trading volume of the Shares can fluctuate depending on the following factors:

- variations in our Group’s revenue, earnings and cash flows;
- acquisitions made by our Group or our competitors;
- industrial or environmental accidents suffered by our Group;
- loss of key personnel;
- litigation or fluctuations in the market price for the services provided or supplies required by our Group;
- the liquidity of the market for the Shares; and
- the general market sentiment regarding the low-voltage electrical power distribution and control devices industry.

Both the market price and liquidity of the Shares could be adversely affected by factors beyond our control and are unrelated to the performance of our business, especially if the financial market in Hong Kong experiences a significant price and volume fluctuation. In such cases, investors may not be able to sell their Shares at or above the Offer Price or at all.

### **Issuance of new Shares or equity linked securities may cause dilution in shareholding**

We may require additional funds due to changes in business conditions or other future developments relating to our existing operations. If additional funds are raised by way of issuance of new Shares or equity linked securities other than on a pro rata basis to existing Shareholders, the shareholding of existing Shareholders may be reduced. Such new securities issued may also confer rights and privileges that take priority over those conferred by the Offer Shares.

### **Any disposal by our Controlling Shareholders of a substantial number of Shares in the public market could materially and adversely affect the market price of the Shares**

There is no guarantee that our Controlling Shareholders will not dispose of their Shares following the expiration of the respective lock-up periods after the Listing. We cannot predict the effect, if any, of any future sales of the Shares by any of our Controlling Shareholders, or that the availability of the Shares for sale by any of our Controlling Shareholders may have on the market price of the Shares. Sale



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## RISK FACTORS

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of a substantial number of Shares by any of our Controlling Shareholders or the market perception that any such sale may occur could materially and adversely affect the prevailing market price of the Shares.

**There can be no assurance that we will declare or distribute any dividend in the future**

Any decision to declare and pay any dividends would require the recommendations of our Board and approval of our Shareholders. Any decision to pay dividends will be made having regard to factors such as the results of operation, financial condition and position, and other factors deemed relevant. Any distributable profits that are not distributed in any given year may be retained and be made available for distribution in subsequent years. To the extent profits are distributed as dividends, such portion of profits will not be available to be reinvested in our operation. There can be no assurance that we will be able to declare or distribute any dividend. Our future declarations of dividends will be at the absolute discretion of our Board.

**Investors may experience difficulties in enforcing their shareholders' rights because our Company is incorporated in the Cayman Islands, and the protection to minority shareholders under the Cayman Islands law may be different from that under the laws of Hong Kong or other jurisdictions.**

Our Company is incorporated in the Cayman Islands and its affairs are governed by the Articles, the Companies Law and common law applicable in the Cayman Islands. The laws of the Cayman Islands may differ from those of Hong Kong or other jurisdictions where investors may be located. As a result, minority shareholders may not enjoy the same rights as pursuant to the laws of Hong Kong or such other jurisdictions. A summary of the Cayman Islands law on protection of minority shareholders is set out in paragraph "Summary of the Constitution of the Company and Cayman Islands Company Law – Protection of minorities and shareholders' suits" in Appendix IV to this prospectus.

**RISKS RELATING TO STATEMENTS MADE IN THIS PROSPECTUS**

**Investors should read the entire prospectus and should not unduly rely on any information contained in press articles or other media coverage regarding us and the Share Offer**

We strongly caution our investors not to unduly rely on any information contained in press articles or other media regarding us and the Share Offer. Prior to the publication of this prospectus, there may be press and media coverage regarding the Share Offer and us. Such press and media coverage may include

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references to certain information that does not appear in this prospectus, including certain operating and financial information and projections, valuations and other information. We have not authorised the disclosure of any such information in the press or media and do not accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information or publication. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any such information is inconsistent or conflicts with the information contained in this prospectus, we disclaim responsibility for it and our investors should not unduly rely on such information.

### **Certain facts, forecast and other statistics in this prospectus obtained from publicly available sources have not been independently verified and may not be reliable**

Certain facts, forecast and other statistics in this prospectus are derived from various government and official resources. Nevertheless, our Directors cannot guarantee the quality or reliability of such source materials. We believe that the sources of the said information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. Nevertheless, such information has not been independently verified by us, the Selling Shareholder, the Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Co-Lead Manager, the Underwriters, or any of their respective affiliates or advisers and, therefore, we make no representation as to the accuracy of such facts and statistics. Further, we cannot assure our investors that they are stated or compiled on the same basis or with the same degree of accuracy as similar statistics presented elsewhere. In all cases, our investors should consider carefully how much weight or importance should be attached to or placed on such facts or statistics.

### **Forward-looking statements contained in this prospectus are subject to risks and uncertainties**

This prospectus contains forward-looking statements with respect to our business strategies, operating efficiencies, competitive positions, growth opportunities for existing operations, plans and objectives of management, certain pro forma information and other matters. The words “aim”, “anticipate”, “believe”, “could”, “predict”, “potential”, “continue”, “expect”, “intend”, “may”, “might”, “plan”, “seek”, “will”, “would”, “should” and the negative of these terms and other similar expressions identify a number of these forward-looking statements. These forward looking statements, including, among others, those relating to our future business prospects, capital expenditure, cash flows, working capital, liquidity and capital resources are necessarily estimates reflecting the best judgment of our Directors and management and involve a number of risks and uncertainties that could cause actual results to differ materially from those suggested by the forward-looking statements. As a consequence, these forward-looking statements should be considered in light of various important factors, including those set out in this section. Accordingly, such statements are not a guarantee of future performance and investors should not place undue reliance on any forward-looking information. All forward-looking statements in this prospectus are qualified by reference to this cautionary statement.

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## **INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER**

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### **DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS**

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Cap. 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information with regard to our Company. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief:

- (a) the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive;
- (b) there are no other matters the omission of which would make any statement herein or this prospectus misleading; and
- (c) all opinions expressed in this prospectus have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

### **INFORMATION ABOUT THE SHARE OFFER**

The Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus. No person is authorised in connection with the Share Offer to give any information, or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorised by our Company, the Selling Shareholder, the Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Co-Lead Manager, the Underwriters, and any of their respective directors, agents or advisers or any other person involved in the Share Offer.

The following information is provided for guidance only. Prospective applicants for the Offer Shares should consult their financial advisers and take legal advice, as appropriate, to inform themselves of, and to observe, all applicable laws and regulations of any relevant jurisdiction. Prospective applicants for the Offer Shares should inform themselves as to the relevant legal requirements of applying and any applicable exchange control regulations and applicable taxes in the countries of their respective citizenship, residence or domicile.

### **FULLY UNDERWRITTEN**

The Share Offer comprises the Placing and the Public Offer. The Share Offer is an offer of 45,000,000 New Shares under the Public Offer (subject to reallocation) and 405,000,000 Shares (comprising 315,000,000 New Shares and 90,000,000 Sale Shares) under the Placing (subject to reallocation and the Over-allotment Option) in each case at the Offer Price. Details of the structure of the Share Offer are set out in the section headed "Structure and Conditions of the Share Offer" in this prospectus. This prospectus and the Application Forms relating thereto set out the terms and conditions of the Share Offer.

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## INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

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The Share Offer is sponsored by the Sponsor, lead managed by the Sole Global Coordinator and is fully underwritten by the Underwriters subject to the Offer Price being agreed on or before the Price Determination Date, as referred to in the paragraph headed “Underwriting – Underwriting arrangements and expenses” in this prospectus.

### **DETERMINATION OF THE OFFER PRICE**

The Offer Price is expected to be determined by agreement between our Company (for ourselves and on behalf of the Selling Shareholder) and the Sole Global Coordinator (for itself and on behalf of the Underwriters) on or around the Price Determination Date. The Offer Price will be not more than HK\$0.38 per Offer Share and is currently expected to be not less than HK\$0.30 per Offer Share, unless otherwise announced. Investors applying for the Public Offer Shares must pay, on application, the maximum Offer Price of HK\$0.38 per Offer Share, together with brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price is lower than HK\$0.38 per Offer Share.

The Sole Global Coordinator (acting for itself and on behalf of the Underwriters) may, with consent of our Company (for ourselves and on behalf of the Selling Shareholder), reduce the number of the Offer Shares and/or the indicative Offer Price range stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Public Offer. In such case, a notice of the reduction of the number of the Offer Shares and/or the indicative Offer Price range will be published at the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and our website at [www.rem-group.com.hk](http://www.rem-group.com.hk), not later than the morning of the last day for lodging applications under the Public Offer.

If, for any reason, the Offer Price is not agreed between our Company (for ourselves and on behalf of the Selling Shareholder) and the Sole Global Coordinator (acting for itself and on behalf of the Underwriters) on or around Friday, 4 May 2018 and in any event, no later than 5:00 p.m. on Tuesday, 8 May 2018 or such later date as may be agreed by our Company (for ourselves and on behalf of the Selling Shareholder) and the Sole Global Coordinator (for itself and on behalf of the Underwriters), the Share Offer will not proceed and will lapse.

### **RESTRICTIONS ON OFFER OF THE OFFER SHARES**

No action has been taken in any jurisdiction other than Hong Kong to permit the offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any other jurisdiction or in any circumstances in which such offer or invitation is not authorised or to any person to whom it is unlawful to make an unauthorised offer or invitation. The distribution of this prospectus and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the securities laws of such jurisdiction pursuant to registration with or an authorisation by the relevant securities regulatory authorities or an exemption therefrom. In particular, the Offer Shares have not been offered and sold, and will not be offered or sold, directly or indirectly in PRC or U.S., except in compliance with the relevant laws and regulations of each of such jurisdiction.

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## **INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER**

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The Offer Shares are offered to the public in Hong Kong for subscription solely on the basis of the information contained and the representations made in this prospectus and the related Application Forms. No person is authorised in connection with the Share Offer to give any information or to make any representation not contained in this prospectus, and any information or representation not contained in this prospectus must not be relied upon as having been authorised by our Company, the Selling Shareholder, the Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Co-Lead Manager, the Underwriters, any of their respective directors, agents or advisers or any other person involved in the Share Offer.

Each person acquiring the Offer Shares will be required under the Share Offer and is deemed by his acquisition of the Offer Shares, to confirm that he is aware of the restriction on offers of the Offer Shares described in this prospectus and that he is not acquiring, and has not been offered any Offer Shares in circumstances that contravene any such restrictions.

Prospective applicants for Offer Shares should consult their financial advisers and take legal advice, as appropriate, to inform themselves of, and to observe, all applicable laws and regulations of any relevant jurisdiction. Prospective applicants for the Offer Shares should inform themselves as to the relevant legal requirements of applying for the Offer Shares and any applicable exchange control regulations and applicable taxes in the countries of their respective citizenship, residence or domicile.

### **SELLING SHAREHOLDER**

One of our Controlling Shareholders, Unique Best, is expected to sell 90,000,000 Sale Shares under the Placing. Please refer to the details in the paragraph headed “Statutory and General Information – E. Other information – 12. Particulars of the Selling Shareholder” in Appendix V to this prospectus.

### **APPLICATION FOR LISTING ON THE STOCK EXCHANGE**

Our Company has applied to the Listing Committee for the granting of the Listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Share Offer (including the additional Shares which may be issued pursuant to the Capitalisation Issue, exercise of the options that may be granted under the Share Option Scheme and exercise of the Over-allotment Option). No part of the share or loan capital of our Company is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future.

### **SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS**

Subject to the granting of Listing of, and permission to deal in, our Shares on the Stock Exchange and our Company’s compliance with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC.

Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary

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## **INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER**

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arrangements have been made for our Shares to be admitted into CCASS. Investors should seek the advice of their stockbrokers or other professional advisers for details of those settlement arrangements and how such arrangements will affect their rights and interests.

### **REGISTER OF MEMBERS AND STAMP DUTY**

Our Company's principal register of members will be maintained by our principal share registrar, Estera Trust (Cayman) Limited, in the Cayman Islands. All Offer Shares will be registered on our Hong Kong branch share register of members to be maintained by Tricor Investor Services Limited which may be traded on the Stock Exchange. Dealings in Shares registered in our Hong Kong branch register of members will be subject to Hong Kong stamp duty. For further details about Hong Kong stamp duty, please seek professional tax advice.

### **PROFESSIONAL TAX ADVICE RECOMMENDED**

If you are unsure about the taxation implications of subscribing for, or purchasing, holding or disposing of, or dealing in or exercise of any rights in relation to the Offer Shares, you should consult an expert.

None of our Company, the Selling Shareholder, the Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Co-Lead Manager, the Underwriters, their respective directors, agents or advisors and every other person involved in the Share Offer accept responsibility for any tax effects on, or liability of, any person or holders of Shares resulting from subscribing for, purchasing, holding or disposing of, or dealing in or exercise of any rights in relation to the Offer Shares.

### **PROCEDURE FOR APPLICATION FOR PUBLIC OFFER SHARES**

The procedure for application for Public Offer Shares is set out in the section headed "How to Apply for Public Offer Shares" in this prospectus and on the relevant Application Forms.

### **STRUCTURE OF THE SHARE OFFER**

Details of the structure of the Share Offer, including conditions of the Share Offer, are set out in the section headed "Structure and Conditions of the Share Offer" in this prospectus.

### **OVER-ALLOTMENT OPTION AND STABILISATION**

Details of the arrangements relating to the Over-allotment Option and the related stabilisation exercise are set out in the section headed "Structure and Conditions of the Share Offer" in this prospectus.

### **STOCK BORROWING ARRANGEMENT**

Details of the stock borrowing arrangement are set out in the paragraph headed "Structure and Conditions of the Share Offer – Stock Borrowing Agreement" in this prospectus.

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## **INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER**

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### **TRADING AND SETTLEMENT**

Dealings in the Shares are expected to commence on Friday, 11 May 2018. Shares will be traded in board lots of 10,000 Shares each. The stock code for our Shares is 1750.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS. If the Stock Exchange grants the Listing of, and permission to deal in, the Shares and our Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

### **LANGUAGE**

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this English prospectus shall prevail. If there is any inconsistency between the names of any of the entities mentioned in this prospectus which are not in the English language and their English translations, the names in their respective original languages shall prevail.

### **EXCHANGE RATES CONVERSION**

For exchange rates translations throughout this prospectus (if any), we make no representations and none should be construed as being made, that any of the Hong Kong dollar, RMB, MOP or U.S. dollar amounts contained in this prospectus could have been or could be converted into amounts of any other currencies at any particular rate or at all on such date or any other date.

### **ROUNDING**

In this prospectus, where information is presented in thousands or millions, amounts of less than one thousand or one million, as the case may be, have been rounded to the nearest hundred, or hundred thousand, respectively. Amounts presented as percentages have, in certain cases, been rounded to the nearest tenth of a percent. Any discrepancies in any table or chart between totals and sums of amounts listed therein are due to rounding. Accordingly, the total of each column of figures as presented may not be equal to the sum of the individual items.

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## DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

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### DIRECTORS

Name	Residential Address	Nationality
<i>Executive Directors</i>		
Mr. Wan Man Keung (尹民強)	Room 11, 29/F Phase 2, Celestial Heights 80 Sheung Shing Street Ho Man Tin Kowloon Hong Kong	Chinese
Mr. Leung Ka Wai (梁家威)	Flat F, 18/F, Block T3 Island Resort 28 Siu Sai Wan Road Siu Sai Wan Hong Kong	Chinese
<i>Non-executive Director</i>		
Mrs. Kan Wan Wai Yee Mavis (簡尹慧兒)	Flat A, 4/F, Block 2 Cotton Tree Mansions 11 Tak On Street Hung Hom Kowloon Hong Kong	Chinese
<i>Independent non-executive Directors</i>		
Mr. Ng Chi Keung Alex (吳志強)	Flat 813, 8F 70 Tin Hau Temple Road Viking Villias North Point Hong Kong	Chinese
Mr. Cheng Sum Hing (鄭森興)	No. 33C Chuk Hang, San Lung Wai Pat Heung, Yuen Long New Territories Hong Kong	British
Ms. Ng Ching Ying (吳晶瑩)	Flat A, 19/F, Block 5 Villa Athena Ma On Shan New Territories Hong Kong	Chinese

Please refer to the section headed “Directors, Senior Management and Staff” in this prospectus for further details.



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## DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

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### PARTIES INVOLVED

#### Sponsor

#### **Ample Capital Limited**

Unit A, 14/F  
Two Chinachem Plaza  
135 Des Voeux Road Central  
Central  
Hong Kong  
*(A licensed corporation carrying on type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities as defined under the SFO)*

#### **Sole Global Coordinator, Joint Bookrunner and Joint Lead Manager**

#### **Alpha Financial Group Limited**

Room A, 17/F  
Fortune House  
61 Connaught Road Central  
Central  
Hong Kong  
*(A licensed corporation carrying on type 1 (dealing in securities) regulated activities as defined under the SFO)*

#### **Joint Bookrunner and Joint Lead Manager**

#### **Wealth Link Securities Limited**

Unit B1, 5/F  
Guangdong Investment Tower  
148 Connaught Road Central  
Hong Kong  
*(A licensed corporation carrying on type 1 (dealing in securities) and type 4 (advising on securities) regulated activities as defined under the SFO)*

#### **Co-Lead Manager**

#### **AFG Securities Limited**

Room B, 17/F  
Fortune House  
61 Connaught Road Central  
Central  
Hong Kong  
*(A licensed corporation carrying on type 1 (dealing in securities) regulated activities as defined under the SFO)*

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## DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

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### Co-Managers

#### **Astrum Capital Management Limited**

Room 2704, Tower 1  
Admiralty Centre  
18 Harcourt Road  
Admiralty  
Hong Kong  
*(A licensed corporation carrying on type 1 (dealing in securities), type 2 (dealing in futures contracts), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities as defined under the SFO)*

#### **ChaoShang Securities Limited**

Rooms 4001-4002, 40/F  
China Resources Building  
26 Harbour Road  
Wanchai  
Hong Kong  
*(A licensed corporation carrying on type 1 (dealing in securities) and type 2 (dealing in futures contracts) regulated activities as defined under the SFO)*

#### **Grand Partners Securities Limited**

9/F, Connaught Harbourfront House  
35-36 Connaught Road West  
Hong Kong  
*(A licensed corporation carrying on type 1 (dealing in securities) regulated activities as defined under the SFO)*

#### **Head & Shoulders Securities Limited**

Room 2511, 25/F  
Cosco Tower  
183 Queen's Road Central  
Hong Kong  
*(A licensed corporation carrying on type 1 (dealing in securities) and type 4 (advising on securities) regulated activities as defined under the SFO)*

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## DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

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**Long Asia Securities Limited**

Unit A, 23/F  
The Wellington  
198 Wellington Street  
Sheung Wan  
Hong Kong  
*(A licensed corporation carrying on  
type 1 (dealing in securities) regulated  
activities as defined under the SFO)*

**Pacific Foundation Securities Limited**

11/F, New World Tower II  
16-18 Queen's Road Central  
Hong Kong  
*(A licensed corporation carrying on  
type 1 (dealing in securities) and  
type 9 (asset management) regulated  
activities as defined under the SFO)*

**Legal advisers to our Company**

*as to Hong Kong law*

**Fairbairn Catley Low & Kong**

23/F  
Shui On Centre  
6-8 Harbour Road  
Hong Kong  
*(Solicitors of Hong Kong)*

*as to the Cayman Islands law*

**Appleby**

2206-19 Jardine House  
1 Connaught Place  
Central  
Hong Kong  
*(Cayman Islands attorneys-at-law)*

*as to the PRC law*

**Li & Partners (Shenzhen)**

10/F, Hantang Building  
OCT, Nanshan District  
Shenzhen  
PRC  
*(PRC legal advisers)*

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## DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

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*as to Macau law*

**MdME Lawyers**

Avenida Da Praia Grande  
No.409, China Law Building  
21 A-C  
Macau  
*(Macau legal advisers)*

**Ms. Queenie W. S. Ng**

Rooms 2203 A&B  
Fairmont House  
8 Cotton Tree Drive  
Central  
Hong Kong  
*(Hong Kong barrister-at-law)*

**Legal advisers to the Sponsor and  
the Underwriters**

*as to Hong Kong law*

**David Fong & Co.**

Unit A, 12/F  
China Overseas Building  
139 Hennessy Road  
Wan Chai  
Hong Kong  
*(Solicitors of Hong Kong)*

**Reporting accountants and  
auditors after Listing**

**Deloitte Touche Tohmatsu**

35/F One Pacific Place  
88 Queensway  
Hong Kong  
*(Certified Public Accountants)*

**Tax Consultant**

**RSM Tax Advisory (Hong Kong) Limited**

29th Floor, Lee Garden Two  
28 Yun Ping Road, Causeway Bay  
Hong Kong

**Internal control consultant**

**Elite Partners Risk Advisory Services Limited**

10/F., 8 Observatory Road  
Tsimshatsui, Kowloon  
Hong Kong

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## DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

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**Independent Valuer**

**Roma Appraisals Limited**  
22/F, China Overseas Building  
139 Hennessy Road  
Wan Chai  
Hong Kong

**Industry consultant**

**Frost & Sullivan International Limited**  
1706, One Exchange Square  
Central  
Hong Kong

**Compliance adviser**

**Ample Capital Limited**  
Unit A, 14/F.  
Two Chinachem Plaza  
135 Des Voeux Road Central  
Central  
Hong Kong

**Receiving bank**

**Bank of China (Hong Kong) Limited**  
Bank of China Tower  
1 Garden Road  
Hong Kong

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## CORPORATE INFORMATION

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<b>Registered office in the Cayman Islands</b>	PO Box 1350 Clifton House 75 Fort Street Grand Cayman KY1-1108 Cayman Islands
<b>Headquarters and principal office of business in Hong Kong registered under Part 16 of the Companies Ordinance</b>	Unit B, 5th Floor Wing Sing Commercial Centre Nos. 12-16 Wing Lok Street Hong Kong
<b>Company's website</b>	<b><u><a href="http://www.rem-group.com.hk">www.rem-group.com.hk</a></u></b> <i>(information on the website does not form part of this prospectus)</i>
<b>Company secretary</b>	Ms. Chow Chi Ling Janice <i>(Certified Public Accountant)</i> Flat B, 16/F, Tower 2 Lions Rise 8 Muk Lun Street Wong Tai Sin Kowloon Hong Kong
<b>Authorised representatives</b>	Mr. Leung Ka Wai Flat F, 18/F, Block T3 Island Resort 28 Siu Sai Wan Road Siu Sai Wan Hong Kong  Ms. Chow Chi Ling Janice Flat B, 16/F, Tower 2 Lions Rise 8 Muk Lun Street Wong Tai Sin Kowloon Hong Kong
<b>Audit committee</b>	Ms. Ng Ching Ying <i>(Chairman)</i> Mrs. Kan Wan Wai Yee Mavis Mr. Cheng Sum Hing
<b>Remuneration committee</b>	Mr. Ng Chi Keung Alex <i>(Chairman)</i> Mr. Cheng Sum Hing Mr. Wan Man Keung

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## CORPORATE INFORMATION

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<b>Nomination committee</b>	Mr. Cheng Sum Hing ( <i>Chairman</i> ) Mr. Ng Chi Keung Alex Mr. Wan Man Keung
<b>Cayman Islands principal share register and transfer office</b>	<b>Estera Trust (Cayman) Limited</b> PO Box 1350 Clifton House 75 Fort Street Grand Cayman KY1-1108 Cayman Islands
<b>Hong Kong Branch Share Registrar</b>	<b>Tricor Investor Services Limited</b> Level 22, Hopewell Centre 183 Queen's Road East Hong Kong
<b>Principal bank</b>	<b>Bank of China (Hong Kong) Limited</b> Bank of China Tower 1 Garden Road Hong Kong

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## INDUSTRY OVERVIEW

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*The information presented in this section, unless otherwise indicated, is derived from various official government publications and other publications and from the market research report prepared by Frost & Sullivan, which was commissioned by us. We believe that the information has been derived from appropriate sources and we have taken reasonable care in extracting and reproducing the information. We have no reason to believe that the information is false or misleading in any material respect or that any fact has been omitted that would render the information false or misleading in any material respect. The information has not been independently verified by us, the Sponsor or any of our or their respective directors, officers or representatives or any other person involved in the Share Offer nor is any representation given as to its accuracy or completeness. The information and statistics contained in this section may not be consistent with other information and statistics compiled within or outside of the PRC.*

### REPORT COMMISSIONED FROM FROST & SULLIVAN

We commissioned Frost & Sullivan, an independent market research and consulting company, to conduct an analysis of, and to prepare a report on, the low-voltage power distribution and control devices market in Hong Kong, Macau and the PRC for the period from 2011 to 2021. The report prepared by Frost & Sullivan for us is referred to in this prospectus as Frost & Sullivan Report. We paid Frost & Sullivan a fee of HK\$660,000, which we believe reflects market rates for reports of this type. Founded in 1961, Frost & Sullivan has 40 offices with more than 2,000 industry consultants, market research analysts, technology analysts and economists globally. It conducts industry research among other services. Frost & Sullivan has been covering the Chinese market from its offices in the PRC since the 1990s. Its industry coverage in the PRC includes agriculture, chemicals, materials and food, among others.

We have included certain information from the Frost & Sullivan Report in this prospectus because we believe this information facilitates an understanding to the prospective investors of the low-voltage power distribution and control devices market for the countries and regions where we currently have business operations or those targeted ones for our future business expansion. The Frost & Sullivan Report includes information on the low-voltage power distribution and control devices market in Hong Kong, Macau and the PRC as well as other economic data, which have been quoted in the prospectus. Frost & Sullivan's independent research consists of both primary and secondary research obtained from various sources in respect of the low-voltage power distribution and control devices market in Hong Kong, Macau and the PRC. Projected data were obtained from historical data analysis plotted against macroeconomic data with reference to specific industry-related factors. We believe that the sources of this information are appropriate sources for the information and we have taken reasonable care in extracting and reproducing this information. We have no reason to believe that this information is false or misleading in any material respect of that any fact has been omitted that would render such information false or misleading in any material respect.



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## INDUSTRY OVERVIEW

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### LOW-VOLTAGE ELECTRICAL POWER DISTRIBUTION AND CONTROL DEVICES INDUSTRY OVERVIEW

#### Definition and Classification

Low-voltage electrical power distribution and control devices include various electrical components and devices operated under either alternating current of 1,000 voltage or direct current of 1,500 voltage for the use of power distribution, power control, circuit connection, circuit switch and protection, panel control and display, etc. The upstream of low-voltage electrical power distribution and control devices manufacturing industry refers to raw material suppliers of copper, steel, as well as specialised suppliers of electrical components. Downstream of the industry covers a variety of application scenarios, including industrial sector, commercial premises, residential buildings, public facilities, electricity companies and etc. Low-voltage electrical power distribution and control devices vary across application scenarios, and can be divided into the following categories.

#### *Power Distribution Devices*

Power distribution devices are used for connecting, breaking and loading rated current, which offers reliable protection for electrical appliance and electricity circuits from overloading, short-circuit as well as under-voltage. Power distribution devices are usually connected to the terminal side of grid and spread power to subordinated shunts including industrial electricity units and civil building through electrical distributing. Power distribution devices mainly include low-voltage switchboard, miniature circuit breaker board, molded case circuit breaker board, and etc.

#### *Power Control Devices*

Power control devices are used for signal transmission, power control and conversion, circuit isolation, power overloading, temperature compensation and short-circuit protection. They are widely used in metallurgy, petrification, electricity, steel, manufacturing industries. Power control devices mainly include motor control center, local motor control panel, frequency converter, programmable logic controller, capacitor bank panel and etc.

#### *Power Source Devices*

Major functions of power source devices lie in electrical machinery control, stabilising power source, sourcing emergency power and adapting voltage. Power source devices are installed to safeguard the electricity units in areas where high demand of steady electricity supply are needed, such as Internet data center, lab, hospital, bank and etc. Power source devices include uninterruptible power system, control transformer, auto-changeover panel and etc.

#### *Accessory Equipment*

Accessory equipment includes display instrument, electric meter, detection device, cable, pilot valve and other accessory components and devices used in low-voltage power distribution and control process.

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## INDUSTRY OVERVIEW

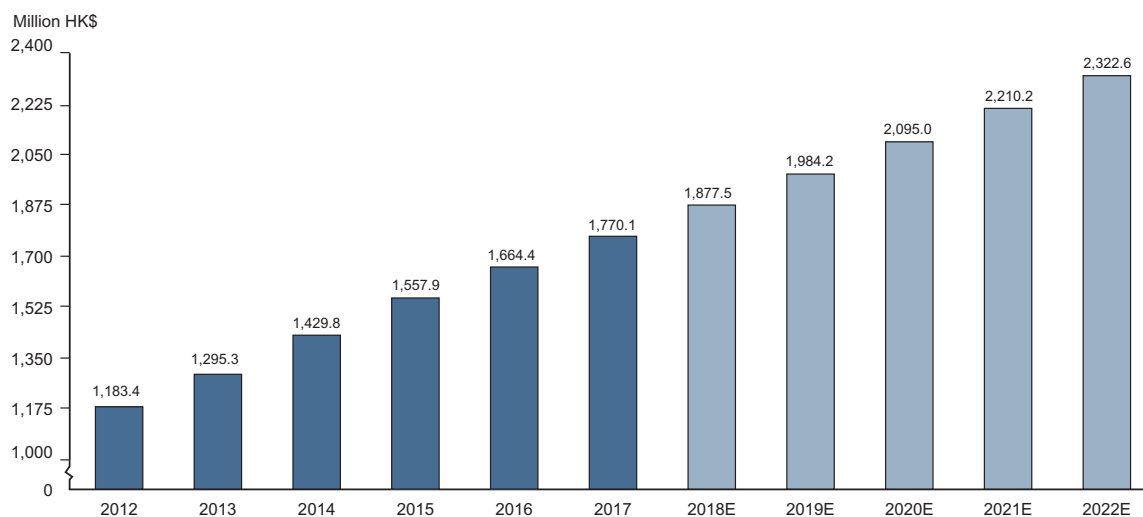
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### Market Size of Low-Voltage Electrical Power Distribution and Control Devices Industry in Hong Kong

According to the Frost & Sullivan Report, Hong Kong's low-voltage electrical power distribution and control devices market has experienced a steady growth from 2012 to 2017, with market size by revenue increasing from HK\$1,183.4 million to HK\$1,770.1 million at a CAGR of 8.4% from 2012 to 2017. This was mainly contributed by the growth of macro economy and continuous investment in real estate in Hong Kong, which has greatly expanded the market of electric power devices, such as power distribution devices for factory, commercial premises as well as residential property, control units of Industrial equipment, and supplementary facilities of grid. According to the Frost & Sullivan Report, in Hong Kong, the total number of industry players from 2015 to 2017 was approximately 140, 145 and 150, respectively.

In the future, the demand for low-voltage electrical power distribution and control devices is forecasted to continue to increase with sustaining infrastructure construction and industrial upgrading of the electrical power industry. Low-voltage electrical power distribution and control devices market size by revenue is expected to amount to HK\$2,322.6 million by 2022, representing a CAGR of 5.5% from 2018 to 2022, according to the Frost & Sullivan Report.

### Market Size of Low-voltage Electrical Power Distribution and Control Devices Market by Revenue in Hong Kong, 2012-2022E

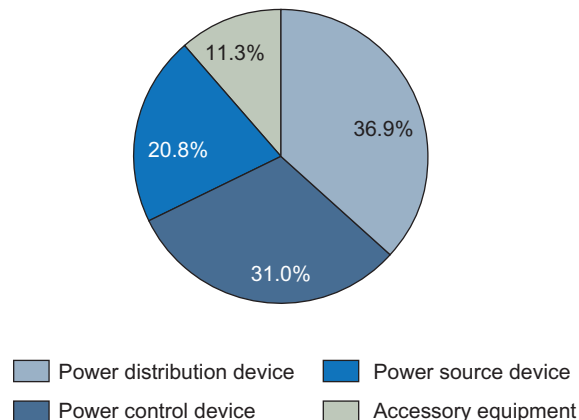


Source: Frost & Sullivan Report

Low-voltage electrical power distribution and control devices include power distribution devices, power control devices, power source devices and accessory equipment, according to the Frost & Sullivan Report, occupying a proportion of 36.9%, 31.0%, 20.8% and 11.3% of the total market size by revenue in Hong Kong, respectively.

## INDUSTRY OVERVIEW

### Market Size Breakdown by Products in Hong Kong, 2017



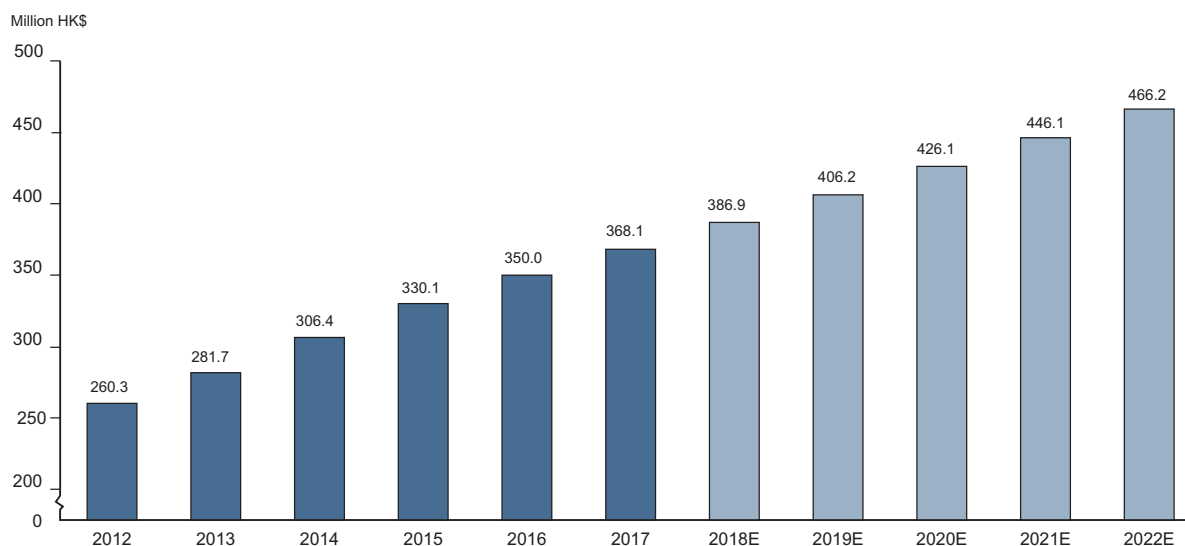
Source: Frost & Sullivan Report

### Market Size of Low-Voltage Electrical Power Distribution and Control Devices Industry in Macau

According to the Frost & Sullivan Report, Macau low-voltage electrical power distribution and control devices market has experienced a stable growth from 2012 to 2017, with market size by revenue increasing from HK\$260.3 million to HK\$368.1 million at a CAGR of 7.2% from 2012 to 2017. The market is primarily driven by the continual investment in real estate and building renovations. Demand for low-voltage electric power distribution and control devices are still strong in downstream applications such as power distribution for commercial premises, including restaurants, entertainment venues, office buildings, as well as residential properties. According to the Frost & Sullivan Report, in Macau, the total number of industry players from 2015 to 2017 was approximately 32, 30 and 30, respectively.

Along with economic recovery and the continuously development of downstream market in Macau, the Frost & Sullivan Report estimates that the demand for low-voltage electrical power distribution and control devices is expected to experience a further growth and the market size by revenue would amount to HK\$466.2 million in 2022, representing a CAGR of 4.8% from 2018 to 2022.

### Market Size of Low-voltage Electrical Power Distribution and Control Devices Market by Revenue in Macau, 2012-2022E



Source: Frost & Sullivan Report

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## INDUSTRY OVERVIEW

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### **Market Size of Low-Voltage Electrical Power Distribution and Control Devices Industry in the PRC**

According to the Frost & Sullivan Report, low-voltage electrical power distribution and control devices market in the PRC has experienced a rapid growth from 2012 to 2017, with market size by revenue increasing from HK\$74.7 billion to HK\$103.5 billion at a CAGR of 6.7% from 2012 to 2017. The market is primarily driven by the growth of macro economy, continuous urbanisation, large investment in infrastructure construction and fast development of manufacturing industries in the PRC. Along with the implementation of relevant policies and regulations, low-voltage electrical power distribution and control devices market will be more standardised and continue to experience a rapid and healthy development period.

Furthermore, according to the Frost & Sullivan Report, the sustained growth for power distribution and control products was led by the increasing demand for stable power supply system, which was due to (i) the increasing electricity consumption as a result of urbanization; and (ii) the installation of power distribution and control devices resulted from the growing complexity of power supply network. The urbanization process (especially in the PRC) would generate significant construction demand, according to the Frost & Sullivan Report, the total construction output value in the PRC reached RMB19,356.7 billion in 2016, at a CAGR of 9.0% from 2012 and is forecasted to grow to RMB29,850 billion in 2022, at a CAGR of 7.5% from 2016. The onward construction projects would generate significant electricity consumption after completion and would breed rising demand for power distribution and control devices. In addition, the land supply plans in Hong Kong and Macau would generate sustained growth of power distribution and control device products. Meanwhile, with the concept of developing smart building and green building, building developers require more complex design and installation of M&E systems (including new building construction and old building renovation projects), with more and better power distribution and control devices applied and hence, the demand for power distribution and control device products would increase in the near future in order to have a stable power supply system for the building projects.

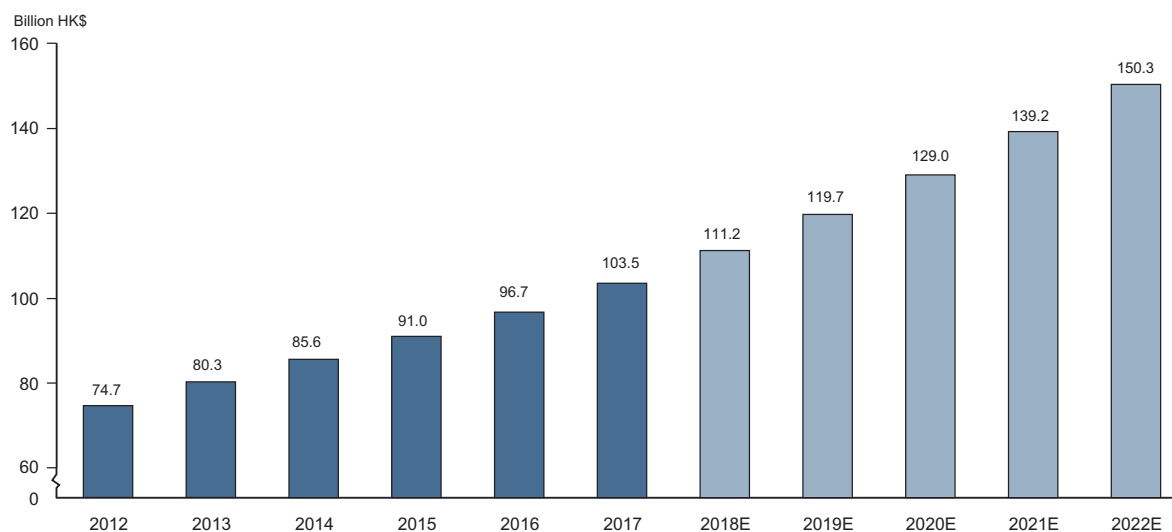
With the ever-widening application scenarios of downstream market including manufacturing, commercial real estate, and etc. in the PRC, the demand for low-voltage electrical power distribution and control devices is expected to witness a further growth and the market size by revenue will amount to HK\$150.3 billion in 2022, representing a CAGR of 7.8% from 2018 to 2022.

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## INDUSTRY OVERVIEW

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### Market Size of Low-voltage Electrical Power Distribution and Control Devices Market by Revenue in the PRC, 2012-2022E



Source: Frost & Sullivan Report

### KEY GROWTH DRIVERS

#### Strong Demand for Urban Planning and Construction Industry Development

##### *Hong Kong*

According to the Frost & Sullivan Report, the 2017 Policy Address announced by the Government highlighted the future land supply and building construction in various areas, which includes an estimated supply of 94,000 units of new residential units in the coming three to four years, potential supply of approximately 4.7 million sq.m. of commercial/office floor area in Kowloon East and targeted to further increase land supply for 380,000 residential units by changing the land use and increasing the density for development. Meanwhile, community development and construction of railway also contributed to uses of low-voltage electrical distribution and related control devices.

According to Planning Department of the Government, the number of private housing units aged 70 or above under an assumption of no demolition may reach 326,000 units by 2046, based on the Frost & Sullivan Report. Hence, the ongoing Mandatory Building Inspection Scheme and urban renewal projects also served as key drivers for the market of low-voltage electrical distribution and control devices market.

##### *The PRC*

With the rapid urbanisation, a substantial investment has been put on construction of infrastructure, building and public utilities in the cities in the PRC to cope with the rising domestic demand driven by increasing urban population. According to National Bureau of Statistics of China, the total output value of construction industry in the PRC has demonstrated a robust growth from RMB13,721.8 billion in 2012

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## INDUSTRY OVERVIEW

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to RMB19,356.7 billion in 2016, representing a CAGR of 9.0%. In the meantime, urbanisation rate in the PRC has increased from 52.6% in 2012 to 57.2% in 2016, as stated in the Frost & Sullivan Report. The issuance of “National new-type Urbanisation Plan (2014-2020)” serves as a driver to construction industry and also the application of low-voltage electrical distribution and control devices in the PRC in the future.

Further, the government of the PRC has put a great emphasis on developing Smart City which aims to improve the quality of life by using urban informatics and technology. Smart cities seek higher reliability of power supply and higher efficiency of energy utilisation. Therefore, they are in great demand of advanced power distribution and control devices.

### *Macau*

According to Macau Statistics Department, the total completion of building by gross floor area has increased significantly from 1,162.5 thousand sq.m. in 2011 to 2,577.8 thousand sq.m. in 2015, representing a CAGR of 22.0%. Completion of residential buildings by gross floor area has demonstrated a robust growth at a CAGR of 49.9% during 2011 to 2015, highlighting the increasing demand for low-voltage electrical distribution and control device in the sector, according to the Frost & Sullivan Report.

Meanwhile, Hengqin Island has been recognised as the key development area near Macau. Since the announcement of “Hengqin Overall Development Plan“ by the State Council in 2009, Hengqin Island has been incorporated into the Zhuhai Special Economic Zone and strengthened cooperation with Hong Kong and Macau. With the support of government, entertainment groups as well as foreign trade and investment, there are various development projects completed in Hengqin, including Shizimen Central Business District, Chimelong International Ocean Resort etc. Thus, it is anticipated that low-voltage electrical distribution and control devices will receive a wider application in Macau.

### **Increasing Demand for Stable Power Supply System**

The increasing application of electrical apparatus such as consumer electronics, lighting, air-conditioning, water, as well as fire systems in buildings and other properties requires a more stable power distribution and control systems to improve the reliability. In addition, the growing complexity of design in networking for power supply along with territory development also drives the demand for installation of relevant distribution and control devices such as low-voltage switchboard and motor control centers. As the electricity consumption is projecting an upward trend in Hong Kong, the PRC as well as Macau, the demand for low-voltage electric power distribution and control devices in those regions are expected to be further stimulated in the coming years.

### **Reform and Advancement of Power Sector**

#### *Hong Kong*

With the rising demand for electricity consumption and expiration of Scheme of Control Agreements between the Government and the two power companies in 2018, the Government has launched the Public Consultation on the Future Development of the Electricity Market in 2015. Key goals

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## INDUSTRY OVERVIEW

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were to introduce the market competition in long term to allow more choices for residents in Hong Kong and meanwhile further improve the performance of electricity companies and promoted the industry development.

### *The PRC*

To achieve effective resources management including power distribution and consumption management, the PRC government has been taking various initiatives on transforming the power sector. In 2016, the State Council announced “The 13th Five-Year Plan for National Scientific and Technological Innovation Plan” covering the development of smart power grid. Meanwhile, the ongoing study on new energy sources (e.g. Photovoltaic, wind power) and measures of emission reduction also received a strong support from central and provincial government in the PRC through issuance of policies and provision of incentives. As a result, as part of the key components in the industry value chain, the changes in power sector may bring positive effect towards advancement and application of low-voltage power distribution and control devices.

### *Macau*

The economic development of Macau is closely associated with the PRC. Recently, the Chinese government started to develop “Hengqin New Area”, focusing on the development of business services, leisure and tourism, high-tech industries, and etc. The increasing investment in Hengqin by the Government, as well as the cooperation between Hengqin and Macau, is expected to contribute to the growth of both traditional service and emerging industries in Macau due to the special location advantage. Thus, the low voltage power distribution and control devices industry will be further stimulated.

## TRENDS

### **Rising Demand for Tailor Made Devices and Advancement of Products**

Low-voltage electrical distribution and control devices had a wide application in various building and facilities. The design, installation, operation and maintenance of devices generally complies with the internal structure of building and facilities. Along with community development and adoption of innovative architectural design of buildings as well as modernised facilities (e.g. charging station for electric cars, data centers), the demand for tailor made devices is expected to grow in Hong Kong, Macau and the PRC.

As one of frontline trends in global electrical power system, smart grid plays a crucial role in optimising power generation, power transition and its utility. Also, technical updates on grid control as well as advanced electricity management techniques can be integrated. Thus, advanced electrical power distribution and control devices, which were installed at the end of the smart grid, face great market opportunity and will play an important role in enabling power control and distribution and effectively reduce electrical power consumption for factories, commercial premises and residential buildings.

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## INDUSTRY OVERVIEW

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### **Higher Requirement towards Product Manufacturing and Service Level**

The design and manufacturing of electrical distribution and control devices including low-voltage switchboard and motor control centers require substantial technical knowledge. In general, the engagement between clients and devices manufacturers is mainly initiated through tender submission. In view of the growing trend of tightened timeline for construction projects, client, including property developers and building contractors, may have specific requirement of electrical distribution devices providers including special design, timely delivery and installation, warranty and other aftersales services etc.

Furthermore, with the regulation requirement, growing awareness towards maintenance and protection of apparatus as well as power supply, there is emerging demand for maintenance and repair services for existing electrical distribution devices, especially when there is an uptrend of renovation of building in Hong Kong. As such, it is anticipated that devices providers may need to expand the portfolios of service offerings. The situation is similar in Macau and the PRC market.

### **Regular Update on Industry Standard and Regulations**

Manufacturing of electrical distribution and control devices are required to comply with regulations and policies issued by authorities.

Electrical and Mechanical Services Department of Hong Kong Government has issued the 2015 Edition of Code of Practice for the Electricity (Wiring) Regulations, and highlight the minimum clearance space, sequence of operation as well as notes on Periodic Inspection, Testing and Certification (PITC), which also set new standards for the low-voltage electrical power distribution and control devices industry.

## **ENTRY BARRIERS**

### **Capital Investment**

As the production of low-voltage electrical power distribution and control devices involves a series of precise and complex procedures, manufacturers need to procure appropriate equipment for manufacturing and assembling. Production capacity (which is generally demonstrated by the size of the factory) is one of the entry barriers and material considerations of the stakeholders in the industry in choosing suppliers, and suppliers with established and sizable production capacity are generally more competitive. Meanwhile, procurement of raw materials such as electrical parts and components, steel plates, etc. is required at an early stage to ensure sufficient and safe supply. These factors combined require a great amount of initial capital investments, which is beyond the capability of new entrants, especially for the small and medium sized industry participants and hence poses a barrier for the new entrants of low-voltage power distribution and control devices market. This is true for the markets in Hong Kong, Macau and the PRC.



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## INDUSTRY OVERVIEW

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### **Professional Talents**

The low-voltage electrical power distribution and control devices are highly customised along with the variation of downstream application scenarios, which needs the involvement of industry professionals with deep industry know-how and strong technical capabilities to meet clients' evolving requirements. However, these professionals are in short supply and tend to crowd towards large, well-established low-voltage electrical power distribution and control devices manufacturers and hence pose a barrier for new market entrants. This is true for the markets in Hong Kong, Macau and the PRC.

### **Acquisition of Related Certificates**

To become more competitive in the market, low-voltage electrical power distribution and control devices manufacturers tend to acquire related government license and certificate from professional third parties such as the ASTA (The Association of Short-circuit Testing Authorities) and the IEC (International Electrotechnical Commission), etc. Manufacturers who have obtained related certificates are recognised as more reliable in terms of quality of products and services. Moreover, for companies planning to enter overseas markets, having related certificates (especially internationally accepted ones) will greatly enhance their market recognition. However, it takes plenty of time and efforts for manufacturers to obtain related licenses and certificates, which deprives new entrants of competing with existing players. This is true for the markets in Hong Kong, Macau and the PRC.

### **Project Experience**

Project experience is a crucial enabler for low-voltage electrical power distribution and control devices manufacturers to win the tender as it is a convincing proof of the quality and reliability of the manufacturers' products and services. Market participants need to obtain substantial project experience and market expertise in order to be included in the tender list of local government and property developers, which poses a barrier for new market entrants due to the lack of relevant industry experiences. This is true for the markets in Hong Kong, Macau and the PRC.

### **Relationship with Stakeholders**

In the low-voltage electrical power distribution and control devices industry, a well-maintained corporate relationship with suppliers, E&M consultants, customers and other stakeholders is an essential enabler for manufacturers' success. This benefits existing market players in various aspects such as securing raw materials supply at a reasonable price, expanding business through references from E&M consultants and existing customers, etc. For the new market entrants, due to their limited business scale, insufficient market penetration as well as market recognition, it is hard for them to establish sound relationship with industry stakeholders both from the upstream and downstream. This is true for the markets in Hong Kong, Macau and the PRC.

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## INDUSTRY OVERVIEW

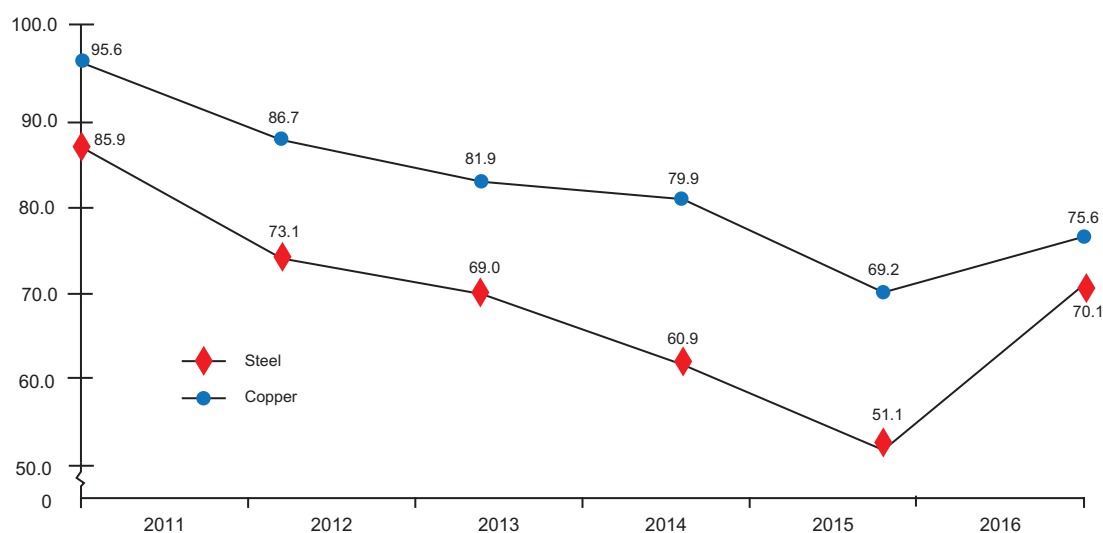
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### COST STRUCTURE

According to the Frost & Sullivan Report, the raw materials for manufacturing low-voltage electrical power distribution and control devices manufacturing mainly include electrical components, raw material including copper, steel, plastic and etc., labour and other related components or accessories.

Prices of steel and copper have generated a decreasing trend from 2012 to 2016, followed by a rebound in 2017 due to supply fluctuation. Steel and copper manufacturers face intensive competition in the market due to the higher level of inventory which is resulted from the oversupplying and lower consumption demands on steel and copper related products over the past few years. Hence the prices of steel and copper materials are not expected to increase significantly going forward but would maintain steady in the next few years.

**Composite Price Index of Copper and Steel in the PRC, 2012 -2017**



Source: Frost & Sullivan Report

### COMPETITIVE LANDSCAPE OF LOW-VOLTAGE POWER DISTRIBUTION AND CONTROL DEVICES MARKET

#### Low-Voltage Electrical Power Distribution and Control Devices Market

According to Frost & Sullivan Report, the low-voltage electrical power distribution and control devices market in Hong Kong reached HK\$1,770.1 million in 2017 with top five market players accounting for approximately 43.6% of the total market.

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## INDUSTRY OVERVIEW

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### Top Five Market Players of Low-Voltage Electrical Power Distribution and Control Devices Market by Revenue in Hong Kong, 2017

Ranking	Company	Revenue (Million HK\$)	Market Share
1	Company A	384.1	21.7%
2	Our Group	144.0	8.1%
3	Company B	120.4	6.8%
4	Company C	70.8	4.0%
5	Company D	53.1	3.0%
Total		772.4	43.6%

Source: Frost & Sullivan Report

Key competitors in the Hong Kong low-voltage electrical power distribution and control devices market primarily include: (i) Company A, which offers low-voltage distribution board, control cabinet, power transformer, and switch – electrical parts, etc.; (ii) Company B, which primarily offers low-voltage switchgear; low-voltage connection assemblies; motor control centre; motor control centre switchboard, local motor control panel, molded case circuit breaker board, busbar chamber, busbar trunking, and etc.; (iii) Company C, which primarily offers testing instrument for electrical/electronic product, electrical parts and accessories, distribution board/control cabinet, switch – electrical, and etc.; (iv) Company D, which offers features low-voltage switchboard, motor control centre, local motor control panel, supervisory panel, outdoor switchboard, pillar box, and trading of electrical components as its main business; and (v) Company E, which mainly sells low-voltage switchboard, motor control centre cubicle, busbar risers and busbar chambers, etc.

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## REGULATORY OVERVIEW

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This section sets out a summary of certain aspects of the laws and regulations which are relevant to our Group's operations and business.

### HONG KONG LAWS AND REGULATIONS

This section sets forth a summary of the laws and regulations which are applicable to our Group's business in Hong Kong, which includes manufacturing and trading of electrical power distribution and control devices.

#### Electricity Ordinance (Chapter 406 of the Laws of Hong Kong) (the "Electricity Ordinance")

Under Section 2 of the Electricity Ordinance, "electrical work" means work in relation to the installation, commissioning, inspection, testing, maintenance, modification or repair of a low-voltage or high voltage fixed electrical installation and includes the supervision and certification of that work and the certification of design of that installation.

#### *Registered electrical workers*

Section 34 (3) of the Electricity Ordinance provides that only a registered electrical worker ("REW") registered with the Electrical and Mechanical Services Department ("EMSD") under the ordinance shall conduct the electrical works specified in his certificate of registration.

As at the Latest Practicable Date, our Group had a total of 12 REWs of which, three were Grade A certificate holders, six were Grade B certificate holders and three were Grade C certificate holders. There are five grades of certificates of registration. Qualification requirements for registration as electrical workers for different grades of electrical work is listed below.

Grade	Qualification requirement	Scope of work
A	Must have the qualifications and experience listed in EITHER (a), (b) OR (c) below:  (a) (i) completed a registered contract of apprenticeship under the Apprenticeship Ordinance (Cap. 47) in the trade of electrical fitter or electrician and  (ii) holds a craft certificate in electrical engineering issued by the Hong Kong Institute of Vocational Education; and  (iii) has at least one year of practical experience in electrical work.	<ul style="list-style-type: none"><li>electrical work on a low voltage fixed electrical installation not exceeding 400A, single or three phase</li></ul>

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## REGULATORY OVERVIEW

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Grade	Qualification requirement	Scope of work
	<p>(b) has been employed as an electrical worker for at least five years, at least one year of which included practical experience in electrical work and</p> <p>(i) holds a certificate of the electrician or electrical fitter upgrading course issued by the Electrical Industry Training Centre of the Vocational Training Council or an equivalent qualification; or</p> <p>(ii) passed an examination or trade test approved or set by the Director of Electrical &amp; Mechanical Services.</p> <p>(c) has qualifications and experience that are equivalent to those required under either (a), or (b).</p>	
B	<p>Must have the qualifications and experience listed in EITHER (a), (b), (c) OR (d) below:</p> <p>(a) (i) has completed a registered contract of apprenticeship under the Apprenticeship Ordinance (Cap. 47) in the trade of electrical fitter, electrician or electrical engineering technician and</p> <p>(ii) holds a higher certificate in electrical engineering issued by the Hong Kong Institute of Vocational Education or an equivalent qualification; and</p> <p>(iii) has at least two years of practical experience in electrical work.</p>	<ul style="list-style-type: none"> <li>• electrical work on a low voltage fixed electrical installation not exceeding 2500A, single or three phase</li> </ul>

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## REGULATORY OVERVIEW

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Grade	Qualification requirement	Scope of work
	(b) (i) holds a diploma in electrical engineering issued by Hong Kong Institute of Vocational Education or an equivalent qualification and has been employed as an electrical worker for at least five years, at least two years of which included practical experience in electrical work.	
	(c) has held, or qualified to hold, a Grade A certificate for at least five years and	
	(i) holds a certificate in electrical engineering issued by Hong Kong Institute of Vocational Education or an equivalent qualification and has at least three years of practical experience in electrical work; or	
	(ii) has at least five years of practical experience in electrical work and has passed an examination or trade test approved or set by the Director of Electrical & Mechanical Services.	
	(d) has qualifications and experience that are equivalent to those required under either (a), (b) or (c).	

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## REGULATORY OVERVIEW

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Grade	Qualification requirement	Scope of work
C	<p>Must have the qualifications and experience listed in EITHER (a), (b) OR (c) below:</p> <p>(a) (i) has obtained a degree in electrical engineering in a recognised university or an institution of tertiary education or an equivalent qualification and</p> <p>(ii) has at least six years of post-graduate practical experience in electrical engineering including at least one year of practical experience in electrical work.</p> <p>(b) (i) has held, or qualified to hold, a Grade B certificate for at least six years and</p> <p>(ii) has at least six years of practical experience in electrical work, and</p> <p>(iii) passed an examination or trade test approved or set by the Director of Electrical and Mechanical Services.</p> <p>(c) has qualifications and experience that are equivalent to those required under (a) or (b).</p>	<ul style="list-style-type: none"><li>• electrical work on a low voltage fixed electrical installation of any capacity</li></ul>

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## REGULATORY OVERVIEW

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<b>Grade</b>	<b>Qualification requirement</b>	<b>Scope of work</b>
R	Must have special training and have at least four years of experience in the type, or similar type, of electrical work for which he is applying.	one or more of the following types of installations: <ul style="list-style-type: none"><li>• a neon sign installation;</li><li>• an air-conditioning installation;</li><li>• a generating facility installation;</li><li>• a low voltage unvented electric thermal storage type water heater installation (not exceeding 200 litres storage capacity);</li><li>• Connection/disconnection of electricity supply to/ from an electrical equipment and associated electrical work on the equipment;</li><li>• any other particular installation, type of installation or type of premises. Details of the electrical work should be clearly specified in the application form</li></ul>
H	Must be qualified to hold a Grade B or Grade C certificate and have the qualifications and experience listed in EITHER (a) OR (b) below:  (a) has completed a training course approved by the Director of Electrical & Mechanical Services for the design, installation, maintenance, testing or operation of high voltage electrical equipment and installations.  (b) has at least one year of practical experience in the design, installation, maintenance, testing or operation of high voltage electrical equipment and installations.	electrical work on a high voltage electrical installation



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## REGULATORY OVERVIEW

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### *Registered electrical contractors*

Pursuant to Section 34(1) of the Electricity Ordinance, no person shall do business as an electrical contractor or contract to carry out electrical work unless he is a registered electrical contractor (“**REC**”) with the EMSD. To qualify as a REC registered with the EMSD under the Electricity Ordinance, a corporate applicant must employ at least one REW.

As at the Latest Practicable Date, Ready Electrical Metal was a REC.

### *Validity period and renewal of registration*

A registration for REW or REC is valid for a three-year period which is shown on the certificate of registration. Under Regulation 13 of the Electricity (Registration) Regulations, a REW or REC shall apply to the Director of the EMSD for renewal of its/his registration within one to four months prior to the date of expiry of the registration.

REWs applying for registration renewal on or after 1 January 2012 is required to have completed the Continuing Professional Development training before submitting the application to EMSD. In addition, REWs applying for new, renewal or change of registration of electrical worker should have been trained on the new cable colour code (CCC). Upon receipt of an applicant’s advice for completion of such a course, and on confirmation of a valid training record, EMSD will further process his/her application.

### *Regulatory actions*

Where the Director of the EMSD considers that there is evidence that a REW or a REC has failed to comply with the ordinance, he may: (i) reprimand the worker or contractor, and/or fine a worker up to HK\$1,000 and a contractor up to HK\$10,000; or (ii) refer the matter to the Secretary for Environment for hearing by a disciplinary tribunal, who may do one or more of the following:

- (a) reprimand the registrant;
- (b) fine a worker up to HK\$10,000 and a contractor up to HK\$100,000;
- (c) suspend or cancel the registration of the registrant; and
- (d) suspend the registrant’s right to apply for registration or renewal of registration for a prescribed period.

The Director of the EMSD may cancel a registration if he considers that: (i) the registrant obtained registration by fraud or on the basis of misleading or inaccurate information; (ii) the registration was made in error; or (iii) the registrant is no longer qualified under the Electricity Ordinance to be registered.

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## REGULATORY OVERVIEW

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### **Approved suppliers of materials and specialist contractors for public work (the “Specialist List”) by the Works Branch, Development Bureau of the Government (the “WBDB”)**

A contractor who wishes to tender for and carry out public works in Hong Kong must apply to be admitted to the approved Specialist Lists maintained by the WBDB. The Specialist List comprises suppliers/specialist contractors who are approved for carrying out in one or more of 50 categories of specialist works.

As at the Latest Practicable Date, Ready Electrical Metal was registered on the Specialist List for low-voltage cubicle switchboard installation.

#### *Requirements for admission and retention on the Specialist List*

For admission and retention on the Specialist List and for the award of public works contracts, a contractor is required to meet the financial, technical, management and personal criteria applicable to the appropriate category and group for admission and retention on the Specialist List. Set out below are the major requirements that are required to be met and maintained:

#### **Criteria**

#### **Major items**

Financial:

- should generally possess at least a positive capital value;
- maintain certain minimum levels of employed capital and working capital applicable to the appropriate category and group;
- ability to rectify shortfalls in capital requirements by approved sources of funding;
- average loss rate of not more than 30% (if a contractor’s business is at a loss); and
- outstanding workload, as expressed in the approximate value of and approximate time required to complete the contractor’s outstanding contracts in both public and private sectors

Technical and management:

Job experience:

- adequate experience in the type and size of work of the category, with satisfactory quality of work compatible with Government standard; and
- adequate experience in contract management of work of the category

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## REGULATORY OVERVIEW

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### Personnel:

- Qualification and minimum number of management and technical staff; and
- (where applicable) REW registered under the Electricity Ordinance

### Registration with relevant authorities in Hong Kong:

- (where applicable) a registered contractor under the applicable ordinance such as the Building Ordinance (Chapter 123 of the Laws of Hong Kong), Electricity Ordinance, the Fire Services Ordinance (Chapter 95 of the Laws of Hong Kong); and
- accredited with the relevant quality management system certification

Generally, upon satisfaction of the above requirements, an approved contractor will be admitted initially on probation in the appropriate work category and group, during which it will be limited in the number and value of contracts for which it is eligible to tender.

Upon reaching the required financial, technical and management criteria, a probationary contractor may apply to the WBDB for a “confirmed” status and subsequently for elevation to a higher group in the works category in order to tender for contracts of higher or unlimited values.

### *Renewal of registration*

Although admissions to the WBDB approved lists are not subject to expiry and renewal requirements, approved contractors intending to be retained on the approved lists shall submit audited accounts to the WBDB annually for ensuring their compliance with the minimum financial criteria. Any approved contractor failing to meet the designated financial requirements will not be recommended for tender awards for contracts in this prevailing group or category.

### *Regulatory actions*

The WBDB may take regulatory actions against contractor’s failure to meet the financial criteria within prescribed time, unsatisfactory performance, misconduct or suspected misconduct, poor site safety record, poor environmental performance, and court convictions. These regulatory actions include: (i) removal from all categories or from a particular category in which the contractor is listed; (ii) suspension from tendering in all categories or from a particular category in which the contractor is listed. A time limit for review will be set in all cases but will not be longer than six months; and (iii) downgrading or demotion in a particular category in which the contractor is listed, depending on the seriousness of the incident triggering the regulatory actions.

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## REGULATORY OVERVIEW

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### *Low-voltage cubicle switchboard installation*

The scope of work in the “low-voltage cubicle switchboard installation” category covers the supply, installation and maintenance of low-voltage cubicle switchboard comprising main incoming switchgear, busbars and droppers/risers, outgoing switchgears, instruments and protection devices, etc. all in a type tested assembly.

To register as a specialist contractor for low-voltage cubicle switchboard installation, a registrant shall satisfy the applicable financial, technical and management criteria, a general summary of which is provided under the paragraph headed “Requirements for admission and retention on the Specialist List” in this section.

The major specific criteria for admission and retention on the Specialist List for low-voltage cubicle switchboard installation are set out below:

<b>Specific admission/retention criteria</b>	<b>Low-voltage cubicle switchboard (direct entry or confirmation)</b>
<b>Major technical and management criteria</b>	
Registration with relevant authorities in Hong Kong	The applicant shall be a REC registered under the Electricity Ordinance
Minimum number of technical staff	Technical support staff: <ul style="list-style-type: none"><li>• 1 Technician</li><li>• 1 site supervisor</li><li>• 1 draftsman</li></ul> Craftsman: <ul style="list-style-type: none"><li>• Employ adequate numbers of electrician/mechanical fitter</li></ul> Statutory Registration: <ul style="list-style-type: none"><li>• 1 REW in Grade C2</li><li>• 2 REW in Grade B2</li></ul>
<b>Scope of work</b>	(a) Contract value of the work related to the category under application for confirmation exceeds HK\$500,000;  (b) The rating of the main incoming switchgear is not less than 2500A or with power rating not less than 1500kVA;

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- (c) The contract shall cover major scope of works as described in the category; and
- (d) If the contract is a term contract, all of the above requirements (a) and 4 (c) shall be fulfilled in one works order.

As at the Latest Practicable Date, Ready Electrical Metal was registered as a specialist contractor for low-voltage cubicle switchboards installation.

### **Code of Practice for the Electricity (Wiring) Regulation (the “CoP”)**

EMSD issued the 2015 Edition of CoP to give guidance on how the statutory requirements of the Electricity (Wiring) Regulation (Chapter 406E of the Laws of Hong Kong) can be met.

CoP highlighted the minimum clearance space, sequence of operation as well as notes on PITC Work and also set new standards for the low-voltage electrical power distribution and control devices industry.

#### *Periodic inspection, testing and certification*

Pursuant to Regulation 20 of the Electricity (Wiring) Regulations (the “**Wiring Regulations**”) and the CoP, owners of electrical installations shall have periodic inspection, testing and certification for fixed electrical installations. Under Regulation 20(2) of the Wiring Regulations, for typical industrial premises, electrical installations with an approved loading exceeding 200 A shall be inspected, tested and certified at least once every five years. Under Regulation 20(3) of the Wiring Regulations, for typical residential or commercial premises, electrical installations with an approved loading exceeding 100 A shall be inspected, tested and certified at least once every five years. A fixed electrical installation shall be inspected, tested and certified by a registered electrical worker. According to Regulation 24 of the Wiring Regulations, a person who contravenes Regulation 20 of the Wiring Regulations commits an offence, and is liable to a fine of HK\$10,000.

A visual inspection should be made to verify that the electrical equipment as installed is correctly selected and erected in accordance with the Wiring Regulations and the CoP, and that there is no apparent damage. Precautionary measures should be taken during testing and the method of tests should be such that no danger to persons or property can occur even if the circuit being tested is defective. List of items to be inspected and testes for initial tests and periodic tests are stated in Code 22D of the CoP. REW shall sign a certificate for tests and inspections after he has carried out or supervised the tests and inspections on site, and is satisfied with the results of the tests and inspections. The owner of an installation which requires periodic testing should deliver a test certificate to the Director of EMSD for endorsement within two weeks after the date of the certificate.

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### *Minimum clearance space*

A minimum clearance space of 900 mm should be provided for the full width and in front of meters and of all low voltage control panels and switchgear having a rating exceeding 100 A, such as switchboards, distribution panels, and motor control centres.

Clearance space may not be provided behind or by the side of such equipment where there are no renewable parts such as fuses or switches and no parts or connections which require access from the back or from the side concerned.

### **Occupational Safety and Health Ordinance (Chapter 509 of The Laws of Hong Kong)**

The Occupational Safety and Health Ordinance regulated the safety and health protection of employees in workplaces, both industrial and non-industrial.

Employees shall as far as reasonably practicable, ensure the safety and health protection of employees in their workplaces by:

- providing and maintaining plant and work systems that do not endanger safety or health;
- making arrangement for ensuring safety and health in connection with the use, handling, storage or transport of plant or substances;
- providing all necessary information, instruction, training, and supervision for ensuring safety and health;
- providing and maintaining safe access to and egress from the workplaces; and
- providing and maintaining a safe and healthy work environment.

Failure to comply with the above provisions constitutes an offence and the employer is liable on conviction to a fine of HK\$200,000. An employer who fails to do so intentionally, knowingly or recklessly commits an offence and is liable on conviction to a fine of HK\$200,000 and to imprisonment for six months.

The Commissioner for Labour may also issue (i) improvement notice against contravention of this Ordinance or the Factories and Industrial Undertakings Ordinance requiring employer to remedy the contravention within specific period/refrain from continuing or repeating the contravention or (ii) suspension notice directing specific activity not to be undertaken, or the premises, plant or substance not to be used, while the notice remains in force. Failure to comply with such notices constitutes an offence punishable by a fine of HK\$200,000 and HK\$500,000 (plus a further fine of HK\$50,000 for each day if contravention is knowingly and intentionally continued), respectively and imprisonment of up to 12 months.

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### **Occupiers Liability Ordinance (Chapter 314 of the Laws of Hong Kong)**

The Occupiers Liability Ordinance regulates the obligations of a person occupying or having control of premises on injury resulting to persons or damage caused to goods or other property lawfully on the land.

The Occupiers Liability Ordinance imposes a common duty of care on an occupier of premises to take such care as in all the circumstances of the case is reasonable to see that the visitor will be reasonably safe in using the premises for the purposes for which he is invited or permitted by the occupier to be there.

### **Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong)**

The Employees' Compensation Ordinance sets out the rights and obligations of employers and employees in respect of injuries or death caused by accidents arising out of and in the course of employment, or by prescribed occupational diseases. The Employees' Compensation Ordinance applies to full-time and part-time employees who are employed under service contracts or apprenticeships.

If an employee sustains an injury or dies as a result of an accident arising out of and in the course of his/her employment, his/her employer is generally liable to pay compensation under the Employees' Compensation Ordinance even if the employee might have contributed to the accident occurred. Similarly, an employee who suffers incapacity or dies arising from an occupational disease is entitled to receive the same compensation as that payable to employees injured in occupational accidents.

Pursuant to the Employees' Compensation Ordinance, all employers (including contractors and subcontractors) are required to take out insurance policies to cover their liabilities both under the Employees' Compensation Ordinance and at common law as a result of injuries sustained by their employees in the course of their employments.

An employer who, without reasonable excuse, fails to comply with the Employees' Compensation Ordinance to secure an insurance cover commits an offence and is liable on conviction upon indictment to a fine at level six (currently at HK\$100,000) and to imprisonment for two years and on a summary conviction to a fine at level six (currently at HK\$100,000) and to imprisonment for one year.

### **Minimum Wage Ordinance (Chapter 608 of the Laws of Hong Kong)**

The Minimum Wage Ordinance provides for a prescribed minimum hourly wage rate (currently set at HK\$34.5 per hour) during the wage period for every employee engaged under a contract of employment under the Employment Ordinance. Any provision of the employment contract which purports to extinguish or reduce the right, benefit or protection conferred on the employee by this Ordinance is void.

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### **Employment Ordinance (Chapter 57 of the Laws of Hong Kong)**

The Employment Ordinance provides for various employment-related benefits and entitlements to employees. All employees covered by the Employment Ordinance, irrespective of their hours of work, are entitled to basic protection under the Employment Ordinance including, among others, payment of wages (which is defined under the Employment Ordinance to include, among others, remuneration and overtime pay), restrictions on wages deductions and granting of statutory holidays. Employees who are employed under a continuous contract are further entitled to such benefits as rest days, paid annual leave, sickness allowance, severance payment and long service payment.

### **Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong)**

MPF is an employment-based retirement protection system under the Mandatory Provident Fund Schemes Ordinance. Except for exempt persons, employees (regular or casual) and self-employed persons who are at least 18 but under 65 years of age and normally residing and working in Hong Kong are required to join the MPF scheme. Under the current MPF scheme, the employer and, where the monthly income is HK\$7,100 or more, the employee are both required to each contribute 5% of the employee's monthly relevant income (subject to a statutory maximum cap of contribution of HK\$1,500 per month with effect from 1 June 2014) as mandatory contributions for and in respect of the employee.

### **Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong)**

Under section 52(2) of the Inland Revenue Ordinance, every person who is an employer shall, when required to do so by notice in writing given by an assessor appointed under the Inland Revenue Ordinance, furnish a return of all persons employed by him in receipt of remuneration in excess of a minimum figure to be fixed by the assessor or any other person employed by him named by the assessor. In addition, under section 52(4) of the Inland Revenue Ordinance, where any person who is an employer commences to employ in Hong Kong an individual who is or is likely to be chargeable to tax under Part 3 of the Inland Revenue Ordinance, or any married person, he shall give notice thereof in writing to the Commissioner of Inland Revenue not later than three months after the date of commencement of such employment. Under section 52(5) of the Inland Revenue Ordinance, where any person who is an employer ceases or is about to cease to employ in Hong Kong an individual who is or is likely to be chargeable to tax under Part 3 of the Inland Revenue Ordinance, or any married person, he shall give notice thereof in writing to the Commissioner of Inland Revenue not later than one month before such individual ceases to be employed in Hong Kong.

### **Competition Ordinance (Chapter 619 of the Laws of Hong Kong)**

The Competition Ordinance came into force on 14 December 2015. According to the Competition Commission established under the Competition Ordinance, the full implementation of the Competition Ordinance will ensure Hong Kong remains a competitive, dynamic and free market by curbing harmful anti-competitive conduct, bringing the benefits of a level-playing field to Hong Kong consumers, businesses and the wider economy.



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The Competition Ordinance prohibits three types of anti-competitive conduct described under the First Conduct Rule, the Second Conduct Rule and the Merger Rule which are collectively known as the “competition rules”, as follows:

- (i) *The First Conduct Rule*: it seeks to prohibit arrangements between market participants which prevent, restrict or distort competition in Hong Kong. Examples of serious anti-competitive conduct include preventing competitors from colluding on key parameters of competition such as price, output or how they bid to harm competition in Hong Kong;
- (ii) *The Second Conduct Rule*: it seeks to prohibit businesses with substantial degree of market power from abusing their power with a view to protect or increase their position of power and profits. Examples of abuse of such power include predatory pricing, anti-competitive tying and bundling, margin squeeze, refusals to deal and exclusive dealing; and
- (iii) *The Merger Rule*: it prohibits an undertaking from directly or indirectly carrying out a merger that has, or is likely to have, the effect of substantially lessening competition in Hong Kong. However, as of now, this rule only applies to the telecommunications industry.

### *Consequences of non-compliance with the Competition Ordinance*

Penalties that the Competition Tribunal may impose for contraventions of a competition rule include pecuniary penalties, awards of damages, and interim injunctions during investigations or proceedings. For pecuniary penalties, the maximum penalty can reach up to 10% of the annual turnover of the undertakings involved for up to three years in which the contravention had occurred. The Competition Tribunal may also order the disqualification of responsible directors for up to five years, award injunctions, declare agreements to be void, award damages, confiscate illegal profits, and order the payment of costs of the Competition Commission’s investigation.

## MACAU LAWS AND REGULATIONS

There is no comprehensive legislation in Macau governing electric products safety standards nor comprehensive consumer protection regulations as in other jurisdictions. The law in this area comprises of general product safety and product manufacturer’s liability legislation, in each case applicable to our Group pursuant to Article 44 of the Macau Civil Code which sets out the Macau internal rules on conflict of laws regarding non-contractual obligations. Our Directors confirm that our Group and/or our Group’s products have complied with the requirements of the laws and regulations in Macau set out below.

### **1. General Product Safety**

The Administrative Regulation no. 17/2008 (the “**General Product Safety Regime**”) deals with general product safety requirements. Under the General Product Safety Regime all final products for use or consumption must comply with general safety requirements.

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Any individual or entity who presents itself as a manufacturer of a product by affixing its name, trade mark or other distinctive mark to the product is qualified as a manufacturer for the purposes of application of the General Product Safety Regime, independently of being incorporated or registered in Macau.

The General Product Safety Regime imposes a statutory duty on manufacturers and suppliers to ensure that the final products they supply are reasonably safe, having regard to all the circumstances including the manner in which, and the purpose for which, the final products are presented or marketed.

Products are considered safe when, under normal or reasonably foreseeable conditions of use, they do not present any risk or when they present a reduced but acceptable risk which is compatible with its use and considered acceptable under a high level of protection of the health and safety of the uses of the products, taking into account, namely:

- (1) the characteristics and composition of the product;
- (2) effects on other products where their joint use is reasonably foreseeable;
- (3) the presentation, packaging, labelling, any instructions for use, assembly, storage and disposal, as well as any other indication or information of the manufacturer; and
- (4) the categories of users who are most at risk when using the product.

Any individual or entity that places unsafe products on the market commits an administrative infraction punishable with a fine ranging from MOP8,000 to MOP25,000.

In addition to complying with the abovementioned general safety requirement, a manufacturer is also obliged to:

- (1) provide the user with all necessary and relevant information in one of the official languages of Macau to enable assessment and prevention of the risks inherent to the use of a product, provided that such risks are not immediately noticeable without due warning;
- (2) take appropriate safety measures, depending on the characteristics of the product supplied, and keep the user informed of the risks that the product may present;
- (3) initiate appropriate action to prevent the risks that the product may present, including, if appropriate, their withdrawal from the market; and
- (4) to provide a sample of the product to be subjected to a safety test, whenever this is requested by a local authority.

Non-compliance with the abovementioned incidental obligations constitutes an administrative infraction punishable with a fine ranging from MOP5,000 to MOP20,000.

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### 2. Manufacturer's Liability

Under Article 2 of the Macau Commercial Code, approved by Decree-Law no. 40/99/M, as amended (the “**Macau Commercial Code**”), commercial entrepreneurs are defined as commercial companies or individuals or entities which, in their own name, by themselves or through third parties, exercise a commercial enterprise.

Under Article 5 of the Macau Commercial Code, a commercial entrepreneur can be any individual, resident or non-resident, or entity, with or without registered office in Macau, endowed with civil capacity.

Articles 85 to 94 of the Macau Commercial Code regulate the non-contractual product liability of manufacturers. The Macau Commercial Code states that “*A manufacturer commercial entrepreneur is liable, regardless of fault, for damages caused to third parties by the defects of products that the manufacturer commercial entrepreneur puts in circulation*” (i.e. the manufacturer places on the market). Our Group may be considered as a “*manufacturer commercial entrepreneur*” or, simply, as a “*manufacturer*” which includes “*anyone who is the manufacturer of a finished product, of a component part or of a raw material, and also whoever presents itself as such through the apposition of its name, trademark or other distinctive sign to the product*”.

Any movable good is considered to be a product for the purposes of this law, even if incorporated in another movable or immovable good. A product is considered “*defective*” if, “*at the moment of its entry into circulation, it does not offer the safety that legitimately is to be expected, having in account all circumstances, namely its presentation, characteristics and the use that reasonably can be made of it.*” However, a “*product is not considered defective by the simple fact that a more advanced one has subsequently been put into circulation*”.

Under the Macau Commercial Code, the user or consumer shall have the right to claim for compensation for damages resulting from the defective products, provided that such defective products are “*normally destined to private use or consumption and that the injured person has mainly given them such use*”. Damages to be compensated include those resulting from death, personal injury or damage to goods other than the defective product.

If negligence on the part of an injured person has contributed to the production of the damage, compensation may be reduced or even excluded. If various commercial entrepreneurs are responsible for the damage, their liability is joint and several. Circumstances such as the risk created by each liable party, the seriousness of the fault with which they have eventually acted and their contribution to the damage, shall be taken into account; however, in case of doubt, the involved commercial entrepreneurs are liable in equal parts.

A manufacturer is not liable if it proves:

- (1) that it did not put the product into circulation or place it in the market;
- (2) that, having account of the circumstances, it can be reasonably assumed that the defect did not exist at the moment of entry into circulation;

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- (3) that it did not produce the product for sale or any other form of distribution with an economic objective, nor produced nor distributed the product in the exercise of his enterprise;
- (4) that the defect is due to the conformity of the product with imperative norms enacted by public authorities;
- (5) that the state of scientific and technical knowledge, on the moment in which it has put the product into circulation, did not allow the detection of the existence of the defect; or
- (6) that, in the case of a component part, the defect is imputable to the conception of the product in which it was incorporated, or to the instructions given by its manufacturer.

The right to compensation is time-barred three years after the date when the injured person gained or should have gained knowledge of the damage, of the defect, and of the identity of the manufacturer. The right to compensation lapses 10 years from the date at which the manufacturer placed in the market the product that caused the damage, except if judicial proceedings are pending.

### PRC LAWS AND REGULATIONS

The following is a summary of the key PRC laws and regulations relating to the business and operations carried out by our company and PRC subsidiaries.

#### 1. PRC LAWS AND REGULATIONS IN RELATION TO FOREIGN INVESTMENT

##### (a) The Establishment, Operation and Management of Foreign-Invested Enterprises

According to the Company Law of the PRC (《中華人民共和國公司法》), effected on 1 July 1994, amended on 25 December 1999, 28 August 2004, revised on 27 October 2005 and amended on 28 December 2013, this Law shall be applicable to foreign-invested companies with limited liability and such companies limited by shares; and where laws on foreign investments provide otherwise, the provisions there shall be applicable.

According to the Foreign Investment Enterprise Law of the PRC (《中華人民共和國外資企業法》), effected on 12 April 1986 and amended on 31 October 2000 and 3 September 2016, and its Implementation Rules (《中華人民共和國外資企業法實施細則》), effected on 12 December 1990 and amended on 12 April 2001 and 19 February 2014, the establishment, registered capital, financial affairs and accounting, tax and foreign exchange of foreign investment enterprise shall be governed by this law and its implementation rules.

Moreover, the foreign investment enterprise shall be governed by the Guidance of Direction of Foreign Investment Provisions (《指導外商投資方向規定》) which was issued on 11 February 2002 and effected on 1 April 2002, the Administrative Measures for the approval and Record-filing of Foreign-invested Projects (《外商投資項目核准和備案管理辦法》) which was effected on 17 June 2014 and amended on 27 December 2014, the Catalogue of Industries for Guiding Foreign

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Investment (《外商投資產業指導目錄》), Interim Measures for the Recordation Administration of the Formation and Modification of the Foreign-Funded Enterprises (《外商投資企業設立及變更備案管理暫行辦法》), which was effect on 8 October 2016 and revised on 30 July 2017 and other laws and regulations.

### **(b) Catalogue of Industries for Guiding Foreign Investment**

According to the Guidance of Direction of Foreign Investment Provisions (《指導外商投資方向規定》), the foreign-invested industries are divided into four categories, namely, the encouraged catalogue, the permitted catalogue, the restricted catalogue and the prohibited catalogue. The Catalogue of Industries for Guiding Foreign Investment (《外商投資產業指導目錄》) as amended from time to time involves the encouraged catalogue, the restricted catalogue and the prohibited catalogue, and it does not involve the permitted category. Foreign investors and foreign-invested enterprises in China are governed by the Catalogue of Industries for Guiding Foreign Investment.

### **(c) PRC Laws and Regulations Relating to Dividend Distribution**

The principal regulations governing distribution of dividends of foreign holding companies include the Company Law of the PRC (《中華人民共和國公司法》), and the Foreign Investment Enterprise Law of the PRC (《中華人民共和國外資企業法》), and its Implementation Rules (《中華人民共和國外資企業法實施細則》). Under the laws and regulations, foreign investment enterprises in China may pay dividends only out of their accumulated profits, if any, determined in accordance with PRC accounting standards and regulations. Foreign-invested enterprises shall make allocations to reserve funds and to bonus and welfare funds for their employees from their profits after paying income tax in accordance with China's tax laws, and such enterprises are required to allocate at least 10% of their respective accumulated after-tax profits each year, when the accumulated reserves reach 50% of the registered capital of the enterprises, allocation for further reserve may not be requested. These reserves can not be distributed as cash dividends. The foreign-invested enterprise can independently decides their allocation rates of bonus and welfare funds for their employees. Foreign investment enterprises shall not distribute any profits until the previous losses in the past fiscal years have been offset. Profits retained from prior fiscal years may be distributed together with the current distributable profits.

## **2. PRC LAWS AND REGULATIONS RELATING TO SAFE PRODUCTION**

According to the Law of the PRC on Safe Production (《中華人民共和國安全生產法》), effected on 1 November 2002 and amended on 27 August 2009 and 31 August 2014, a manufacturing enterprise must comply with the laws, rules and regulations related to safe production, strengthen the safety management, create and improve the safety production responsibility system, improve the conditions for safe production and promote the work safety standardisation so as to improve and ensure safe production. No production is allowed if such manufacturing enterprise has no such safe working conditions in place as required under the laws, rules and regulations.

### 3. PRC LAWS AND REGULATIONS RELATING TO PRODUCT QUALITY

#### (a) Compulsory product certification

According to the Regulations of PRC on Certification and Accreditation (《中華人民共和國認證認可條例》), effected on 1 November 2003 and amended on 13 January 2016, and the Provisions on the Administration of Compulsory Product Certification (《強制性產品認證管理規定》), issued on 3 July 2009 and effected on 1 September 2009, where relevant products are subject to compulsory certification as required for the purpose of protection of human life or safety, animal or plant life or health, and the environment, such products may be released from the manufacturer, marketed, imported or used for any commercial purposes only after they are certified accordingly and have certification mark displayed. With regard to products subject to compulsory certification, the State shall apply one product catalogue. The unitary product catalogue shall be formulated and adjusted by the certification and accreditation regulatory department of the State Council jointly with the relevant departments of the State Council, announced by the certification and accreditation regulatory department of the State Council, and implemented by the certification and accreditation regulatory department of the State Council jointly with relevant sides. Where a product listed in the catalogue, without certification, is released from the manufacturer, marketed, imported or used for any commercial purposes, shall be ordered correction, imposed a fine, confiscated the illegal income.

#### (b) Product Liability and Consumer Protection

According to the General Principles of the Civil Law of the PRC (《中華人民共和國民法通則》), effected on 1 January 1987 and amended on 27 August 2009, if any defective products sold cause any property losses or personal injuries to consumers, the producer and distributors should be liable for compensation.

According to the Product Quality Law of the PRC (《中華人民共和國產品質量法》), effected on 1 September 1993 and amended on 8 July 2000 and 27 August 2009, the earnings made by the producer and the distributors from sales of any defective products may be confiscated and the business license of such producer or distributors may be revoked; and if the case refers to a crime, the offender will be investigated for criminal responsibility according to the law.

The Law of the PRC on the Protection of the Rights and Interests of Consumers (《中華人民共和國消費者權益保護法》), effected on 1 January 1994 and amended on 27 August 2009 and 25 October 2013, is aimed to protect the legitimate rights and interests of consumers when such consumers purchase or use any goods or accept any services and all operators must comply with such law when they produce or sell any goods or provide any services to customers. A consumer has the right to be safe of person and property, and this right is guaranteed in purchasing or using a commodity or receiving a service and the consumer also has the right to be fully informed of the true facts concerning commodities purchased and used or services received. If any personal injuries or property losses are suffered as a result of any defective commodities, a consumer or other injured parties may require the seller or the producer to compensate. Where the responsibility lies in the producer' side, the seller, after settling the compensation, has the right to recover from the producer. Where the responsibility lies in the seller' side, the producer, after settling the compensation, has the right to recover such compensation from the seller.

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According to the Tort Law of the PRC (《中華人民共和國侵權責任法》), which was issued on 26 December 2009 and effected on 1 July 2010, a producer must be liable for losses caused to others as a result of any defective products and the injured parties may recover indemnifications from the producer or the seller for such losses. If any product defects originate from the negligence by the producer or any other third party, the seller may recover the amount equivalent to the amount of compensation from such producer or third party after such compensation has been paid; if any product defects originate from the negligence by the seller or any other third party, the producer may recover the amount equivalent to the amount of compensation from such seller or third party after such compensation has been paid. If a producer knows that the products are defective but continues to produce and sell, so that any death or severe damage to health is caused, the infringed party has the right to claim appropriate punitive damages.

#### 4. INTELLECTUAL PROPERTY

##### (a) Patent

According to the Patent Law of the PRC (《中華人民共和國專利法》), effected on 1 April 1985 and amended on 4 September 1992, 25 August 2000 and 27 December 2008, and its Implementing Regulations (《中華人民共和國專利法實施細則》), effected on 1 July 2001 and amended on 28 December 2002 and 30 December 2009, there are three kinds of patent: Patent for an invention, patent for utility models and design patent. The patent term for an invention is 20 years from the date when a patent application is submitted; the patent term for utility models or a design patent is 10 years from the date when a patent application is submitted. The patent is authorised by the State Intellectual Property Office and after approved, a patent certificate will be issued. Meanwhile, relevant records and announcements should be made. Such patent becomes effective after the State Intellectual Property Office makes an announcement of approval. If any persons or entities use such patent or do any other acts which infringe the patent rights without authorisation from the patent owners, such persons or entities will be liable to indemnify such patent owners and will be fined by administrative authorities or be investigated for criminal responsibility (depending upon the circumstances).

##### (b) Trademark

According to the Trademark Law of the PRC (《中華人民共和國商標法》), effected on 1 March 1983, and amended on 22 February 1993, 27 October 2001 and 30 August 2013, and its Implementation Regulations (《中華人民共和國商標法實施條例》), effected on 15 September 2002 and revised on 29 April 2014, the State Administration for Industry and Commerce of the PRC is responsible for the registration and administration of trademarks across the country. The term of a registered trademark is 10 years from the date on which it is registered and may be extended thereafter, with each extension for 10 years. If any persons or entities use such registered trademarks or do any other acts which infringe the rights to such trademarks without authorisation from the holders of such registered trademarks, such persons or entities will be liable to indemnify such trademark holders and will be fined by administrative authorities or be investigated for criminal responsibility (depending upon the circumstances).



### 5. PRC LAWS AND REGULATIONS RELATING TO TAXATION

#### (a) Value-Added Tax

According to the Provisional Regulations of the PRC on Value-Added Tax (《中華人民共和國增值稅暫行條例》), effected on 1 January 1994 and revised on 10 November 2008 and amended on 6 February 2016, and its implementation rules (《中華人民共和國增值稅暫行條例實施細則》) effected on 1 January 1994 and revised on 15 December 2008 and amended on 28 October 2011, except stipulated otherwise, the tax rate for value-added tax (“VAT”) payers who are selling or importing goods, and providing processing repairs and replaced services in the PRC shall be 17%.

According to the Notice of the Ministry of Finance of the PRC and the State Administration of Taxation on Implementing the Pilot Program of Replacing Business Tax with Value-Added Tax in an All-round Manner (《財政部、國家稅務總局關於全面推開營業稅改徵增值稅試點的通知》), issued on 23 March 2016 and effected on 1 May 2016, the entities and individuals that sell services, intangible assets or immovable properties within the territory of RPC are value-added tax payers, and shall pay value-added tax instead of business tax. The tax payer’s taxable activities shall be taxed in accordance with the provisions of the notice.

#### (b) Enterprise Income Tax

Under the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) (the “EIT Law”), which effected on 1 January 2008, and amended on 24 February 2017, and its Implementation Regulations (《中華人民共和國企業所得稅法實施條例》), which was issued on 6 December 2007 and became effective on 1 January 2008, resident enterprises are enterprises which are set up in China in accordance with law, or which are set up in accordance with the law of a foreign country (region) but which are actually under the administration of institutions in China; non-resident enterprises are enterprises which are set up in accordance with the law of a foreign country (region) and whose actual administrative institution is not in China, but which have institutions or establishments in China, or which have no such institutions or establishments but have income generated from inside China. A resident enterprise shall pay enterprise tax at the rate of 25%. A non-resident enterprise that has set up institutions or establishments in China shall pay tax at the rate of 25% on the income earned by its institutions or establishments from inside China and the income which is generated from outside China but which is actually relevant to the said institutions or establishments set up in China. Where a non-resident enterprise has not set up any institutions or establishments in China, or it has done so but the income it earns is not actually relevant to the said institutions or establishments, it shall pay tax at the rate of 10% on the portion of its income generated from inside China.



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According to the Announcement on Several Issues concerning the Enterprise Income Tax on Income from the Indirect Transfer of Assets by Non-Resident Enterprises (《國家稅務總局關於非居民企業間接轉讓財產企業所得稅若干問題的公告》), issued and effected on 3 February 2015, where a non-resident enterprise indirectly transfers equities and other assets of a Chinese resident enterprise to avoid its enterprise income tax payment obligation by making an arrangement not for any reasonable business purpose, such indirect transfer shall be redefined in nature and recognised as the direct transfer of equities and other assets of the Chinese resident enterprise in accordance with the provisions of Article 47 of the Enterprise Income Tax Law. A non-resident enterprise indirectly transferring Chinese taxable assets is referred to as the equity transferor. For the amount of income obtained by the equity transferor from its transfer of equities of an overseas enterprise and included in Chinese taxable assets, shall be subject to tax.

### 6. PRC LAWS AND REGULATIONS RELATING TO ENVIRONMENT PROTECTION

Pursuant to the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》) effected on 26 December 1989 and revised on 24 April 2014, the Ministry of Environment Protection is responsible for the overall supervision and management of the environment across the country and for the creation of the national environmental quality standards, pollution disposal standards and a system for the supervision of the environment in China. Provincial governments may create local environment quality standards if no provisions have been made in the national standards with respect to any pollutants disposal. A provincial government may create any local environmental quality standards stricter than the national environmental standards in respect of any environmental items and such local environmental quality standards shall be filed with the Ministry of the Environment Protection for record.

According to the Law of the PRC on Environmental Impact Assessment (《中華人民共和國環境影響評價法》) effected on 1 September 2003 and amended on 2 July 2016, the Regulations on the Administration of Construction Project Environmental Protection (《建設項目環境保護管理條例》), which was issued and effected on 29 November 1998 and revised on 16 July 2017 and effected on 1 October 2017 and the Classification Management Directory of the Construction Project Environmental Impact (《建設項目環境影響評價分類管理名錄》) issued on 9 April 2015 and effected on 1 June 2015, classification management is implemented in respect of any environmental impact of a construction project on the basis of degree of such impact of the construction project on the environment. The environmental impact assessment of the construction project should be made by a qualified institution by preparing an environmental impact report, an environmental impact report form or an environmental impact registration form on the basis of the following principles: (i) an environmental impact report shall be prepared to assess such environmental impact in an overall manner if a construction project may have a material environmental impact; (ii) an environmental report form shall be prepared to analyse or assess in respect of a special item which will produce an environmental impact if a construction project may have a minor environmental impact; (iii) no environmental impact assessment is required if a construction project has a minimum environmental impact, but an environmental impact registration form shall be completed. No construction project can commence before the environmental impact assessment documents for the construction project have been approved by the relevant competent environmental authorities. Upon completion of a construction project for which an environment impact report or environment impact statement is compiled, the construction unit shall conduct acceptance inspection of the complementary environmental protection facilities pursuant to the standards and procedures stipulated by the environmental protection administrative authorities of the State Council, and compiled the acceptance inspection report. If a construction project is built, put into production or used by stages, the corresponding environment-protected facilities shall also be inspected and accepted by stages.

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## REGULATORY OVERVIEW

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According to the Environment Protection Law of the PRC (《中華人民共和國環境保護法》), the Law of the PRC on Prevention and Treatment of Water Pollution (《中華人民共和國水污染防治法》) effected on 1 November 1984 and amended on 15 May 1996 and revised on 28 February 2008, the Implementation Rules of the Water Pollution Prevention and Treatment Law of the PRC (《中華人民共和國水污染防治法實施細則》) issued and effected on 20 March 2000, the Law of the PRC on the Prevention and Treatment of Environmental Pollution of Solid Waste (《中華人民共和國固體廢物污染環境防治法》) effected on 1 April 1996, revised on 29 December 2004, amended on 29 June 2013, 24 April 2015 and 7 November 2016, the Law of the PRC on the Prevention and Treatment of Atmospheric Pollution (《中華人民共和國大氣污染防治法》) effected on 1 June 1988, amended on 29 August 1995, revised on 29 April 2000 and 29 August 2015, the Law of the PRC on Prevention and Treatment of Pollution From Environmental Noise (《中華人民共和國環境噪聲污染防治法》) issued on 29 October 1996 and effected on 1 March 1997, every facility which is used to prevent and treat pollution for a construction project shall be at the same time designed, constructed and used with the main part of a project. Such prevention and treatment facilities must be in compliance with the requirements in the environmental evaluation documents approved and such facilities must not be removed or kept idle. In order to dispose the pollutants, enterprises shall obtain pollution licenses and must report to and record with the administrative environmental protection authorities in respect of any pollutant discharge. Such enterprise must comply with the national and local discharge standards in its daily operations in respect of water pollutants, solid waste, exhaust gas, noise and other pollutants.

### **7. PRC LAWS AND REGULATIONS RELATING TO LABOUR PROTECTION AND SOCIAL INSURANCE**

According to the Labour Law of the PRC (《中華人民共和國勞動法》) effected on 1 January 1995 and amended on 27 August 2009, the Labour Contract Law of the PRC (《中華人民共和國勞動合同法》) effected on 1 January 2008 and amended on 28 December 2012 and the Regulations on the Implementation of the Labour Contract Law of the PRC (《中華人民共和國勞動合同法實施條例》), which was issued and became effective on 18 September 2008, an employer must enter into a written labour contract with any employees and the wage or salary must not be lower than the local minimum wage or salary. In addition, an employer must create a system related to occupational health and safety, provide job training for employees to avoid occupational hazards and protect the rights of employees. When an employer hires any employee, such employer must inform the employee of the work content, work conditions, work place, occupational hazards, safety conditions and Labour compensations.

According to the Law of the PRC on Safe Production (《中華人民共和國安全生產法》), the manufacturing enterprise must enter into a labour contract with its employees, in which all matters related to protection of labour safety for the employees and other matters with respect to work-injury insurance handled by the manufacturing enterprise according to the law shall be included.

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## REGULATORY OVERVIEW

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According to the Social Insurance Law of the PRC (《中華人民共和國社會保險法》), which was issued on 28 October 2010 and effected on 1 July 2011, the Provisional Regulations on Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》), which was issued and effected on 22 January 1999, the Provisional Measures on Maternity Insurance of Enterprise Employees (《企業職工生育保險試行辦法》), issued on 14 December 1994 and effected 1 January 1995, the Regulations on Unemployment Insurance (《失業保險條例》), which was issued and effective on 22 January 1999, and the Regulations on Work Related Injuries (《工傷保險條例》), effected on 1 January 2004 and revised on 20 December 2010, an employer must make contributions to a number of social security funds for its employees, including the basic pension insurance, basic medical insurance, maternity insurance, unemployment insurance and work-related injury insurance.

According to the Regulations on Management of Housing Provident Fund (《住房公積金管理條例》), effected on 3 April 1999 and revised on 24 March 2002, an employer must open a housing fund account with the department responsible for the management of housing fund for its employees and make contributions to such housing fund.

### **8. PRC LAWS AND REGULATIONS RELATION TO THE FOREIGN EXCHANGE CONTROL**

Renminbi is the legal currency of the PRC and is not freely convertible due to foreign currency control. The State Administration of Foreign Exchange of the PRC is responsible for all matters related to foreign exchange, including the implementation of foreign exchange control regulations.

According to the Notice of the People's Bank of China on Issuing the Provisions on the Settlement and Sale of and Payment in Foreign Exchange (《中國人民銀行關於印發〈結匯、售匯及付匯管理規定〉的通知》), which was issued on 20 June 1996 and became effective on 1 July 1996, for foreign exchange derived from current account transactions for enterprises with foreign investment, they may open foreign exchange settlement accounts at the banks involved in foreign exchange business at their own discretion in their place of incorporation subject to approval.

According to the Regulations of the PRC on Foreign Exchange Administration (《中華人民共和國外匯管理條例》), effected on 1 April 1996, revised on 14 January 1997 and 1 August 2008, every foreign exchange income under the current account may be kept or sold to a financial institution which operates foreign exchange settlement or selling business. Approval is required from the administration of foreign exchange if any foreign exchange income under capital accounts is to be kept or sold to a financial institution which operates foreign exchange settlement or selling business, unless the state regulations provide that no approval is required.

The Notice on Further Improving and Adjusting Foreign Administration Policies for Foreign Direct Investment (《關於進一步改進和調整直接投資外匯管理政策的通知》), effected on 17 December 2012, and amended on 4 May 2015, simplified the procedure of approval. Approval from the State Administration of Foreign Exchange of the PRC is no longer required for the opening of a foreign exchange account or the entry of any amount in the foreign exchange accounts under direct investment. Accordingly, based on the client's request, the chosen bank can open the account for this client according to the information registered in the relevant system of the State Administration of Foreign Exchange of the PRC.

### 9. CUSTOMS REGISTRATION

According to the Provisions of the Customs of PRC on the Administration of Registration of Declaration Entities (《中華人民共和國海關報關單位註冊登記管理規定》), issued and effected on 13 March 2014, the registration of customs declaration entities includes the registration of declaration enterprises and the registration of the consignees or consignors of imported/exported goods. The declaration enterprise may not provide customs declaration services until it has obtained a registration license from the local customs office directly under the General Administration of Customs or a subordinate customs office authorised by it. The consignee or consignor of imported/exported goods may directly go through the registration procedure at the local customs office. Declaration entities shall obtain the Registration Certification of Customs Declaration (《中華人民共和國海關報關單位註冊登記證書》) after approved by the Customs. Unless as otherwise prescribed by customs rules, the Registration Certification of Customs Declaration of the consignee or consignor of imported/exported goods shall be valid for unlimited period. Moreover the customs declaration entity shall submit the Annual Report on the Registration Information of Customs Declaration Entities to the customs office at its place of registration before June 30 of each year.

### 10. LAWS AND REGULATIONS RELATING TO THE REAL ESTATE

According to the Land Administration Law of the PRC (《中華人民共和國土地管理法》), effected on 1 January 1987, amended on 29 December 1988, revised on 29 August 1998 and amended on 28 August 2004, and its Implementation Regulations (《中華人民共和國土地管理實施條例》), effected on 1 January 1999, and amended on 8 January 2011 and 9 July 2014, the ownership of land, the right of use of land, the overall plans for land utilisation, the protection of cultivated land, land to be used for construction shall comply with those laws and regulations.

According to the Law of the PRC on the Administration of the Urban Real Estate (《中華人民共和國城市房地產管理法》), effected on 1 January 1995 and amended on 30 August 2007 and 27 August 2009, obtaining the land-use right for development of real estate, engaging in development of real estate and transaction of real estate, and exercising administration of real estate in the State-owned land within a planned urban district in the PRC shall comply with this Law.

According to the Administrative Measures for Commodity House Leasing (《商品房屋租賃管理辦法》), issued on 1 December 2010 and effected on 1 February 2011, house leasing shall be conducted under the principles of equality, free will, legality, honesty and good faith. A lease contract shall be registered with local competent department of real estate within 30 days after the lease contract is entered into.

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## HISTORY, REORGANISATION AND GROUP STRUCTURE

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### OVERVIEW

Our Group's history can be traced back to 1992. On 25 August 1992, Mr. MK Wan (through Ready System Engineering), Mr. CK Wun and Mr. KW Leung, with their personal resources, together with an Independent Third Party, set up Ready Electrical Metal and began the business of manufacturing and supply of low-voltage electrical power distribution and control devices. Ready Electrical Metal was then owned as to 40% by Ready System Engineering, as to 35% by an Independent Third Party, as to 17.5% by Mr. CK Wun and as to 7.5% by Mr. KW Leung, while Ready System Engineering was then owned as to 80% by Mr. MK Wan and as to 20% by an Independent Third Party.

In 1993, GZ Quanda was established in the PRC by Ready Electrical Metal to facilitate the manufacturing of our products to our customers.

In 1998, the aforesaid two shareholders of Ready Electrical Metal and Ready System Engineering, both Independent Third Parties, left our Group. In the same year, Mr. CW Wun, with his personal resources, through Ready System Engineering, invested in and joined our Group. Later in the same year, Mr. MK Wan and Mr. CW Wun changed their holding vehicle of Ready Electrical Metal from Ready System Engineering to Ready Engineering. Further, another Independent Third Party also joined our Group by investing in Ready Electrical Metal during same year. After these shareholding changes in 1998, Ready Electrical Metal was then owned as to 40% by Ready Engineering, as to 40% by Mr. CK Wun, as to 15% by Mr. KW Leung and as to 5% by an Independent Third Party, while Ready Engineering was then owned as to 70% by Mr. MK Wan, as to 10% by Mr. CW Wun, and the remaining by two Independent Third Parties.

In 2007, Ready Enterprise (China) was established and owned by Ready Engineering, Mr. MK Wan and two Independent Third Parties in equal shares of 25% each.

In 2010, the aforesaid two shareholders of Ready Enterprise (China), both Independent Third Parties, left our Group and we also carried out a group restructuring. After that, Ready Enterprise (China) was owned as to 60% by Ready Engineering and as to 40% by Ready Electrical Metal. In the same year 2010, the aforesaid two shareholders of Ready Engineering, both Independent Third Parties, left our Group and Mr. Ko Chi Chung and Mr. CK Yu, both Independent Third Parties, joined our Group by acquiring the shares of Ready Engineering. After that, Ready Engineering was then owned as to 70% by Mr. MK Wan, as to 24% by Mr. CW Wun, as to 3% by Mr. Ko Chi Chung and as to 3% by Mr. CK Yu.

In 2011, DG Quanda was established in the PRC by Ready Enterprise (China) to facilitate the manufacturing of our products to our customers. DG Quanda also acquired a factory in Dongguan City, Guangdong Province, the PRC in the same year.

In 2015, the aforesaid shareholder of Ready Electrical Metal, an Independent Third Party, left our Group. Later in the same year, Mr. Ko Chi Chung also left our Group. After that, Ready Electrical Metal was owned as to 45% by Ready Engineering, 40% by Mr. CK Wun and 15% by Mr. KW Leung, while Ready Engineering was then owned as to 73% by Mr. MK Wan, as to 24% by Mr. CW Wun and as to 3% by Mr. CK Yu.

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## HISTORY, REORGANISATION AND GROUP STRUCTURE

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Our Group operates our business through Ready Electrical Metal, Ready Enterprise (China), GZ Quanda and DG Quanda, which are indirect wholly-owned subsidiaries of our Company. Over the years, we have built up our reputation as a renowned manufacturer and supplier of low-voltage electrical power distribution and control devices in Hong Kong, Macau and the PRC. For details of our major qualifications and licences, please refer to the paragraph headed “Business – Major qualifications and licences” in this prospectus.

### Business milestones

Set forth below is an overview of the key business milestones in the history of our Group:

- |      |  |
|------|--|
| 1992 | Ready Electrical Metal was incorporated and commenced business in the manufacturing and supply of low-voltage electrical power distribution and control devices.   |
| 1993 | GZ Quanda was incorporated in the PRC.   |
| 1999 | We supplied our products for a railway station in Kowloon, Hong Kong with contract sum of approximately HK\$8 million.   |
| 2001 | We supplied our products for a railway station in the New Territories, Hong Kong with contract sum of approximately HK\$2 million.<br><br>Our design, supply, manufacturing and installation of low-voltage switchboards, motor control centres and motor control panels have been assessed and certified as meeting the requirements of ISO 9001:2000 quality management system standard. |
| 2003 | We supplied our products for a sewage treatment plant in Lantau Island, Hong Kong with contract sum of approximately HK\$3 million.  |
| 2007 | Ready Enterprise (China) was incorporated.   |
| 2010 | We acquired a warehouse situated at Unit 5 on 4/F, Chai Wan Industrial City Phase II, No.70 Wing Tai Road, Hong Kong with saleable floor area of approximately 1,100 sq. ft.   |
| 2011 | DG Quanda was incorporated in the PRC.<br><br>We acquired the DG Quanda Factory situated at Wangdong Village, Wangniudun Town, Dongguan City, Guangdong Province, the PRC with gross floor area of production factory at approximately 14,000 sq. m. and staff dormitory at approximately 5,200 sq. m.   |
| 2013 | We supplied our products for an airport in Hong Kong with contract sum of approximately HK\$16 million.  |



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## HISTORY, REORGANISATION AND GROUP STRUCTURE

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2017 We relocated the GZ Quanda Factory to Da Long Street, Panyu District, Guangzhou City, Guangdong Province, the PRC with gross floor area for factory of approximately 1,200 sq. m.

### **Our corporate history**

Our Group comprises our Company, REM Capital, Ready Electrical Metal, Ready Enterprise (China), GZ Quanda and DG Quanda. Particulars of each Group member are set out below.

#### *Our Company*

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law on 15 March 2017 in anticipation of the Listing. Upon incorporation, the authorised share capital of our Company was HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each. One subscriber Share was allotted and issued as fully paid to the first subscriber, an Independent Third Party on 15 March 2017, which was subsequently transferred to WANs Limited on the same day at par. On 26 May 2017, our Company allotted and issued an aggregate of 8,513 Shares to WANs Limited, 1,333 Shares to REM Enterprises and 153 Shares to REM Limited, credited as fully paid as consideration for acquisition of 10,000 shares in REM Capital. On 28 June 2017, Unique Best acquired 8,514 Shares, 1,333 Shares, 153 Shares from WANs Limited, REM Enterprises and REM Limited, respectively and allotted and issued an aggregate of 8,514 shares in Unique Best, where (i) 1,333 shares were allotted and issued from Unique Best to REM Enterprises, all credited as fully paid and (ii) 153 shares were allotted and issued from Unique Best to REM Limited, all credited as fully paid, as consideration of 10,000 Shares. Immediately after the acquisition by Unique Best and as at the Latest Practicable Date, our Company was wholly-owned by Unique Best.

Our Company was registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 2 May 2017.

#### *REM Capital*

REM Capital was incorporated in the BVI with limited liability on 7 November 2016. It is an investment holding company and serves as an intermediate offshore holding company for holding interests of our operating subsidiaries as part of our Reorganisation. Upon its incorporation, the authorised share capital of REM Capital was US\$50,000 divided into 50,000 shares of US\$1.00 each. Upon incorporation, one share was allotted and issued as fully paid at par to Mr. MK Wan. This share was subsequently transferred to WANs Limited at par on 14 February 2017.

#### *Ready Electrical Metal*

Ready Electrical Metal was incorporated with limited liability in Hong Kong on 25 August 1992 with an authorised share capital of HK\$1,000,000 divided into 10,000 ordinary shares of HK\$100 each. It principally engages in the sales of low-voltage electrical power distribution and control devices.

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## HISTORY, REORGANISATION AND GROUP STRUCTURE

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As at 1 January 2015, being the commencement date of the Track Record Period, Ready Electrical Metal had 15,000 shares in issue, which were owned as to 6,250 shares by Ready Engineering, as to 6,000 shares by Mr. CK Wun, as to 2,250 shares by Mr. KW Leung and 500 shares by an Independent Third Party.

On 14 August 2015, 500 shares were transferred from the aforesaid Independent Third Party to Ready Engineering for a consideration of HK\$500,000.

Immediately prior to the Reorganisation, Ready Electrical Metal was owned by Ready Engineering, Mr. CK Wun, and Mr. KW Leung as to 45%, 40% and 15%, respectively.

### *Ready Enterprise (China)*

Ready Enterprise (China) was incorporated with limited liability in Hong Kong on 28 June 2007 with an authorised share capital of HK\$100,000 divided into 100,000 ordinary shares of HK\$1.00 each. Ready Enterprise (China) is an investment holding company.

From 1 January 2015, being the commencement date of the Track Record Period, up to immediately prior to the Reorganisation, Ready Enterprise (China) was owned by Ready Engineering and Ready Electrical Metal as to 60% and 40%, respectively.

### *GZ Quanda*

GZ Quanda was incorporated in the PRC on 22 October 1993 as a limited company with registered capital of HK\$8,000,000. The entire equity interest of GZ Quanda has been owned by Ready Electrical Metal since incorporation. GZ Quanda principally engages in the manufacturing and sales of low-voltage electrical power distribution and control devices.

### *DG Quanda*

DG Quanda was incorporated in the PRC on 17 January 2011 as a limited company with registered capital of HK\$30,000,000. The entire equity interest of DG Quanda has been owned by Ready Enterprise (China) since incorporation. DG Quanda principally engages in the manufacturing of low-voltage electrical power distribution and control devices.

## **EXCLUDED BUSINESSES**

In preparation for the Listing, our Group underwent the Reorganisation, pursuant to which our Company became the holding company of our core business, namely, the manufacturing and supply of low-voltage electrical power distribution and control devices. Various non-core businesses which Mr. MK Wan and Mr. CW Wun, our Controlling Shareholders, are interested in and operated through Ready Engineering or SEM Enterprises are excluded from our Group.



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## HISTORY, REORGANISATION AND GROUP STRUCTURE

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From 1 January 2015, being the commencement date of the Track Record Period, up to immediately prior to the Reorganisation, Ready Engineering was the largest shareholder of both Ready Electrical Metal and Ready Enterprise (China). Particulars of Ready Engineering are set out below:

### *Ready Engineering*

Ready Engineering, was incorporated with limited liability in Hong Kong on 18 December 1987 with an authorised share capital of HK\$10,000 divided into 10,000 ordinary shares of HK\$1.00 each. Ready Engineering is an investment holding company.

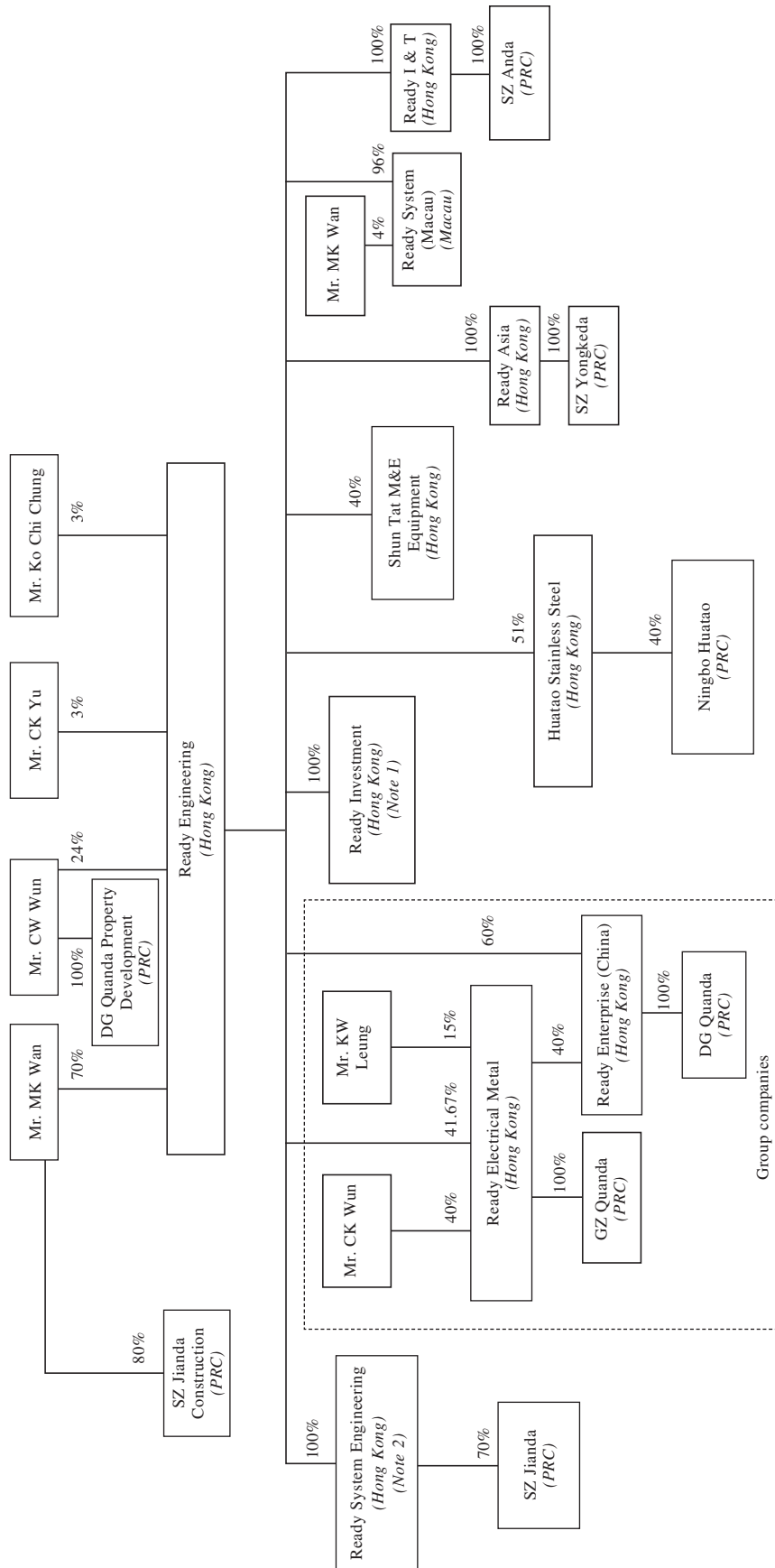
As at 1 January 2015, being the commencement date of the Track Record Period, Ready Engineering had 10,000 shares in issue, which were owned as to 70% by Mr. MK Wan, 24% by Mr. CW Wun, and 3% by each of Mr. Ko Chi Chung (an Independent Third Party), and Mr. CK Yu (an Independent Third Party).

On 20 October 2015, Mr. Ko Chi Chung transferred 300 shares in Ready Engineering to Mr. MK Wan for a consideration of HK\$2.5 million, which was determined based on the then net asset values of Ready Engineering plus a mark-up as agreed between Mr. MK Wan and Mr. Ko Chi Chung.

On 29 March 2016, 990,000 shares in Ready Engineering were allotted to Metro Linkage, representing 99% of the enlarged issued share capital of Ready Engineering. Upon completion of the allotment, the share capital of Ready Engineering increased to HK\$1 million divided into 1 million shares. Metro Linkage was incorporated in the BVI with limited liability on 18 January 2016. 7,300 shares, 2,400 shares and 300 shares, representing 73%, 24% and 3% of the issued share capital of Metro Linkage, were allotted to Mr. MK Wan, Mr. CW Wun and Mr. CK Yu, respectively, on 22 March 2016. Immediately after Ready Engineering's allotment on 29 March 2016, Ready Engineering was beneficially owned as to 73%, 24% and 3% by Mr. MK Wan, Mr. CW Wun and Mr. CK Yu, respectively.

# HISTORY, REORGANISATION AND GROUP STRUCTURE

Set out below is a simplified corporate chart showing our Group companies and the Excluded Businesses as at 1 January 2015:

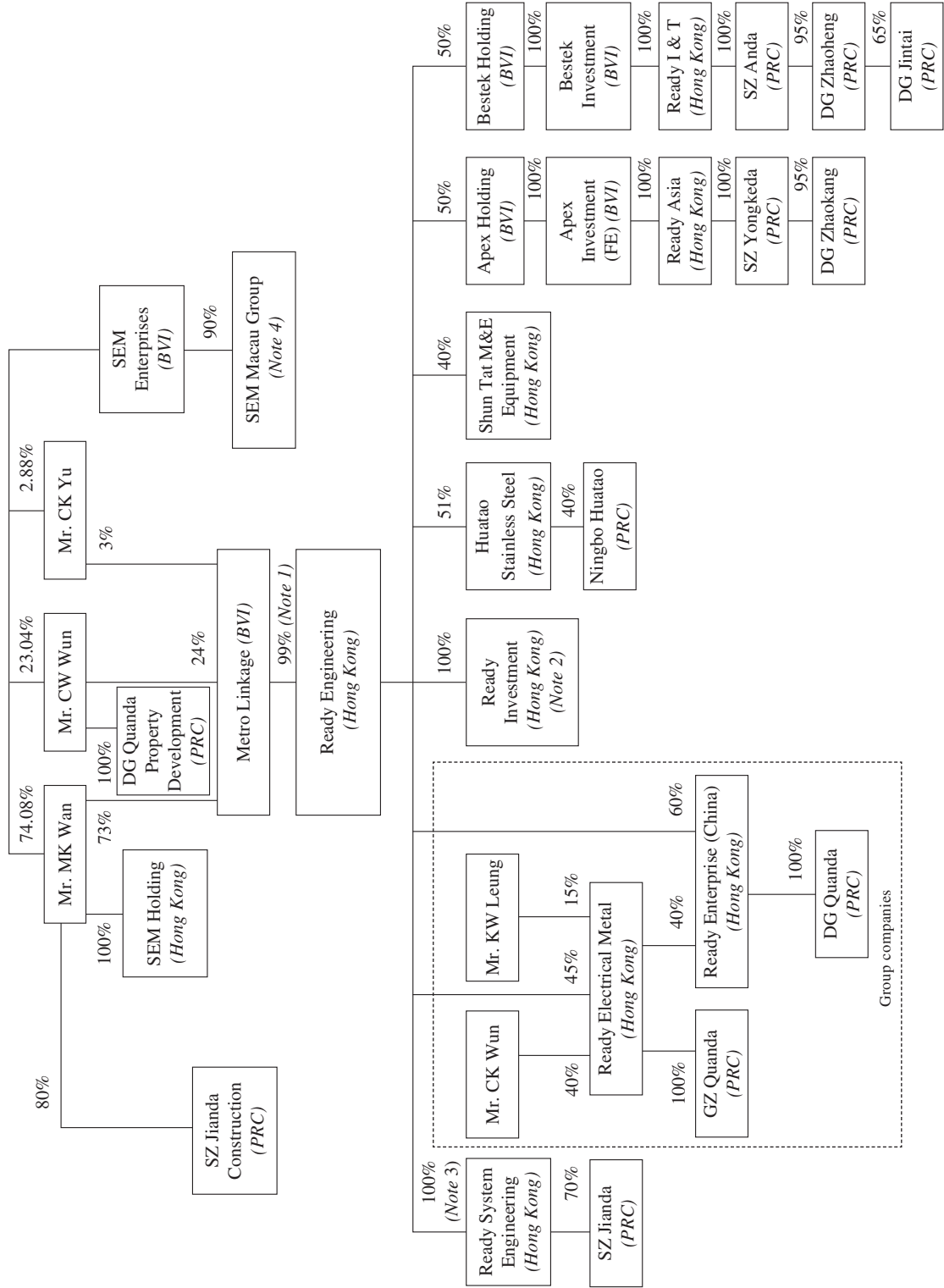


Notes:

1. Ready Investment has been a dormant company since 8 November 2013
2. Mr. MK Wun then held one share of Ready System Engineering as trustee for Ready Engineering among the then 4,100,000 issued shares.

# HISTORY, REORGANISATION AND GROUP STRUCTURE

Set out below is a simplified corporate chart showing our Group companies and the Excluded Businesses immediately prior to the Reorganisation:



## HISTORY, REORGANISATION AND GROUP STRUCTURE

*Notes:*

1. Ready Engineering is owned as to 99% by Metro Linkage, 0.73% by Mr. MK Wan, 0.24% by Mr. CW Wun, 0.03% by Mr. CK Yu.
2. Ready Investment has been a dormant company since 8 November 2013.
3. Immediately prior to the Reorganisation, Mr. MK Wan then held one share of Ready System Engineering as trustee for Ready Engineering among the then 4,100,000 issued shares. As at 14 February 2017, 5% and 95% of the issued share capital of Ready System Engineering was held by Mr. MK Wan and an Independent Third Party, respectively.
4. The SEM Macau Group principally engages as a contractor providing electrical and mechanical engineering services in Macau on project basis.

Set out below is a table showing the particulars of our Group's operating subsidiaries and the Excluded Group:

Name of the company	Principal businesses	Involvement in the management of the company by our Directors and Controlling Shareholders
<i>Companies of our Group</i>		
1. Ready Electrical Metal	Sales of low-voltage electrical power distribution and control devices	Mr. KW Leung and Mr. MK Wan are the directors
2. Ready Enterprise (China)	Investment holding	Mr. KW Leung, Mr. MK Wan and Ms. Wun Tsz Ying (尹芷瑩) (“ <b>Ms. WUN Tsz Ying</b> ”), the daughter of Mr. CK Wun and niece of Mr. MK Wan and Mr. CW Wun, are the directors
3. DG Quanda	Manufacturing of low-voltage electrical power distribution and control devices	Mr. KW Leung, Mr. MK Wan and Ms. Wun Tsz Ying are the directors, and Mr. MK Wan is the legal representative
4. GZ Quanda	Manufacturing and sales of low-voltage electrical power distribution and control devices	Mr. KW Leung, Mr. MK Wan and Ms. Wun Tsz Ying are the directors, and Mr. MK Wan is the legal representative
<i>Excluded Group</i>		
5. Ready System Engineering <sup>(Note)</sup>	Contractor for mechanical and electrical engineering work and installation work in Hong Kong and provides administrative services for Ready Engineering and its subsidiaries	Mr. MK Wan and Mr. CW Wun were two of the directors during the Track Record Period. Both Mr. MK Wan and Mr. CW Wun ceased to be directors upon the disposal of Ready System Engineering on 14 February 2017. Ms. Wan Kit Yee Ann (尹潔儀) (“ <b>Ms. Ann Wan</b> ”), cousin of Mr. MK Wan, Mr. CW Wun and Mr. CK Wun, and sister of Mrs. Kan, is one of the directors

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## HISTORY, REORGANISATION AND GROUP STRUCTURE

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Name of the company	Principal businesses	Involvement in the management of the company by our Directors and Controlling Shareholders
6. SZ Jianda <sup>(Note)</sup>	Trading of mechanical and electrical machineries and equipment, building materials, metal hardwares and related technical development and consultancy services	Mr. MK Wan was one of the directors and the vice chief executive director during the Track Record Period. He ceased to be directors and vice chief executive director upon the disposal of Ready System Engineering on 14 February 2017. Ms. Ann Wan is one of the directors
7. Ready Investment	Ready Investment has been dormant since 8 November 2013	Each of Mr. MK Wan and Mr. CW Wun was one of the directors during the Track Record Period. Both of them ceased to be directors on 7 May 2016. Ms. Ann Wan is one of the directors
8. Huatao Stainless Steel	Investment holding	Mr. MK Wan was a director during the Track Record Period. He ceased to be a director on 7 May 2016. Ms. Wun Tsz Ying is one of the directors
9. Ningbo Huatao	Manufacturing and sales of stainless steel pipes and related products	Nil
10. Shun Tat M&E Equipment	Trading of cable tray, trunking and conduits for electrical cables and wires	Mr. MK Wan was one of the directors during the Track Record Period. He ceased to be a director on 7 May 2016. Ms. Ann Wan is one of the directors
11. Apex Holding	Investment holding	Mr. MK Wan is one of the directors
12. Apex Investment (FE)	Investment holding	Mr. MK Wan is one of the directors
13. Ready Asia	Investment holding	Mr. MK Wan is the sole director
14. SZ Yongkeda	Trading of building materials, metal hardwares and mechanical and electrical products and equipment	Mr. MK Wan is the sole director and the legal representative

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## HISTORY, REORGANISATION AND GROUP STRUCTURE

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Name of the company	Principal businesses	Involvement in the management of the company by our Directors and Controlling Shareholders
15. DG Zhaokang	No active business	Nil
16. Bestek Holding	Investment holding	Mr. MK Wan is one of the directors
17. Bestek Investment	Investment holding	Mr. MK Wan is one of the directors
18. Ready I & T	Investment holding	Mr. MK Wan is the sole director
19. SZ Anda	Investment holding and trading of building materials, metal hardwares and mechanical and electrical products and equipment	Mr. MK Wan is the sole director and the legal representative
20. DG Zhaoheng	Investment holding and sales of building materials, metal hardwares and electrical products	Nil
21. DG Jintai	Property development	Mr. MK Wan is the legal representative and one of the directors
22. Ready Engineering	Investment holding	Mr. MK Wan and Mr. CW Wun are the directors
23. SEM Enterprises	Investment holding	Mr. MK Wan and Mr. CW Wun are the directors
24. SEM Holdings	Investment holding	Mr. MK Wan is an executive director, Mr. CW Wun is a non-executive director, and Mrs. Kan is a non-executive director
25. SEM Holding	Dormant	Mr. MK Wan is the sole director
26. SEM Investments	Investment holding	Mr. MK Wan and Mr. CW Wun are the directors
27. SEM Development	Investment holding	Mr. MK Wan and Mr. CW Wun are the directors
28. SEM Resources	Providing technical and administrative support to the SEM Macau Group	Each of Mr. MK Wan and Mr. CW Wun is one of the directors

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## HISTORY, REORGANISATION AND GROUP STRUCTURE

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Name of the company	Principal businesses	Involvement in the management of the company by our Directors and Controlling Shareholders
29. Ready System (Macau)	Contractor providing electrical and mechanical engineering services in Macau on project basis	Mr. MK Wan is one of the directors
30. Metro Linkage	Investment holding	Mr. MK Wan and Mr. CW Wun are the directors
31. SZ Jianda Construction	Providing building construction, fire fighting facilities, building decoration works, mechanical and electrical equipment installation, engineering contracting, construction, mechanical and electrical technical advisory services	Mr. CW Wun is one of directors and is the legal representative
32. DG Quanda Property Development	Providing property development and related consulting services, property management and housing leasing, indoor and outdoor decoration and design, domestic advertising installation, design, and publishing domestic advertising, trading in clothing, cosmetics, handicrafts, leather, and other chemical products	Ms. Ann Wan is sole director and legal representative

*Note:* Immediately prior to the disposal on 14 February 2017, Ready System Engineering was legally held by Ready Engineering and Mr. MK Wan (as trustee for Ready Engineering) as to 4,099,999 shares and one share, respectively. As such, Ready Engineering was the then beneficial owner of the entire issued share capital of Ready System Engineering. On 14 February 2017, Ready Engineering transferred its beneficial interest in 3,895,000 and 205,000 shares in Ready System Engineering (representing 95% and 5% of the issued share capital of Ready System Engineering, respectively) to an Independent Third Party, and Mr. MK Wan, respectively, at a consideration of HK\$40,300,000 and HK\$205,000, respectively. Immediately after the disposal on 14 February 2017, Ready System Engineering was owned by the Independent Third Party and Mr. MK Wan as to 95% and 5%, respectively. After the disposal, Ready Engineering ceased to hold any interest in Ready System Engineering and SZ Jianda.

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## HISTORY, REORGANISATION AND GROUP STRUCTURE

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### Reasons for excluding the Excluded Businesses from our Group

As set out in the paragraph headed “Excluded Businesses” in this section, the Excluded Businesses can be principally categorised as follows:

- (i) contractor for mechanical and electrical engineering work and installation work and provision of electrical and mechanical engineering services in Macau, building construction, fire fighting facilities and building decoration work, construction, mechanical and electrical technical advisory services;
- (ii) trading of mechanical and electrical machineries, equipment, building materials and metal hardwares;
- (iii) trading and sales of building materials, mechanical and electrical products and equipment, metal hardwares and related products;
- (iv) manufacturing and sales of stainless steel pipes, and related products;
- (v) trading of cable tray, trunking and conduits for electrical cables and wires;
- (vi) provision of technical and administrative support;
- (vii) investment holding companies; and
- (viii) provision of property development and related consulting services, property management, housing leasing and other related services.

The core business of our Group is the manufacturing and supply of low-voltage electrical power distribution and control devices in Hong Kong, the PRC and Macau. The Excluded Businesses are excluded from our Group because our core businesses and the Excluded Businesses have different growth paths, different business strategies and different risk profiles. The business models of our Group and that of the Excluded Businesses are different. The purpose of the Reorganisation is to allow future investors to participate, through the Share Offer, in our Group’s core business of the manufacturing and supply of low-voltage electrical power distribution and control devices. Our Directors consider that a listing of our Group without the Excluded Businesses will give a clear focus to investors. The exclusion of the Excluded Businesses from our Group will also enable our Group and our management team to focus our resources and attention to develop and realise the full potential of our core business. Our Directors consider that there is no direct and significant competition between the core business of our Group and the core business of the Excluded Group and any potential competition between our Group and the Excluded Group would be minimal and could be closely monitored as each of our Controlling Shareholders has entered into the Deed of Non-competition with our Company and adequate corporate governance measures are in place in order to protect the interests of our minority Shareholders. For details, please refer to the section headed “Relationship with our Controlling Shareholders” in this prospectus.



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## HISTORY, REORGANISATION AND GROUP STRUCTURE

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### **Financial and operational independence**

Taking into consideration the following factors, our Directors confirm that we can conduct our business independently from the Excluded Group.

Save for that Mr. MK Wan and Mrs. Kan are directors or legal representatives of certain members of the Excluded Group as set out above, there is no overlapping of the directors and senior management of the Excluded Group and that of our Group. Despite the directorship or the role of legal representatives of Mr. MK Wan and Mrs. Kan in certain members of the Excluded Group, the daily operations of the Excluded Group are managed independently of our Group by separate management teams. In terms of operations, our Group has its own engineering, procurement and production teams. The production facilities and offices of our Group and the Excluded Group also situate in separate locations.

Our Group has its own capabilities and personnel to perform all of its essential administrative functions, including financial and accounting management, human resources and invoicing, without requiring the support of the Excluded Group. Our Directors confirm that there is no sharing of resources and administrative staff between our Group and the Excluded Group. For further details, please refer to the paragraph headed “Relationship with our Controlling Shareholders – Excluded Businesses – Business delineation between the Excluded Group and our Group” in this prospectus.

Our Directors confirm that, to the best of their knowledge, each member of the Excluded Group did not involve in any material litigations, or any material or systemic non-compliances from 1 January 2015 (the commencement date of the Track Record Period) to 14 February 2017 (the date on which Ready Electrical Metal and Ready Enterprise (China) were acquired by REM Capital and the Excluded Group separated from our Group).

Based on the audited accounts or unaudited management accounts of each member of the Excluded Group and our Group, for the three years ended 31 December 2017 they in aggregate generated net profit of approximately HK\$53.3 million, HK\$52.9 million and HK\$58.9 million, respectively. Had these companies of the Excluded Group been included in our Group and their financial information been included in the financial information of our Group, our Group would have recorded higher net profit. In the opinion of our Directors, the exclusion of the Excluded Businesses from our Group will not affect our compliance with the requirements set out in Rule 8.05 of the Listing Rules. Our Directors confirm that during each of the three years ended 31 December 2017, the Excluded Group was overall profitable, and therefore inclusion of these companies into our Group would not affect our compliance with the minimum profit requirement under Rule 8.05 of the Listing Rules.

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## HISTORY, REORGANISATION AND GROUP STRUCTURE

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### REORGANISATION

In preparation for the Listing, our Group underwent the Reorganisation, which involved the following steps:

#### (A) Incorporation of overseas holding companies

##### (1) *Incorporation of WANs Limited*

WANs Limited was incorporated in the BVI with limited liability on 7 February 2017 with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1.00 each, of which 4,385 shares, 1,441 shares and 4,174 of WANs Limited were allotted and issued fully paid at par to Mr. MK Wan, Mr. CW Wun and Mr. CK Wun, respectively upon incorporation. As a result, Mr. MK Wan, Mr. CW Wun and Mr. CK Wun were the shareholders of WANs Limited, holding 43.85%, 14.41% and 41.74% of the shares in WANs Limited, respectively. WANs Limited principally engages in investment holding and became a Controlling Shareholder of our Company upon completion of the Reorganisation.

##### (2) *Incorporation of REM Enterprises*

REM Enterprises was incorporated in the BVI with limited liability on 7 November 2016 with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1.00 each, of which one share of REM Enterprises was allotted and issued fully paid at par to Mr. KW Leung upon incorporation.

##### (3) *Incorporation of REM Limited*

REM Limited was incorporated in the BVI with limited liability on 18 January 2017 with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1.00 each, of which one share of REM Limited was allotted and issued fully paid at par to Mr. CK Yu upon incorporation.

##### (4) *Incorporation of REM Capital*

REM Capital was incorporated in the BVI with limited liability on 7 November 2016 with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1.00 each, of which one share was allotted and issued fully paid at par to Mr. MK Wan upon incorporation. Mr. MK Wan subsequently transferred his share to WANs Limited at par on 14 February 2017.

##### (5) *Incorporation of our Company*

Our Company was incorporated in the Cayman Islands on 15 March 2017 to act as the holding company of our Group. The authorised share capital of our Company upon incorporation was HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each. Upon incorporation, one subscriber Share was allotted and issued as fully paid to the first subscriber, an Independent Third Party, which was subsequently transferred to WANs Limited on the same date at par.

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## HISTORY, REORGANISATION AND GROUP STRUCTURE

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### **(B) Acquisitions of Ready Electrical Metal and Ready Enterprise (China) by REM Capital**

On 14 February 2017, REM Capital (as purchaser) and Ready Engineering, Mr. CK Wun and Mr. KW Leung (as vendors) entered into a sale and purchase agreement, pursuant to which REM Capital acquired the entire issued share capital (i.e. 15,000 shares) of Ready Electrical Metal from the vendors. The consideration for the acquisition was satisfied by the allotment and issue of an aggregate of 8,142 shares in REM Capital as to 3,554 shares to WANs Limited (at the direction of Ready Engineering), 3,257 shares to WANs Limited (at the direction of Mr. CK Wun), 1,221 shares to REM Enterprises (at the direction of Mr. KW Leung) and 110 shares to REM Limited (at the direction of Ready Engineering), all credited as fully paid.

On 14 February 2017, REM Capital (as purchaser) and Ready Engineering and Ready Electrical Metal (as vendors) entered into a sale and purchase agreement, pursuant to which REM Capital acquired the entire issued share capital (i.e. 100,000 shares) of Ready Enterprise (China) from the vendors. The consideration for the acquisition was satisfied by the allotment and issue of an aggregate of 1,857 shares in REM Capital, as to 1,405 shares to WANs Limited (at the direction of Ready Engineering), 297 shares to WANs Limited (at the direction of Ready Electrical Metal), 112 shares to REM Enterprises (at the direction of Ready Electrical Metal) and 43 shares to REM Limited (at the direction of Ready Engineering), all credited as fully paid.

After the above acquisitions, Ready Electrical Metal and Ready Enterprise (China) became the wholly-owned subsidiaries of REM Capital.

### **(C) Acquisition of REM Capital Limited by our Company**

On 26 May 2017, our Company acquired the entire issued share capital (i.e. 10,000 shares) of REM Capital from WANs Limited, REM Enterprises and REM Limited. The consideration for the acquisition was satisfied by (i) the allotment and issue of 8,513 Shares to WANs Limited, all credited as fully paid; (ii) the allotment and issue of 1,333 Shares to REM Enterprises, all credited as fully paid; and (iii) the allotment and issue of 153 Shares to REM Limited, all credited as fully paid.

### **(D) Transfer of WANs Limited's interest, REM Enterprises' interest and REM Limited's interest in our Company to Unique Best**

Unique Best is a company incorporated in the BVI with limited liability on 14 June 2017 with an authorised share capital of US\$50,000 of US\$1.00 each, of which 8,514 shares, 1,333 shares and 153 shares of Unique Best were allotted and issued fully paid at par to WANs Limited, REM Enterprises and REM Limited, respectively on 27 June 2017. As a result, WANs Limited, REM Enterprises and REM Limited were shareholders of Unique Best, holding 85.14%, 13.33% and 1.53% of the issued shares in Unique Best, respectively. Unique Best principally engages in investment holding.

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## HISTORY, REORGANISATION AND GROUP STRUCTURE

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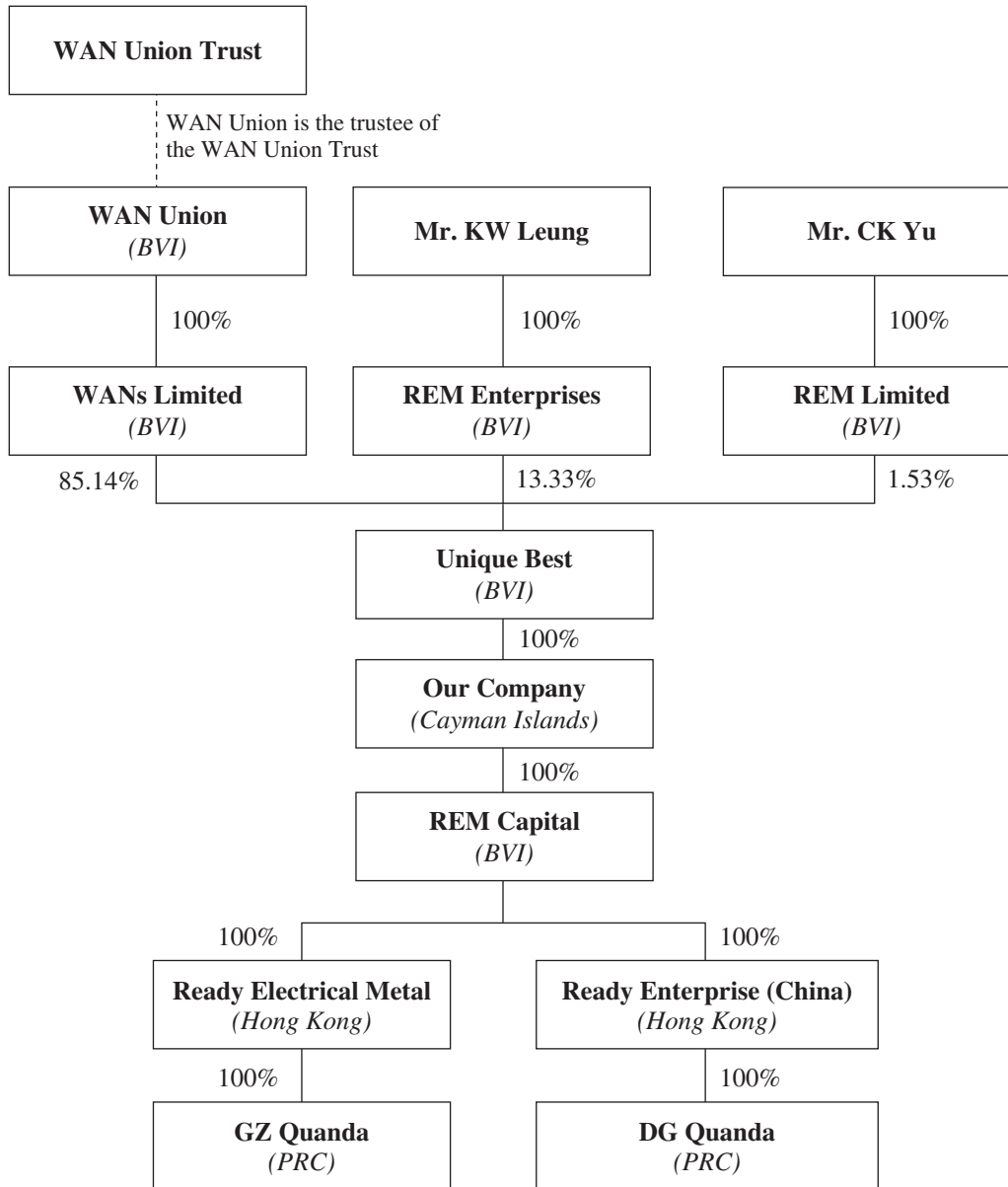
On 28 June 2017, Unique Best (as purchaser) entered into a sale and purchase agreement with WANs Limited, REM Enterprises and REM Limited (as vendors), pursuant to which Unique Best acquired 8,514 Shares, 1,333 Shares and 153 Shares from WANs Limited, REM Enterprises and REM Limited, respectively. The consideration for the acquisition was satisfied by (i) the allotment and issue of 8,514 shares in Unique Best to WANs Limited, all credited as fully paid; (ii) the allotment and issue of 1,333 shares in Unique Best to REM Enterprises, all credited as fully paid; and (iii) the allotment and issue of 153 shares in Unique Best to REM Limited, all credited as fully paid.

### **(E) Establishment of WAN Union Trust**

For the purpose of estate planning due to the health condition of Mr. CK Wun, Mr. MK Wan, Mr. CW Wun and Mr. CK Wun, as settlors, entered into a deed of trust to establish the WAN Union Trust with WAN Union as the trustee on 6 January 2018. WAN Union was incorporated in the BVI on 29 December 2017 as a company limited by guarantee and not authorised to issue shares. On 10 February 2018, Mr. MK Wan (holding 4,385 shares in WANs Limited), Mr. CW Wun (holding 1,441 shares in WANs Limited), Mr. CK Wun (holding 4,174 shares in WANs Limited) transferred all their respective shares in WANs Limited (10,000 shares in aggregate) to WAN Union as trustee of the WAN Union Trust for nil consideration. Ultimately, WAN Union holds the entire interest in WANs Limited on trust for the benefits of Mr. MK Wan, Mr. CW Wun and Mr. CK Wun, and their immediate family members. Mr. CK Wun passed away after the establishment of the WAN Union Trust. Mr. MK Wan, Mr. CW Wun retain the control of the WAN Union Trust given the board of directors of WAN Union comprises solely Mr. MK Wan, Mr. CW Wun and Ms. Wun Tsz Ying (the daughter of Mr. CK Wun who was nominated by Mr. CK Wun).

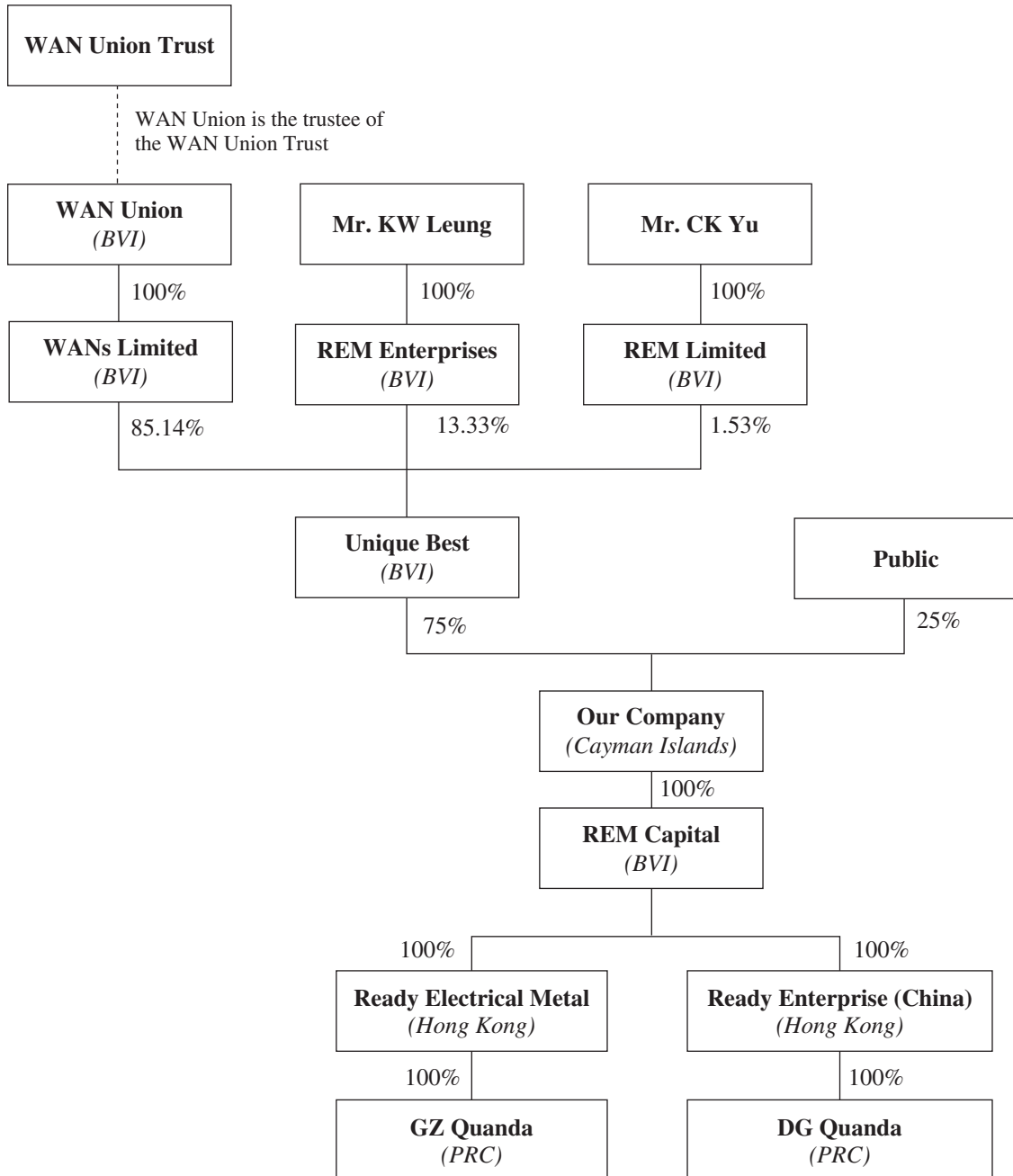
## HISTORY, REORGANISATION AND GROUP STRUCTURE

The following chart sets out the corporate structure of our Group immediately after the completion of the Reorganisation but before the completion of the Capitalisation Issue and the Share Offer:



## HISTORY, REORGANISATION AND GROUP STRUCTURE

The following chart sets out the corporate structure of our Group immediately after completion of the Capitalisation Issue and the Share Offer (without taking into account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme):



## BUSINESS

### BUSINESS OVERVIEW

We are a manufacturer and supplier of low-voltage electrical power distribution and control devices. During the Track Record Period, our products included low-voltage switchboard, motor control centre, local motor control panel, certain electrical distribution board and control box including miniature circuit breaker board, molded case circuit breaker board, automatic transfer switch panel, manual transfer switch panel and contactor box, and certain electrical parts and replacements including busbar connections, fuses, fuse switches, panel covers and insulating plates.

We have been operating for over 20 years and have gained our reputation as a renowned manufacturer and supplier of low-voltage electrical power distribution and control devices in Hong Kong, Macau and the PRC. Ready Electrical Metal has been included in the register of registered electrical contractors kept under Regulation 10(1) of the Electricity (Registration) Regulations (Chapter 406D of the Laws of Hong Kong) and the list of approved suppliers of materials and specialist contractors for public works under the category of low-voltage cubicle switchboard installation maintained by the Development Bureau of the Government. Our major products have also obtained the Association of Short-Circuit Authorities (ASTA) Certificates of Verification Tests and Certificates for China Compulsory Product Certification (CCC) issued by the China Quality Certification Centre. Our design, supply, manufacture and installation of low-voltage switchboards, motor control centres and motor control panels have been assessed and certified as meeting the requirements of ISO 9001:2008 quality management system standard since 2001.

Our top five customers during the Track Record Period comprised, among others, E&M engineering companies (being either subsidiary of Hong Kong listed company, PRC listed company or member of established private group headquartered in Hong Kong or Japan) with operations in Hong Kong, the PRC and/or Macau. Our products are used for power distribution, power control, circuit connection, circuit switch and protection, and panel control and display and cover various application scenarios including commercial buildings, shopping malls, casinos, hotels, banks, sewage treatment plants, schools, hospitals, railway stations, data centers and government headquarter. The following table sets forth a breakdown of our Group's revenue by products during the Track Record Period:

	Year ended 31 December					
	2015		2016		2017	
	<i>Revenue</i> <i>(HK\$'000)</i>	<i>% of total</i> <i>revenue</i>	<i>Revenue</i> <i>(HK\$'000)</i>	<i>% of total</i> <i>revenue</i>	<i>Revenue</i> <i>(HK\$'000)</i>	<i>% of total</i> <i>revenue</i>
Low-voltage switchboard	84,379	45.2	84,469	47.1	71,322	35.9
Motor control centre	24,859	13.3	31,847	17.8	34,839	17.6
Local motor control panel	61,431	32.9	43,912	24.5	75,308	37.9
Electrical distribution board and control box <sup>(Note 1)</sup>	13,875	7.4	16,826	9.4	14,427	7.3
Electrical parts and replacements <sup>(Note 2)</sup>	2,199	1.2	2,238	1.2	2,611	1.3
<b>Total <sup>(Note 3)</sup>:</b>	<b>186,743</b>	<b>100.0</b>	<b>179,292</b>	<b>100.0</b>	<b>198,507</b>	<b>100.0</b>

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## BUSINESS

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*Notes:*

1. These include miniature circuit breaker board, molded case circuit breaker board, automatic transfer switch panel, manual transfer switch panel and contactor box.
2. These include busbar connections, fuses, fuse switches, panel covers and insulating plates.
3. The figures and percentages above may not add up to the total due to rounding.

During the Track Record Period, our top five suppliers comprised suppliers of raw materials we used for manufacturing of our products including various electrical parts and components, and copper products. Our total cost of raw materials for production accounted for approximately 82.3%, 82.7% and 82.2% of our total cost of sales for each of the three years ended 31 December 2017, respectively. During the Track Record Period, we engaged third party subcontractors to carry out part of our production process, which includes part of the manufacturing process for our DG Quanda Factory, as well as installation work after our products have been delivered to construction sites for Hong Kong and Macau sales. For each of the three years ended 31 December 2017, our subcontracting cost amounted to approximately HK\$1.6 million, HK\$1.4 million and HK\$4.3 million, respectively.

While we are headquartered in Hong Kong, our production activities are carried out at our production bases in the PRC. Our two operating entities, GZ Quanda and DG Quanda, each operates a factory in the Guangdong Province, the PRC. The factory of GZ Quanda (the “**GZ Quanda Factory**”) was previously situated at Zhong Xin Cun Industrial Zone, Panyu District, Guangzhou City, Guangdong Province, the PRC with a gross floor area of production factory and staff dormitory together of approximately 2,800 sq. m. and an open area of approximately 580 sq. m.. Since the title defects of the previous factory, as a transitional measure, we started to relocate our GZ Quanda Factory in December 2016 to Da Long Street, Panyu District, Guangzhou City, Guangdong Province, the PRC with a gross floor area of approximately 1,200 sq. m. for the factory. Our GZ Quanda Factory has obtained the property right certificate (不動產權證), and we completed the refurbishment and complied with all relevant standards and safety regulations such as fire safety and environmental protection, and fully resumed our production operations of our GZ Quanda Factory in May 2017. The factory of DG Quanda (the “**DG Quanda Factory**”) is situated at Wangdong Village, Wangniudun Town, Dongguan City, Guangdong Province, the PRC with a gross floor area for the production factory of approximately 14,000 sq. m. and staff dormitory of approximately 5,200 sq. m.. As at the Latest Practicable Date, our DG Quanda Factory had obtained the construction land use planning permit (建設用地規劃許可證), the construction planning permit (建設工程規劃許可證), the certificate of housing safety inspection (房屋安全檢查證書) and the property right certificate (不動產權證).



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## BUSINESS

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Our products manufactured by GZ Quanda were supplied to our customers in the PRC, while our products manufactured by DG Quanda were supplied to our customers in Hong Kong and Macau through Ready Electrical Metal. The following table sets forth a breakdown of our Group's revenue by geographical locations of delivery points during the Track Record Period:

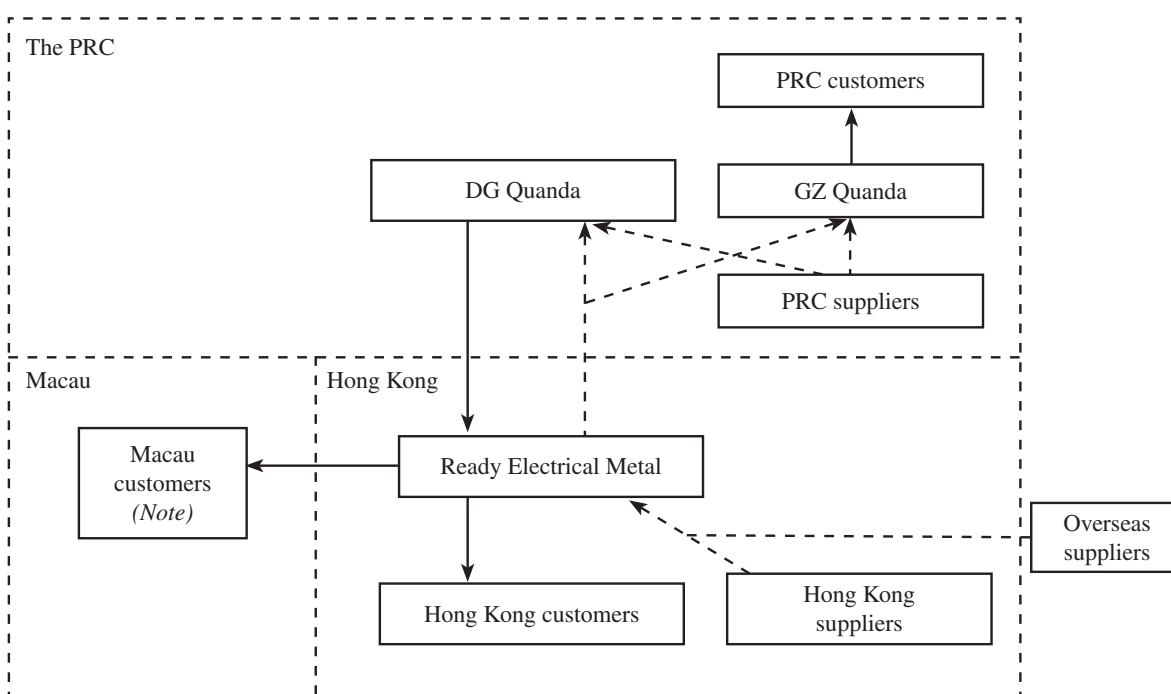
	Year ended 31 December					
	2015		2016		2017	
	<i>Revenue</i> <i>(HK\$'000)</i>	<i>% of total</i> <i>revenue</i>	<i>Revenue</i> <i>(HK\$'000)</i>	<i>% of total</i> <i>revenue</i>	<i>Revenue</i> <i>(HK\$'000)</i>	<i>% of total</i> <i>revenue</i>
Hong Kong <i>(Note 1)</i>	110,274	59.0	129,583	72.3	143,999	72.5
Macau <i>(Note 1)</i>	35,065	18.8	24,076	13.4	42,247	21.3
The PRC <i>(Note 2)</i>	41,404	22.2	25,633	14.3	12,261	6.2
<b>Total <i>(Note 3)</i>:</b>	<b>186,743</b>	<b>100.0</b>	<b>179,292</b>	<b>100.0</b>	<b>198,507</b>	<b>100.0</b>

*Notes:*

1. Our products sold in Hong Kong and Macau are manufactured by DG Quanda.
2. Our products sold in the PRC are manufactured by GZ Quanda.
3. The figures and percentages above may not add up to the total due to rounding.

## BUSINESS

During the Track Record Period, GZ Quanda directly sold and delivered its products to our customers in the PRC, while DG Quanda entered into an import processing arrangement with Ready Electrical Metal for which DG Quanda generally carried on internal production functions only and Ready Electrical Metal generally carried on the major external profit-seeking functions, which included holding relevant licences in Hong Kong and Macau (if any), soliciting business, entering into sales contracts with and delivering our products to our customers in Hong Kong and Macau, and taking up the relevant liabilities and risks. Therefore, the profits of DG Quanda and Ready Electrical Metal are in accordance to the relevant functions and risk borne by them, respectively. The flow of sales transactions and purchase transactions with our customers and suppliers and/or within our Group is summarised below:



Legend:

- ← Sales of products
- ← - - - Purchase of raw materials

*Note:* Our products sold to Macau customers are directly shipped from the PRC to Macau.

During the Track Record Period and up to the Latest Practicable Date, Ready Enterprise (China) was an investment holding company.

For each of the three years ended 31 December 2017, our revenue amounted to approximately HK\$186.7 million, HK\$179.3 million and HK\$198.5 million, respectively, while our total comprehensive income amounted to approximately HK\$22.3 million, HK\$25.5 million and HK\$15.8 million for the same periods, respectively.

### OUR COMPETITIVE STRENGTHS

We believe the following competitive strengths contribute to our continued success and potential for growth:

#### **We have established operating history and track record in the low-voltage electrical power distribution and control devices industry**

Having operated for over 20 years, we are an established manufacturer and supplier of low-voltage electrical power distribution and control devices in Hong Kong, Macau and the PRC. According to the Frost & Sullivan Report, our revenue attributable to the low-voltage electrical power distribution and control devices market in Hong Kong in 2017 represented approximately 8.1% of the total revenue generated from the entire low-voltage electrical power distribution and control devices market in Hong Kong during 2017, and therefore ranked second in terms of share of total industry revenue in the same year.

Our major products have obtained the Association of Short-Circuit Authorities (ASTA) Certificates of Verification Tests and Certificates for China Compulsory Product Certification (CCC) issued by the China Quality Certification Centre, which recognise that they have passed certain international standards namely the standards laid down by the International Electrotechnical Commission (IEC) and Guobiao (GB).

As advised by our PRC Legal Advisers, our major products (including low-voltage switchboard and local motor control panel) shall obtain the relevant Certificates for China Compulsory Product Certification (CCC) issued by the China Quality Certification Centre before any sales in the PRC.

According to the Frost & Sullivan Report, it is a common industrial practice for most of the Hong Kong and Macau customers and some of the PRC customers (especially those Hong Kong based exploring PRC market) to impose a pre-requisite under their sales contracts that our major products (including low-voltage switchboard and local motor control panel) shall have obtained the relevant Association of Short-Circuit Authorities (ASTA) Certificates of Verification Tests.

For details of our current Association of Short-Circuit Authorities (ASTA) Certificates of Verification Tests and Certificates for China Compulsory Product Certification (CCC) issued by the China Quality Certification Centre in relation to our products as at the Latest Practicable Date, please refer to the paragraph headed “Major qualifications and licences” in this section.

According to the Frost & Sullivan Report, there are less than 30 low-voltage electrical power distribution and control product suppliers in the PRC holding both the Association of Short-Circuit Authorities (ASTA) Certificates of Verification Tests and Certificates for China Compulsory Product Certification (CCC) at the same time.

Our design, supply, manufacture and installation of low-voltage switchboards, motor control centres and motor control panels have been assessed and certified as meeting the requirements of ISO 9001:2008 quality management system standard since 2001. For details, please refer to the paragraph headed “Major qualifications and licences” in this section.

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## BUSINESS

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Our Directors believe that given our experience, expertise and strong track record of over 20 years of producing high quality products, we will continue to attract customers that can provide us with future business opportunities.

### **We have established relationships with our top five customers and top five suppliers**

During the Track Record Period, our top five customers comprised, among others, E&M engineering companies (being either subsidiary of Hong Kong listed company, PRC listed company or member of established private group headquartered in Hong Kong or Japan) with operations in Hong Kong, the PRC and/or Macau. As at the Latest Practicable Date, our top five customers had been working with us for a period ranging from approximately three to 18 years. Our Directors believe that E&M engineering companies give priority to manufacturer and supplier of low-voltage electrical power distribution and control devices whom they are familiar with and who have a proven track record in providing quality products in a timely manner. Therefore, our established relationships with our top five customers have been and will continue to be our valuable assets that cannot be easily replicated by other peers in the same industry, enabling us to take up further sales projects of various scales and products from our customers.

During the Track Record Period, our top five suppliers comprised suppliers of raw materials we use for manufacturing of our products including various electrical parts and components, and copper products. As at the Latest Practicable Date, our top five suppliers had been working with us for a period ranging from approximately three to 21 years. Our Directors believe that our established relationships with our top five suppliers have been and will continue to be enabling us to ensure stable and timely delivery of raw materials in compliance with our quality requirements.

### **We have an experienced and dedicated management team**

We have an experienced and dedicated management team with extensive knowledge of the low-voltage electrical power distribution and control devices industry and production and project management experience in the products that we provide. Our executive Directors and members of our relevant senior management have an average industry experience of greater than approximately 20 years. Most integral to the success of our Group is Mr. MK Wan, our founder, Chairman and executive Director, and Mr. KW Leung, our founder, chief executive officer and executive Director, all of whom have over 24 years of experience in the low-voltage electrical power distribution and control devices industry and have facilitated our Group to establish long term relationships with our customers and suppliers. For details of the profile of our management team, please refer to the section headed “Directors, Senior Management and Staff” in this prospectus.

Under the leadership of our management team, we have built up our capacity, expanded our scope of services and enhanced our market presence. The broad know-how and industry knowledge acquired and accumulated over the years by our management team have and will continue to be beneficial to our business and prospects.

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## BUSINESS

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### BUSINESS STRATEGIES

Our business objectives are to achieve sustainable growth in our business and to create long-term shareholders' value by mainly focusing on the markets of Hong Kong, the PRC and Macau in the near future. We intend to achieve this by implementing the following business strategies:

#### To acquire a factory in the Guangdong Province, the PRC

Our GZ Quanda Factory was previously situated at Zhong Xin Cun Industrial Zone, Panyu District, Guangzhou City, Guangdong Province, the PRC with a gross floor area of production factory and staff dormitory together of approximately 2,800 sq. m. and an open area of approximately 580 sq. m., and was relocated to Da Long Street, Panyu District, Guangzhou City, Guangdong Province, the PRC with gross floor area for factory of approximately 1,200 sq. m.. The relocation commenced in December 2016 and completed in May 2017. Since the gross floor area of our current GZ Quanda Factory was less than the previous one, the relocation of our GZ Quanda Factory was a transitional measure due to the title defects of the previous factory.

We target to acquire a new factory (the "New Factory") with a gross floor area of at least 11,000 sq. m. for industrial use in the Humen Town, Dongguan City, Guangdong Province, the PRC, which is to be located closer to our DG Quanda Factory comparing to our existing GZ Quanda Factory. After acquisition of the New Factory, we will relocate all our production facilities in our GZ Quanda Factory to the New Factory.

The breakdown of the use of the New Factory after relocation comparing with our existing and previous GZ Quanda Factory is set forth below:

Use	Previous GZ Quanda Factory	Existing GZ Quanda Factory	New Factory
Production	2,000 sq. m.	700 sq. m.	5,500 sq. m.
Staff dormitory	370 sq. m.	Nil	2,000 sq. m.
Office, storage and utilities	430 sq. m.	350 sq. m.	1,500 sq. m.
Open area for parking and loading	580 sq. m.	150 sq. m.	2,000 sq. m.
<b>Total:</b>	<b>3,380 sq. m.</b>	<b>1,200 sq. m.</b>	<b>11,000 sq. m.</b>

In view of the above table, our Directors consider, and concurred by the Sponsor, that it will be in our best interest to acquire a New Factory for our GZ Quanda Factory with reasons as follows:

- during the Track Record Period, our products delivered to the PRC are manufactured by GZ Quanda in our GZ Quanda Factory. The New Factory to be acquired will continue to manufacture our products to be delivered to the PRC;

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## BUSINESS

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- our Directors consider that the relatively low financial performance of our sales to PRC customers comparing to our sales to customers in Hong Kong and Macau during the Track Record Period were mainly attributable to the insufficient production capacity in both our existing and previous GZ Quanda Factory. For each of the three years ended 31 December 2017, our revenue attributable to the PRC was approximately 22.2%, 14.3% and 6.2%, respectively of our total revenue for the same periods, respectively. As at the Latest Practicable Date, GZ Quanda Factory had only 17 production staff. As such, to avoid excessive workload, in preparing our quotations for sales in the PRC, our Directors had to adopt a conservative approach and take into account the potential substantial subcontracting cost. In maintaining our gross profit margin, our quotations for sales in the PRC became much less competitive resulting in relatively low success rates during the Track Record Period. For further discussions about our relatively low success rates and decreasing annual revenue attributable to the PRC (i.e. sales of products manufactured by GZ Quanda Factory) during the Track Record Period, please refer to the paragraph headed “Business model and our operation – Quotation/tender submission and acceptance” in this section;
- with the New Factory, the production area of which expands for approximately three times comparing to our previous GZ Quanda Factory, we do not need to outsource our production and are able to adopt a more proactive approach in preparing our quotations for sales in the PRC. Our Directors consider that our sales in the PRC will increase accordingly;
- with the support of the Frost & Sullivan Report, production capacity (which is generally demonstrated by the size of the factory) is one of the entry barriers and material considerations of the stakeholders in the industry in choosing suppliers, and suppliers with established and sizable production capacity are generally more competitive;
- the aforesaid analysis by Frost & Sullivan is further strengthened by (i) the significant decrease in revenue attributable to the PRC from approximately HK\$41.4 million for the year ended 31 December 2015 to approximately HK\$25.6 million for the year ended 31 December 2016; and (ii) the significant decrease in quotations/tenders success rate attributable to the PRC from approximately 20.0% for the year ended 31 December 2015 to approximately 4.6% for the year ended 31 December 2016, both attributable to the relocation of our GZ Quanda Factory to Da Long Street, Panyu District, Guangzhou City, Guangdong Province, the PRC resulting in reduction of more than half of the gross floor area for production. Our Directors consider we became less competitive after the relocation of our GZ Quanda Factory;
- for the year ended 31 December 2016, our revenue in the PRC decreased by approximately 38.1% as compared to the year ended 31 December 2015 because although we started to actually relocate our GZ Quanda Factory in December 2016, we prepared for the rectification of title defect of our GZ Quanda Factory since early 2016. In anticipation of the disruption to our GZ Quanda Factory caused by the relocation, we were less aggressive in bidding orders for GZ Quanda in the year ended 31 December 2016. There was a significant decrease in quotations/tenders success rate attributable to the PRC from approximately 20.0% for the year ended 31 December 2015 to approximately 4.6% for the year ended 31 December 2016;

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## BUSINESS

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- for the year ended 31 December 2017, our revenue in the PRC decreased by approximately 52.2% as compared to the year ended 31 December 2016 because (i) the production capacity of our GZ Quanda Factory had decreased after relocation; and (ii) the relocation of our GZ Quanda Factory commenced in December 2016 and we completed the refurbishment and complied with all relevant standards and safety regulations such as fire safety and environmental protection, and fully resumed our production operations of our GZ Quanda Factory in May 2017. Therefore, during the first half year of 2017, GZ Quanda generally had no material operations and sales to our PRC customers.
- in view of the above, in the long run to improve the financial performance of our sales to PRC customers, we must resolve the issue of insufficient area for production in our GZ Quanda Factory once and for all, and therefore we are going to acquire the New Factory with the net proceeds of the Share Offer;
- with the support of the Frost & Sullivan Report, the market size of low-voltage electrical power distribution and control devices market in the PRC is much larger than Hong Kong and Macau, and is expected to witness a further growth and the market size by revenue will amount to HK\$150.3 billion in 2022, representing a CAGR of 7.8% from 2018 to 2022. According to the Frost & Sullivan Report, we ranked second in terms of share of total industry revenue in 2017 and we are one of the less than 30 low-voltage electrical power distribution and control product suppliers in the PRC holding both the Association of Short-Circuit Authorities (ASTA) Certificates of Verification Tests and Certificates for China Compulsory Product Certification (CCC) at the same time. Given our established reputation and our expertise, our Directors consider that we are well positioned to expand our market share in the PRC and to be benefited in the growing market in the PRC;
- we will also participate in the following major exhibitions in the PRC to gain recognition and expand our market share in the PRC on or around the acquisition of the New Factory:

<b>Name of exhibition</b>	<b>Description of exhibition</b>	<b>Our estimated time to participate</b>
China International Electric Power & Electric Engineering and Smart Grid Exhibition (中國國際電力電工設備暨智能電網展覽會)	According to its website, the exhibition is held in Shanghai annually, lasting for three days and has developed into one of the largest and most influential exhibitions in the electrical power industry in China. The exhibition held in 2017 attracted 932 exhibitors from 45 countries and a total of 23,939 professional participants, 2,105 of which are visitors from overseas.	May 2020

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Name of exhibition	Description of exhibition	Our estimated time to participate
	<p>We plan to set up an exhibition booth to present our products, with the primary purpose of promoting our brand name.</p>	
<p>International Exhibition on Electric Power Equipment and Technology/ International Exhibition on Electrical Equipment (國際電力設備及技術展覽會／國際電工裝備展覽會)</p>	<p>According to its website, these two exhibitions are held annually together (rotationally in Beijing and Shanghai in alternate years) and last for three days. It is organised by China Electricity Council and the largest and most established specialised electric power exhibition in China. The exhibition held in 2016 attracted 850 exhibitors from 15 countries and regions.</p> <p>We plan to set up an exhibition booth to present our products, with the primary purpose of promoting our brand name.</p>	<p>October/November 2019</p>
<p>China International Electric Power Electrician High and Low Voltage Electrical Appliances Exhibition* (中國國際電力電工高低壓電器展覽會)</p>	<p>According to its website, this exhibition is held annually in Beijing and last for three days. The exhibition held in 2017 attracted 389 exhibitors and a total of 27,200 participants.</p> <p>We plan to set up an exhibition booth to present our products, targeting mainly PRC customers. As the scope of exhibits for this exhibition is more narrowly defined, we anticipate to meet more potential customers via interacting with the participants.</p>	<p>August/September 2019</p>



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<b>Name of exhibition</b>	<b>Description of exhibition</b>	<b>Our estimated time to participate</b>
Asia Power Electronics and Smart Grid Exhibition* (亞洲電力電工暨智能電網展覽會)	<p>According to its website, this exhibition is held annually in Guangzhou and last for three days. The exhibition to be held in 2018 is expected to attract over 800 exhibitors and approximately 50,000 professional local and overseas participants.</p> <p>We plan to set up an exhibition booth to present our products, with the primary purpose of promoting our brand name and presenting our products to potential customers from Guangzhou region.</p>	June 2019

- during the Track Record Period and up to the Latest Practicable Date, we have secured the following supply contracts and co-operation agreement which will be relevant to the demand of our products after our expansion:

<b>Name of customer</b>	<b>Date</b>	<b>Content</b>	<b>Amount</b>
Customer B	10 October 2017	Supply contract – To supply low-voltage switchboards for a PRC office building project in Kunming City, Yunnan Province	Approximately RMB19.1 million
		Our Directors expect that such sales project will be completed by 2020	
New customer	22 January 2018	Supply contract – To supply low-voltage switchboards and local motor control panels for a residential project located in Dongguan City, Guangdong Province	Approximately RMB6.0 million
		Our Directors expect that such sales project will be completed by 2019	

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Name of customer	Date	Content	Amount
Customer D	28 October 2017	Co-operation agreement <sup>(Note)</sup> – Customer agrees to give priority to purchase and use our products if same conditions are provided in the market, for the commercial or residential projects commenced by it or its affiliates	The total amount of the individual purchase orders is RMB10.0 million <sup>(Note)</sup>

The period of co-operation starts from 1 January 2019 to 31 December 2021

Types of products, quantities and contract price are to be agreed in the individual purchase orders

Note: Pursuant to such co-operation agreement, a supply contract at approximately RMB6.1 million was entered into with Customer D on 30 March 2018 to supply low-voltage switchboards and local motor control panels for a commercial, hotel and office project located in Guangzhou City, Guangdong Province

As such, our Directors consider there are rooms for expansion of our market share in the PRC;

- with the enhanced production capacity in the New Factory, our Directors consider we also need to expand our manpower and therefore we need to assign more area in the New Factory for office, storage and other non-production uses, as well as staff dormitory. As at the Latest Practicable Date, the existing GZ Quanda Factory did not have staff dormitory and we needed to provide transportation allowances to our existing staff in our GZ Quanda Factory; and
- if we choose to lease instead of acquire a New Factory for our GZ Quanda Factory, there is a risk that such landlord early terminates or refuses to renew our lease after expiry, resulting in that we will lose our investment on refurbishment, incur substantial cost for relocation and loss of substantial production time. There is also no assurance that we can find a suitable factory nearby to be relocated with (i) considerable size; (ii) all the required certificates (including the construction planning permit (建設工程規劃許可證) and the property ownership certificate (房屋產權證) duly obtained; and (iii) all relevant standards and safety regulations duly complied with, in a timely manner. Besides the risk of early termination or non-renewal of our lease after expiry, there is a risk of substantial increase in rental expenses.

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Given that the more advanced machines and enlarged manpower in the New Factory comparing to our previous and existing GZ Quanda Factory, our Directors consider the production capacity of the New Factory target to achieve will be approximately half of the production capacity of our DG Quanda Factory and approximately two to three times of our previous GZ Quanda Factory. Although it is not feasible or practicable to accurately quantify our production capacity, the following table sets out the major machines and number of employees in our previous and existing GZ Quanda Factory and our DG Quanda Factory and the expected major machines and number of employees in the New Factory which helps to demonstrate their respective production capacity:

	Previous GZ Quanda Factory	Existing GZ Quanda Factory	New Factory	DG Quanda Factory
Major machines	(As at 31 December 2015) Two digital punching machines, one digital bending machine, one generator and one hydraulic punching machine	(As at the Latest Practicable Date) Two digital punching machines, one digital bending machine, one generator and one hydraulic punching machine	(Expected) One punching and shearing machine, one laser punching machine, two steel bending machines, one automatic powder coating production line, six automatic welding machines, two copper bar punching machines and two copper bar bending machines	(As at the Latest Practicable Date) One digital punching machine, one dusting machine, one digital bending machine, one rubber coating machine and one digital shearing machine
Number of employees	(As at 31 December 2015) 51	(As at the Latest Practicable Date) 33	(Expected) 80 <sup>(Note)</sup>	(As at the Latest Practicable Date) 159

*Note:* Among these 80 employees, there will be 55 production staffs. Among these 55 production staffs, it is expected that there will be eight production staffs responsible for steel case production, 28 production staffs responsible for electrical parts and equipment assembly and installation and six production staffs responsible for copper bar installation, and the remaining 13 production staffs were responsible for other production functions such as quality control and maintenance.

In connection with our aforesaid plan, the total capital expenditure is estimated to be approximately HK\$70.1 million, which comprises of:

- approximately HK\$38.5 million as our payment of the consideration for the New Factory. Our Directors have consulted Independent Valuer and understand that the average price of the factory nearby the New Factory is approximately HK\$3,500 per sq. m. of gross floor area as at the Latest Practicable Date;

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- approximately HK\$25.4 million for the acquisition of in total 15 machines for the New Factory, namely one punching and shearing machine, one laser punching machine, two steel bending machines, one automatic powder coating production line, six automatic welding machines, two copper bar punching machines and two copper bar bending machines. As further elaborated in the paragraph headed “To acquire and replace our machines and equipment in our DG Quanda Factory” in this section below, since machines are more heavily used in the steel case production while the electrical parts and equipment assembly and installation and copper bar installation are relatively more labour extensive, our Directors consider there is more room for us to mitigate our reliance on skilled labour by acquiring additional machines and equipment for steel case production than the other two stages.

Among these 15 machines, save the two copper bar punching machines and two copper bar bending machines are for copper bar installation, the remaining 11 machines are for steel case production.

Our Directors consider the machinery fleet to be established in the New Factory will be able to (i) mitigate our reliance on skilled labour in our steel case production and reduce the proportion of the number of our production staff responsible for steel case production (the New Factory is expected to have eight production staff responsible for steel case production which is considered by our Directors as sufficient); and (ii) the four machines for copper bar installation will help to increase our overall efficiency of copper bar installation, and therefore in the best interest of our Company and Shareholders as a whole;

- approximately HK\$1.6 million as commission, deed tax, stamp duty and professional fees payable in relation to the acquisition;
- approximately HK\$0.5 million as the logistic expenses for the relocation of our GZ Quanda Factory to the New Factory; and
- approximately HK\$4.1 million as the capital expenditure for refurbishing the New Factory.

We target to take possession of and commence the refurbishment of the New Factory in around December 2018 and commence the actual physical relocation of our production facilities in our existing GZ Quanda Factory to the New Factory in around June 2019. We will carry out the actual physical relocation after the refurbishment of the New Factory is substantially completed and the New Factory has passed inspections of all relevant standards and safety regulations such that it is ready for operation, in order to minimise any adverse effect to the production operations. We target to finish the relocation and fully resume the production operations by August 2019. The following table sets out our plan to relocate by stages from our existing GZ Quanda Factory to the New Factory:

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Time		Description
June 2019	Week 1	Relocation of the engineering department, including staff and the relevant office equipment
	Week 2	Relocation of production department, including existing machineries and inventories of raw materials and work-in-progress
	Week 3	Relocation of production department, including existing machineries and inventories of raw materials and work-in-progress
	Week 4	Relocation of all other office staff (including accounting, administrative, contract and procurement department) and the relevant office equipment

Our Directors consider there will not be any material loss of revenue during the course of relocation with reasons as follows:

- the actual physical relocation of our production facilities in our existing GZ Quanda Factory to the New Factory is scheduled to finish within the month of June 2019, which is a short period of time;
- as per the aforesaid table, we will relocate by stages and therefore during the time of relocation, production facilities already relocated to the New Factory and production facilities yet to relocate can operate in parallel;
- with the aid of logistic service company, we will use our best endeavour to minimise the disassembly time, transportation time and installation time of its production machines; and
- the transfer of staff in our existing GZ Quanda Factory will be based on the progress of the relocation of the production machines to ensure smooth operations of both side.

The estimated depreciation charges as a result of the relocation of our GZ Quanda Factory to the New Factory amount to approximately HK\$2.2 million, HK\$2.2 million, HK\$2.2 million and HK\$2.2 million, respectively for each of the four years ending 31 December 2022.

Our Directors have consulted Independent Valuer and understand that the average monthly rent of the factory nearby the New Factory is approximately HK\$16 per sq. m. of gross floor area as at the Latest Practicable Date. Therefore, assuming we choose to lease instead of acquire, the annual rent of the New Factory amounted to approximately HK\$2.1 million.

Therefore, comparing with the above estimated depreciation charges for the coming financial years and further taking into account the risk of early termination, refusal to renew as well as potential rental increase, our Directors consider that it is in the best interest of our Company and Shareholders as a whole to acquire instead of lease the New Factory.

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We plan to spend such capital expenditure by stages within three years after the Listing. We plan to finance such expenditure from the proceeds of the Share Offer. If there is a shortfall in funding, such expenditure will be financed by our internal resources.

We will ensure the New Factory has duly obtained all the required certificates and complied with all relevant standards and safety regulations before we acquire it. If necessary, we will seek legal advice from the legal advisers of the PRC laws in this aspect.

Nevertheless, as at the Latest Practicable Date, we have not identified any potential acquisition target nor entered into any contracts giving rise to any capital commitment.

### **To acquire and replace our machines and equipment in our DG Quanda Factory**

Our Directors consider that our business, financial condition and operating results are heavily dependent on the smooth and continuous operations of our DG Quanda Factory. Given that:

- the daily operating hours of our DG Quanda Factory during the Track Record Period went up to nearly 15 hours, our Directors consider that our production capacity of our DG Quanda Factory was almost saturated;
- in order to minimise the adverse impact caused by the relocation on our overall financial performance for the year ended 31 December 2016, our Directors focused on the operations of our DG Quanda Factory. In particular, the number of employees in our DG Quanda Factory increased from 144 as at 31 December 2015 to 158 as at 31 December 2016, and our revenue attributable to Hong Kong and Macau (i.e. sales of products manufactured by our DG Quanda Factory) increased from approximately HK\$145.3 million for the year ended 31 December 2015 to HK\$153.7 million for the year ended 31 December 2016. Nevertheless, although the performance of our DG Quanda Factory improved, this also increased the pressure against its production capacity;
- as at the Latest Practicable Date, we had 155 production staffs. Among these 155 production staffs, there were 40 production staffs responsible for steel case production, 59 production staffs responsible for electrical parts and equipment assembly and installation and 24 production staffs responsible for copper bar installation, and the remaining 32 production staffs were responsible for other production functions such as quality control and maintenance. As at 31 December 2017, our plant and machinery had a total net book value of approximately HK\$1.7 million, and as at the Latest Practicable Date, all our machines were less than RMB1.0 million in terms of their respective purchase price and only nine of which were more than RMB100,000 in terms of their respective purchase price. Our production during the Track Record Period was dominated by skilled labour, instead of machines. Since machines are more heavily used in the steel case production while the other two stages are more relatively labour extensive, our Directors consider there is more room for us to mitigate our reliance on skilled labour by acquiring additional machines and equipment for steel case production than the other two stages;

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- therefore we should enhance our production capacity as well as mitigating our reliance on skilled labour by acquiring additional machines and equipment; and
- it is also necessary to minimise the risks including, among other things, the breakdown, failure or sub-standard performance of machines and equipment in our DG Quanda Factory,

our Directors consider that it is in the best interest of our Company and Shareholders as a whole to spend approximately HK\$15.9 million to acquire and replace our machines and equipment in our DG Quanda Factory.

In particular, we plan to purchase in total 11 machines, namely one punching and shearing machine and one automatic powder coating production line (which will replace our current one punching machine and one dusting machine, respectively, all of which aged more than five years), and one steel bending machine, six automatic welding machines, one copper bar punching machine and one copper bar bending machine (all of which will be our additional machines). Among these 11 machines, save for the copper bar punching machine and copper bar bending machine are for copper bar installation, the remaining nine machines are for steel case production.

As at the Latest Practicable Date, our DG Quanda Factory has one digital punching machine, one dusting machine, one digital bending machine, one rubber coating machine and one digital shearing machine. All these five machines are for steel case production.

After our aforesaid acquisition and replacement of machines, we will have in total 14 machines, among which 12 machines are for steel case production and two machines are for copper bar installation. Our Directors consider that (i) the expansion of our machinery fleet for steel case production will help to mitigate our reliance on skilled labour in our steel case production and in long run reduce the proportion of the number of our production staff responsible for steel case production; and (ii) the addition of two machines for copper bar installation will help to increase our overall efficiency of copper bar installation, and therefore in the best interest of our Company and Shareholders as a whole.

The impact of such acquisition of the aforesaid machines and equipment on depreciation charges for each of the four years ending 31 December 2022 is estimated to be approximately HK\$1.6 million, HK\$1.6 million, HK\$1.6 million and HK\$1.6 million, respectively.

We plan to spend such capital expenditure by stages within three years after the Listing. We plan to finance such expenditure from the proceeds of the Share Offer. If there is a shortfall in funding, such expenditure will be financed by our internal resources.

### **BUSINESS MODEL AND OUR OPERATION**

Our Group's business model is not analogous to those manufacturing units producing standardised products. Our products are made with different sizes and specifications to fulfill our customers' needs and site conditions which are different from project-to-project, and therefore the actual production duration and complexity also vary from project-to-project.

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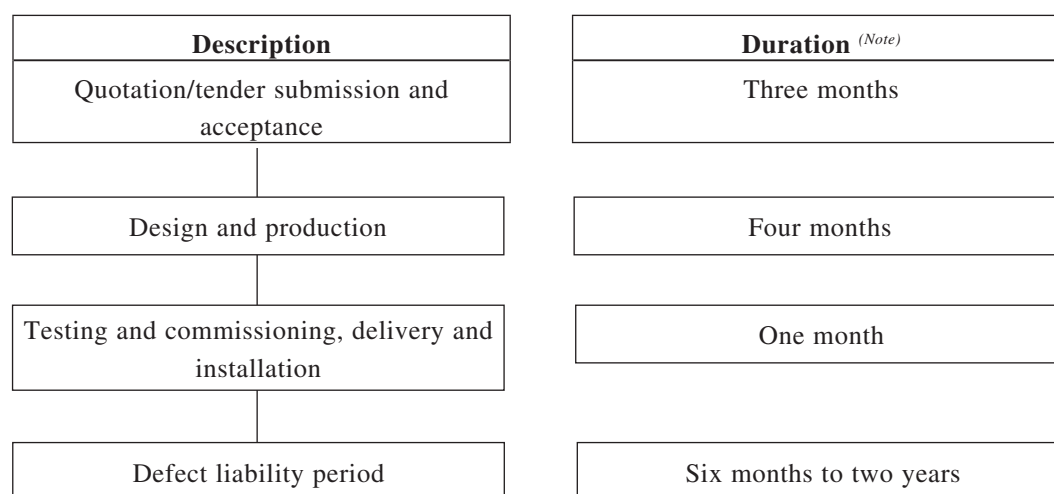
During the Track Record Period, we secured new businesses through direct invitation to submit quotation or tender by our customers. Whether it was by way of quotation or tender, is a matter of form chosen by our customers, and nevertheless involved similar operation procedures.

To the best knowledge of our Directors, our customers would most likely invite more than one supplier to submit tender/quotation for them to choose in order to engage the supplier who can provide quality products with competitive price. There is no assurance that our customers will award us sales projects for every quotation/tender we submit. We must face competitors. For supplier with similar reputation and track records with us, in the event that it offers a more competitive price than our tendered price or quotation for the same sales project, such sales project may be awarded to them. On the other hand, if we reduce our tendered price or quotation in order to increase our competitiveness against our competitors, even though the sales project is awarded to us, we may face a downward pressure on our profit margin.

We adopt a pro-active mode in our sales projects procurement strategy. We explore and utilise every opportunity to secure new sales projects for our Group. Upon receiving invitation to submit tender or quotation from our customers (with or without existing business relationships), it is our policy to reply with our tenders/quotations rather than rejecting their requests.

Our production generally contains two to three major stages: (i) steel case production; (ii) electrical parts and equipment assembly and installation; and (iii) copper bar installation. During the Track Record Period, our production was dominated by skilled labour, instead of machines. In particular, machines are more heavily used in the steel case production while the other two stages are labour extensive. As at the Latest Practicable Date, we had 155 production staffs, while all the machines are less than RMB1.0 million in terms of their respective purchase price and only nine of which are more than RMB100,000 in terms of their respective purchase price.

The diagram below illustrates the business model of our typical operation:



*Note:* The length of time is for general reference only. The actual duration shall depend on various factors including, among others, the contract size and customers' work schedule.



### **Quotation/tender submission and acceptance**

The invitation to submit quotation/tender from our customers is by way of email, phone or letter, and is accompanied with the necessary information and documents for us to prepare the quotation/tender including, among others, description of works, specifications, drawings, schedules and design data. Our sales and marketing department, headed by our executive Director, is responsible to prepare and submit the quotation/tender. For details of our pricing policy, please refer to the paragraph headed “Sales and marketing – Pricing policy” in this section.

Our quotation/tender contains the unit price and quantity of each of our products, the schedule of electrical parts and equipment being the components of our products, and our proposed terms and conditions, for our customers’ consideration. We also contact our suppliers to ensure the necessary materials can be delivered on time to meet our customers’ schedule. After receipt of our quotation/tender, negotiation with our customers on the prices and terms, interview with customers and/or dealing with customers’ enquiries are to be carried out.

In considering our quotation/tender, to ensure our products have passed certain international standards namely the standards laid down by the International Electrotechnical Commission (IEC) and Guobiao (GB), our customers will require us to submit our Association of Short-Circuit Authorities (ASTA) Certificates of Verification Tests and/or Certificates for China Compulsory Product Certification (CCC) issued by the China Quality Certification Centre in relation to the relevant products for their consideration.

If our quotation/tender is accepted by our customers, a written letter of intent is to be issued by our customers, which sets out the agreed contract terms with our customers including, among others, product description, unit price, quantity, scope of work, terms of payment, terms of delivery and defect liability period. For details of our major contract terms with our customers, please refer to the paragraph headed “Our customers – Major contract terms with our customers” in this section. Our customers will then also place purchase orders to us for our products.

During the Track Record Period, the purchase orders placed by our customers were at various scales. For those sales projects relatively smaller in size, for example the total amount of which was on or below HK\$1.0 million, our customers generally did not issue a written letter of intent and directly placed purchase orders to us when our quotation/tender was accepted. The following table sets forth a breakdown of our Group’s revenue by the total amount of the purchase orders during the Track Record Period:

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	Year ended 31 December								
	2015			2016			2017		
	<i>No. of purchase orders</i>	<i>Revenue (HK\$'000)</i>	<i>% of total revenue</i>	<i>No. of purchase orders</i>	<i>Revenue (HK\$'000)</i>	<i>% of total revenue</i>	<i>No. of purchase orders</i>	<i>Revenue (HK\$'000)</i>	<i>% of total revenue</i>
<b>Above HK\$10 million</b>									
Hong Kong	2	2,882	1.5	4	36,065	20.1	4	38,230	19.3
Macau	-	-	-	-	-	-	-	-	-
The PRC	3 <i>(Note 1)</i>	27,832	14.9	1	275	0.2	2	735	0.4
<b>On or below HK\$10 million and above HK\$5 million</b>									
Hong Kong	11	43,635	23.4	10	31,638	17.6	14	27,045	13.6
Macau	3	14,182	7.6	3	7,674	4.3	4	15,245	7.7
The PRC	3	3,179	1.7	2	4,416	2.5	3	7,357	3.7
<b>On or below HK\$5 million and above HK\$1 million</b>									
Hong Kong	22	41,019	22.0	27	39,056	21.8	39	51,088	25.7
Macau	9	16,343	8.8	9	10,333	5.7	11	18,341	9.2
The PRC	4	6,366	3.4	5	6,276	3.5	5	3,025	1.5
<b>On or below HK\$1 million</b>									
Hong Kong	154	22,738	12.2	174	22,824	12.7	197	27,637	13.9
Macau	36	4,541	2.4	54	6,070	3.4	50	8,660	4.4
The PRC	24	4,028	2.2	23	14,666	8.2	28	1,144	0.6
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<b>Total <i>(Note 2)</i>:</b>	<b>271</b>	<b>186,743</b>	<b>100.0</b>	<b>312</b>	<b>179,292</b>	<b>100.0</b>	<b>357</b>	<b>198,507</b>	<b>100.0</b>
	=====	=====	=====	=====	=====	=====	=====	=====	=====

*Notes:*

- One of the three sizable sales projects was about the manufacture and supply of low-voltage switchboard and motor control centre with contract sum of approximately HK\$34.7 million in relation to a construction project of a new shopping mall in Dalian. The revenue recognised for the year ended 31 December 2015 attributable to this sales project amounts to approximately HK\$27.3 million. The project had been completed in the year ended 31 December 2017, of which the remaining revenue was recognised in the two years ended 31 December 2017. The other two sizable sales projects were about the manufacture and supply of electrical distribution board and control box with aggregate contract sum of approximately HK\$25.6 million in relation to two hotel development projects in Sanya and Tangshan, the PRC, respectively. The aggregate revenue recognised for the year ended 31 December 2015 attributable to these two sales project amounts to approximately HK\$0.5 million.
- The figures and percentages above may not add up to the total due to rounding.

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The following table sets forth the number of quotations/tenders submitted, the number of quotations/tenders accepted by our customers and our success rate during the Track Record Period:

	Year ended 31 December		
	2015	2016	2017
<b>Overall</b>			
Number of quotations/tenders submitted	394	393	460
Number of quotations/tenders accepted	68	68	70
Number of quotations/tenders rejected	326	321	229
Number of quotations/tenders pending reply	0	4	161
Success rate <i>(Note)</i>	17.3%	17.3%	15.2%
<b>Hong Kong and Macau</b>			
Number of quotations/tenders submitted	324	328	251
Number of quotations/tenders accepted	54	65	36
Number of quotations/tenders rejected	270	259	69
Number of quotations/tenders pending reply	0	4	146
Success rate <i>(Note)</i>	16.7%	19.8%	14.3%
<b>The PRC</b>			
Number of quotations/tenders submitted	70	65	209
Number of quotations/tenders accepted	14	3	34
Number of quotations/tenders rejected	56	62	160
Number of quotations/tenders pending reply	0	0	15
Success rate <i>(Note)</i>	20.0%	4.6%	16.3%

*Note:* Success rate for a financial year is calculated based on the number of quotations/tenders accepted (whether accepted in the same financial year or subsequently) in respect of the quotations/tenders submitted during that financial year.

Regarding the table above, our Directors consider our success rates during the Track Record Period could be better with reasons as follows:

- since the daily operating hours of both our GZ Quanda Factory and DG Quanda Factory during the Track Record Period increased to nearly 15 hours, our Directors consider that our production capacity was almost saturated;

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- upon receiving requests for quotations from our customers, it is our policy to reply with our quotations rather than rejecting their requests. As such, to avoid excessive workload, in preparing our quotations for sales, we had to adopt a conservative approach and take into account the potential substantial subcontracting cost. While maintaining our gross profit margin, our quotations for sales became much less competitive resulting in reduced success rates during the Track Record Period, bearing in mind that the competition in the low-voltage electrical power distribution and control devices industry in Hong Kong, Macau and the PRC was and is intense. For each of the three years ended 31 December 2017, the subcontracting cost amounted to approximately HK\$1.6 million, HK\$1.4 million and HK\$4.3 million, respectively, which, as considered by our Directors, supports that non-competitive quotation as a result of subcontracting was generally not “preferred” by our customers; and
- in particular for GZ Quanda Factory, given its limited production capacity, our Directors must take into account the potential subcontracting cost in preparing our quotations for sales in the PRC. It is because although it might improve our success rates and help to secure more sales in the PRC, at the same time the risks of cost overrun and delay of products delivery would increase, which may materially and adversely affect our results of operations and reputation. As such, the acquisition of the New Factory to improve our production capacity of our GZ Quanda Factory is considered as essential to improve our sales in the PRC. For further discussion, please refer to the paragraph headed “Business strategies – To acquire a factory in the Guangdong Province, the PRC” in this section.

In addition, during the Track Record Period, our success rates attributable to Hong Kong and Macau (i.e. sales of products manufactured by our DG Quanda Factory) were generally higher than our success rates attributable to the PRC (i.e. sales of products manufactured by our GZ Quanda Factory), because of, as considered by our Directors, the following reasons:

- since the title defects of our previous GZ Quanda Factory, in early 2016, our Directors prepared to relocate our GZ Quanda Factory and started to find suitable and sizable factory for relocation. Nevertheless, as a transitional measure, we relocated our GZ Quanda Factory to Da Long Street, Panyu District, Guangzhou City, Guangdong Province, the PRC with a gross floor area for factory of only approximately 1,200 sq. m.;
- since our existing GZ Quanda Factory is much smaller than our previous GZ Quanda Factory and does not have staff dormitory, we shrink our production capacity in order to fit in our existing GZ Quanda Factory;
- therefore, to avoid excessive workload, in preparing our quotations for sales of products manufactured by our GZ Quanda Factory, we had to be extra conservative and take into account the potential substantial subcontracting cost, resulting in our relatively low success rates attributable to the PRC (i.e. sales of products manufactured by our GZ Quanda Factory) during the Track Record Period;

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- under this situation, our revenue attributable to the PRC (i.e. sales of products manufactured by GZ Quanda Factory) decreased from approximately HK\$41.4 million for the year ended 31 December 2015 to approximately HK\$25.6 million for the year ended 31 December 2016 and further to approximately HK\$12.3 million for the year ended 31 December 2017;
- on the other hand, the gross profit margin attributable to Hong Kong and Macau was generally higher than that attributable to the PRC during the Track Record Period. For each of the three years ended 31 December 2017, the gross profit margin attributable to Hong Kong and Macau (i.e. sales of products manufactured by our DG Quanda Factory) was approximately 30.7%, 32.2% and 28.2%, respectively, while the gross profit margin attributable to the PRC (i.e. sales of products manufactured by our GZ Quanda Factory) was approximately 13.7%, 22.1% and 35.8%, respectively. For further details of the exceptional higher gross profit margin attributable to the PRC for the year ended 31 December 2017, please refer to the paragraph headed “Financial Information – Management discussion and analysis – Gross profit and gross profit margin” in this prospectus;
- therefore, and taken into account the downward operation status of our GZ Quanda Factory, our Directors decided to focus on the operations of our DG Quanda Factory. The number of employees in our DG Quanda Factory increased from 144 as at 31 December 2015 to 158 as at 31 December 2016 and remained stable at 159 as at the Latest Practicable Date;
- under this situation, our revenue attributable to Hong Kong and Macau (i.e. sales of products manufactured by our DG Quanda Factory) increased from approximately HK\$145.3 million for the year ended 31 December 2015 to approximately HK\$153.7 million for the year ended 31 December 2016 and further to approximately HK\$186.2 million for the year ended 31 December 2017; and
- in view of the aforesaid, our Directors consider that the “one falls one rises” feature of our historical sales performance of our GZ Quanda Factory and our DG Quanda Factory during the Track Record Period was generally attributable to the preparation for the relocation of our GZ Quanda Factory since early 2016.

### **Design and production**

After our quotation/tender is accepted by our customers, our engineering department, headed by our senior project manager, is to commence the product design and production planning. Material submission (which is about the materials, electrical parts and equipment to be used as the component parts of the final products), shop drawings submission (which are drawings about the detailed design of the final products) and testing and commissioning method statements are also placed for our customers’ consideration.

After our customers accept the aforesaid submissions, a production notice together with the approved shop drawings are to be issued to GZ Quanda Factory or DG Quanda Factory. Our production department in GZ Quanda Factory or DG Quanda Factory is to commence all necessary preparations for production including, among others, preparation of the production drawings. At the same time, our

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procurement department in Hong Kong (for sales projects in Hong Kong or Macau) or the PRC (for sales projects in the PRC) are to place purchase orders for the materials, electrical parts and equipment according to the approved material submission, and then arrange the same to be delivered to DG Quanda Factory (for sales projects in Hong Kong or Macau) or GZ Quanda Factory (for sales projects in the PRC) for production.

For each accepted quotation/tender, we will assign a production team headed by one production manager to be responsible to handle the quotation/tender assigned to it to ensure our products are in conformity to the contractual specifications and the production is completed on time and within budget. The size of such production team depends on the complexity and scale of the sales project. Such production team will also regularly report to our executive Directors and senior management the production progress and status. Further, on regular basis, our head of production department will report to our executive Directors and senior management about the inventory level of raw materials that are frequently used in the production process, namely copper bars and steel plates, to facilitate our inventory control. For further information about our inventory control, please refer to the paragraph headed “Our suppliers and raw materials” in this section.

Our production generally contains two to three major stages:

### *Steel case production*

The case of our products are made of steel plates. The steel plates we purchased are to go through production processes including, among others, die cutting, holes drilling, folding, welding (for local motor control panel), assembly (for low-voltage switchboard and motor control centre) and colour dusting, to form the steel case, with the aid of various machines and equipment such as bending machines, punching machines and dusting machines. For details of our machines, please refer to the paragraph headed “Production facilities” in this section.

### *Electrical parts and equipment assembly and installation*

Comparing with steel case production, electrical parts and equipment assembly and installation is more labour extensive. The electrical parts and equipment we purchased are installed manually in the steel case according to the production drawings.

### *Copper bar installation*

Copper bar installation is substantial for products such as low-voltage switchboard and motor control centre, which are to accommodate relatively higher electrical current, while other products such as the local motor control panel, which are only to accommodate relatively lower electrical current, copper bar installation is less substantial.

Similar to electrical parts and equipment assembly and installation, copper bar installation is also labour intensive and is carried out in parallel with electrical parts and equipment assembly and installation. The copper bars we purchased have different size and length and they are installed manually in the steel case according to the production drawings.

### Testing and commissioning, delivery and installation

Nearly completion of the production and before delivery, for low-voltage switchboard and motor control centre, upon our customers' request, we are to arrange factory acceptance test on the products according to the testing and commissioning method statements.

The final products are to be delivered to the construction sites for installation. For certain products such as the local motor control panel, installation may not be required.

After installation, site test is to be carried out according to the testing and commissioning method statements. Further, certain tests in relation to the guidelines issued by the electric utility are also to be carried. If necessary, inspection and approval of certain authorities in relation to fire services and electricity supply are also required.

After passing the aforesaid tests, inspections and approvals, the sales project is treated as completed.

### Defect liability period

We are required to make good any defects at our own cost within the defect liability period, which is generally six months to two years, after the completion of the sales project. Save that, we have no other product return and warranty policy.

### OUR PRODUCTS

Our products are used for power distribution, power control, circuit connection, circuit switch and protection, and panel control and display and cover various application scenarios including commercial buildings, shopping malls, casinos, hotels, banks, sewage treatment plants, schools, hospitals, railway stations, data centers and government headquarter. Our key products, namely low-voltage switchboard, motor control centre and local motor control panel, together with their pictures for illustrative purposes only, are set out below:

#### Products

Low-voltage switchboard



#### Functions

Low-voltage switchboard is an electrical device which directs electricity from one or more sources of supply to several smaller regions of low-voltage usage, and to provide switching, current protection, and metering for these various currents.

### Products

#### Motor control centre



### Functions

In many commercial and industrial applications, quite a few electric motors are required, and it is often desirable to control some or all of the motors from a central location. The apparatus designed for this function is the motor control centre, which primarily controls the distribution of power to electric motors.

#### Local motor control panel



Local motor control panel is an electrical device for overcurrent protection and to provide power to and control the motor located nearby.

### Quality control

Product quality is a crucial factor to our success. We implement stringent quality control measures at each key stage of our production process to ensure our products are in compliance with the standards and specifications required by our customers.

Our quality control department, with more than five people, headed by our senior project manager who has over 18 years of experience in the low-voltage electrical power distribution and control devices industry, is responsible for ensuring that the raw materials and our products meet the standards and specifications required by our customers. Our quality control practice can be summarised below:

- We generally make procurements of raw materials from suppliers on our approved list of suppliers, selected by our executive Directors as having established and satisfactory business relationships with us and demonstrated consistency in the quality and timely delivery of the raw materials supplied by them. After the raw materials we purchased are delivered to us, our quality control will include the inspection of whether the quantity is correct and whether there are any observable defects. For each type of raw materials, it is our general policy to maintain multiple suppliers in order to avoid over relying on any single supplier;



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- For all products, we carry out various tests to ensure they are in conformity with the standards and specifications required by our customers before delivery. Depending on our customers’ request, factory acceptance test and site test on our products will also be carried out. For details, please refer to the paragraph headed “Business model and our operation – Testing and commissioning, delivery and installation” in this section;
- We have regular meetings between various departments to discuss problems encountered by our production staff. Appropriate steps or procedures are taken to avoid recurring problems and to improve the quality of our products. We also regularly provide quality control training to our production staff members and have an established set of mandatory internal procedures and standards to ensure the quality of our products; and
- We communicate regularly with our customers to obtain feedbacks on the quality of our products.

In recognition of our quality control practice, we have obtained numerous certifications and qualifications. For details, please refer to the paragraph headed “Major qualifications and licences” in this section.

As a result of our quality control practice, we have not experienced any material products return or substantive quality complaints from our customers during the Track Record Period.

### PRODUCTION FACILITIES

#### Production sites

As at the Latest Practicable Date, we had two production sites, which are responsible for all our production and delivery, whose particulars are set out as follows:

Factory	Address	Size	Status	Principal function during the Track Record Period
GZ Quanda Factory	Da Long Street, Panyu District, Guangzhou City, Guangdong Province, the PRC <sup>(Note 1)</sup>	Gross floor area for factory of approximately 1,200 sq. m.	Leased, expiring on 31 January 2020 <sup>(Note 2)</sup>	Manufacture and supply of our products to our customers in the PRC
DG Quanda Factory	Wangdong Village, Wangniudun Town, Dongguan City, Guangdong Province, the PRC	Gross floor area of production factory at approximately 14,000 sq. m. and staff dormitory at approximately 5,200 sq. m.	Self-owned	Manufacture and supply of our products to our customers in Hong Kong and Macau

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*Notes:*

1. It was previously situated at Zhong Xin Cun Industrial Zone, Panyu District, Guangzhou City, Guangdong Province, the PRC.
2. There is no early termination clause in our existing GZ Quanda Factory's tenancy agreement. As advised by our PRC Legal Advisers, if GZ Quanda early terminates the tenancy without any legitimate reason, it will be liable to compensate the landlord the loss and damage it will suffer due to such termination, normally being the loss of rental income of the remaining tenancy. The monthly rental of our existing GZ Quanda Factory is RMB12,100.

Our production sites are equipped with machines and equipment. As at the Latest Practicable Date, our major production machines and equipment included two bending machines, four punching machines, one dusting machine, one shearing machine, one rubber coating machine and one generator, the particulars of which are set forth below:

No.	Machines	Country of origin	Year of acquisition	Approximate Purchase price <sup>(Note)</sup> RMB'000	Estimated remaining useful life Years
1.	Digital punching machine	The PRC	2007	882.7	0
2.	Digital punching machine	The PRC	2012	726.5	4
3.	Digital punching machine	Finland	2000	340.7	0
4.	Dusting machine	The PRC	2011	299.7	3
5.	Digital bending machine	The PRC	2010	275.5	2
6.	Digital bending machine	The PRC	2016	271.8	8
7.	Rubber coating machine	The PRC	2015	241.3	7
8.	Digital shearing machine	The PRC	2011	176.2	3
9.	Generator	The PRC	1994	112.7	0
10.	Hydraulic punching machine	The PRC	1996	90.2	0

*Note:* We purchased all the above machines in RMB at the relevant dates of acquisition.

As at the Latest Practicable Date, all our machines and equipment are owned by our Group.

We adopt a straight-line depreciation policy on our plant and machinery for five to ten years. We determine the estimated remaining useful life of our major production machines and equipment based on, among others, expected usage, expected physical wear and tear and our experience on similar production machines and equipment. Therefore, our Directors believe that our depreciation policy is in line with industry norm. For details of the relevant accounting policies and estimates, please refer to notes 4 and 14 of the accountants' report set out in Appendix I to this prospectus. Although a majority of our major production machines and equipment have short estimated remaining useful life of less than four years, our Directors consider that with proper maintenance, the operational life of our major production machines and equipment could be over ten years. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material work interruption due to malfunction of our production machines and equipment.

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During the Track Record Period, we purchased and upgraded nine production machines and equipment to maintain our production capacity and keep track with the technological development, which included one rubber coating machine and one bending machine, and other numerous machines and equipment. For each of the three years ended 31 December 2017, our additions of plant and machinery were approximately HK\$297,000, HK\$334,000 and HK\$93,000, respectively.

### Utilisation rate

In view of the nature of our business and operations, our Directors consider that it is not feasible or practicable to accurately quantify our production capacity and utilisation rate due to the following reasons:

- our products are made with different sizes and specifications to fulfill our customers' needs and site conditions which are different from project-to-project, and therefore the actual production duration and complexity also vary from project-to-project;
- our production generally contains two to three major stages: (i) steel case production; (ii) electrical parts and equipment assembly and installation; and (iii) copper bar installation. For details, please refer to the paragraph headed "Business model and our operation – Design and production" in this section. Machines are more heavily used in the steel case production while the other two stages are labour extensive. Further, our production depends on the work schedule of our customers and the delivery schedule of our suppliers. As such, it is not practicable to reliably quantify our production capacity by making reference to any particular production step;
- the steel case production involves, among others, die cutting, holes drilling, folding, welding, assembly and colour dusting with the aid of various machines and equipment such as bending machines, punching machines and dusting machines, which from time to time are left unused pending completion of other steps. Besides, the machines and equipment are sometimes left unused for assembling, disassembling, repairing and maintenance works to be carried out. As such, our Directors are of the view that it would be difficult to accurately measure an overall utilisation rate for our machines and equipment in general. Further, it is not practicable for us to accurately record the daily or hourly usage of each individual machines and equipment; and
- given that each type of machines and equipment is highly specific to different production steps with various sizes and capacity, it is not practicable to reliably quantify the capacity of each piece of machines and equipment by making reference to an objective and comparable scale or standard of measurement.

In stating so, since the daily operating hours of both of our GZ Quanda Factory and DG Quanda Factory during the Track Record Period went up to nearly 15 hours (while our standard daily operating hours were 9.5 hours), our Directors consider that our production capacity was almost saturated. Therefore, we plan to acquire a factory with gross floor area of at least approximately 11,000 sq. m. in the Humen Town, Dongguan City, Guangdong Province, the PRC to be our new GZ Quanda Factory, and enhance the manpower of and acquire and replace our machines and equipment in our DG Quanda Factory. For details, please refer to the paragraph headed "Business strategies" in this section.

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### **Repair and maintenance**

We repair and maintain our machines and equipment on a regular basis. In addition, we carry out our major machines and equipment repairing, inspection and maintenance in around February near the end of the lunar year every year in order to avoid material disruption to our production. For each of the three years ended 31 December 2017, our expenses in repairing and maintaining our machines and equipment, including the expenses of purchasing replaceable parts, amounted to approximately HK\$286,000, HK\$181,000 and HK\$259,000, respectively. During the Track Record Period, we did not experience any material production interruption.

### **SALES AND MARKETING**

#### **Pricing policy**

We adopt a cost-plus pricing model for setting our tender price or quotation. We estimate the cost by considering, among others, direct labour cost, subcontracting cost, cost in purchasing electrical equipment, materials and parts and delivery cost, of such sales project. We may obtain preliminary quotations from our suppliers and subcontractors to facilitate our estimation. In determining the mark-up margin, we take into consideration, among others: (a) the sufficiency of our production capacity after taking into account the customers' requested delivery date and our production schedule; (b) the historical pricing level and profit margin accepted by our customers; (c) the level of competition and the expected pricing of other competitors; and (d) other considerations such as the size of the projects and whether acceptance of the project will enhance our reputation within the industry or open up further opportunities for future sales with the customers.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any loss-making sales projects as a result of material inaccurate estimation or cost overruns.

#### **Transfer pricing**

During the Track Record Period, GZ Quanda directly sold and delivered its products to our customers in the PRC, while DG Quanda entered into an import processing arrangement with Ready Electrical Metal that DG Quanda generally carried on internal production functions only and Ready Electrical Metal generally carried on the major external profit-seeking functions, which included holding relevant licences in Hong Kong and Macau (if any), soliciting business, entering into sales contracts with and delivering our products to our customers in Hong Kong and Macau, and taking up the relevant liabilities and risks. Therefore, the profits of DG Quanda and Ready Electrical Metal are in accordance to the relevant functions and risk borne by them, respectively. Please refer to the flow of sales transactions and purchase transactions with our customers and suppliers and/or within our Group under the paragraph headed "Business overview" in this section.

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The following table sets out the amount of sales and purchase transactions between Ready Electrical Metal and DG Quanda:

	<b>For the year ended 31 December</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Purchase of raw materials from Ready Electrical Metal by DG Quanda	24,235	37,645	52,829
Sale of goods to Ready Electrical Metal by DG Quanda	48,872	52,093	95,883
Total amount of related sales and purchases	73,107	89,738	148,712

The overall gross profit margin generated by our Group for the sales of products manufactured by DG Quanda to third party customers are 30.7%, 32.2% and 28.2% for the three years ended 31 December 2017, respectively. Meanwhile, the gross profit margin earned by DG Quanda for the three years ended 31 December 2017 based on its PRC statutory auditor report are 8.1%, 8.1% and 10.1%, respectively. The remaining gross profit margin attributable to Ready Electrical Metal are 22.6%, 24.2% and 18.1%, respectively.

The following table sets out the amount of sales and purchase transactions between Ready Electrical Metal and GZ Quanda:

	<b>For the year ended 31 December</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Purchase of raw materials from Ready Electrical Metal by GZ Quanda	2,176	658	1,367
Total amount of related sales and purchase	2,176	658	1,367

Purchases of raw materials from Ready Electrical Metal by GZ Quanda are made at cost and no profit is earned therefrom. The gross profit margin earned by GZ Quanda for the three years ended 31 December 2017 based on its PRC statutory auditor report are 13.8%, 22.4% and 37.1%, respectively.

We have engaged our Tax Consultant on transfer pricing matters to carry out transfer pricing analysis, including the review of the compliance of (a) transfer pricing contemporaneous documentation requirements; and (b) related parties annual filing requirements, by DG Quanda and Ready Electrical Metal in Hong Kong and the PRC. Our Tax Consultant has also performed a review on whether the transfer pricing arrangement between DG Quanda and Ready Electrical Metal for the three years ended 31 December 2017 was in line with the Organisation for Economic Co-operation and Development (OECD) arm's length principle.

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Our Tax Consultant has reviewed the function performed and the risk borne by the related parties in the intra-group transactions, and then compared DG Quanda and Ready Electrical Metal's transfer pricing practice with the benchmarks which were derived from comparable companies engaged in similar industries under the "Transaction Net Margin Method".

Our Tax Consultant is of the opinion that after taking into account the relevant functions and risks borne by DG Quanda, which is a limited risk manufacturer, that the aforementioned intra-group transactions were conducted in arm's length basis.

In view of the aforesaid review, our Tax Consultant concluded that (i) our transfer pricing arrangement between DG Quanda and Ready Electrical Metal for the three years ended 31 December 2017 was in accordance with the arm's length principle and in compliance with the applicable PRC and Hong Kong transfer pricing guidelines and regulations; and (ii) the related transfer pricing risk was low.

As at the Latest Practicable Date, our Directors were not aware of any inquiry, audit or investigation raised by any tax authority in the PRC and Hong Kong with respect to our Group's related party transactions.

### **Seasonality**

Our Directors consider that our business of manufacturing and supply of low-voltage electrical power distribution and control devices as well as the low-voltage electrical power distribution and control devices industry in Hong Kong, the PRC and Macau do not exhibit any significant seasonality.

### **OUR CUSTOMERS**

During the Track Record Period, our top five customers comprised, among others, E&M engineering companies (being either subsidiary of Hong Kong listed company, PRC listed company or member of established private group headquartered in Hong Kong or Japan) with operations in Hong Kong, the PRC and/or Macau. Our Group does not target projects administered by the Hong Kong Housing Authority, which was also not our customer during the Track Record Period.

Our sales of products are made on the basis of individual quotations or tenders by our customers and we did not enter into any master long-term contract or framework agreement with our customers during the Track Record Period and up to the Latest Practicable Date.

For each of the three years ended 31 December 2017, save and except for Ready System Engineering, Ready System (Macau) and SZ Jianda, our top five customers were Independent Third Parties, and total revenue attributable to them amounted to approximately HK\$126.7 million, HK\$115.2 million and HK\$107.8 million, representing approximately 67.8%, 64.3% and 54.3% of our total revenue, respectively. During the same period, total revenue attributable to our largest customer amounted to approximately HK\$41.3 million, HK\$33.4 million and HK\$34.4 million, representing approximately 22.1%, 18.6% and 17.3% of our total revenue, respectively. Save and except for Ready System Engineering, Ready System (Macau) and SZ Jianda, none of our Directors, Shareholders (which to the knowledge of our Directors owns more than 5% of the issued share capital of our Company) or their respective close associates had any interest in any of our top five customers during the Track Record Period.

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The following table sets forth the details of our top five customers during the Track Record Period:

Customer	Background	Product categories we provided to	Approximate % of our revenue for the year ended 31 December <sup>(Note 1)</sup>			Length of business relationship with us
			2015	2016	2017	
Customer A	Companies within the same group listed in Hong Kong engaging in E&M engineering operations in Hong Kong, the PRC and Macau	Low-voltage switchboard, local motor control panel, motor control centre and electrical parts and replacements	22.1%	18.6%	8.2%	Since 2001
Customer B	A company engaging in E&M engineering works and project management and being a subsidiary of a company listed in Hong Kong (“Customer B1”); a joint venture established by a fellow subsidiary of Customer B1 (engaging in building construction, civil and foundation engineering works and investment holding) and a building construction company (being another subsidiary of a company listed in Hong Kong), and such fellow subsidiary of Customer B1 held 60% interest of such joint venture; and a company engaging in building construction in the PRC and being a subsidiary of a company listed in Shanghai, the PRC	Low-voltage switchboard, local motor control panel, motor control centre and electrical parts and replacements	19.6%	16.6%	10.7%	Since 2008
Customer C	A company engaging in E&M construction and facility management with its parent company based in Japan	Low-voltage switchboard, local motor control panel, motor control centre and electrical parts and replacements	6.3%	12.5%	17.3%	Since 2002

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Customer	Background	Product categories we provided to	Approximate % of our revenue for the year ended 31 December <sup>(Note 1)</sup>			Length of business relationship with us
			2015	2016	2017	
Customer D	Companies within the same group listed in Hong Kong engaging in E&M engineering operations and trading of electrical generators (“Customer D1”); and three companies all engaging in property development in the PRC and being held indirectly as to 60%, 100% and 100% by a company listed in Hong Kong (“Customer D2”), while Customer D1 and Customer D2 have the same controlling shareholder	Low-voltage switchboard, local motor control panel, motor control centre and electrical parts and replacements	9.8%	9.0%	9.0%	Since 2003
Customer E	Companies within the same group headquartered in Hong Kong engaging in E&M engineering operations in Hong Kong, the PRC and Macau	Low-voltage switchboard, local motor control panel, motor control centre and electrical parts and replacements	n/a	7.6%	n/a	Since 2007
Ready System Engineering, Ready System (Macau) and SZ Jianda <sup>(Note 2)</sup>	Companies engaging in E&M engineering operations in Hong Kong, the PRC and Macau	Low-voltage switchboard, local motor control panel, motor control centre and electrical parts and replacements	10.0%	n/a	n/a	Since 2000
Customer F	Companies within the same group listed in Hong Kong engaging in fire prevention and mechanical engineering, and electrical installation services in Hong Kong	Low-voltage switchboard, electrical distribution board and control box, and electrical parts and replacements	n/a	n/a	9.1%	Since 2014
Total <sup>(Note 3)</sup> :			67.8%	64.3%	54.3%	



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*Notes:*

1. Only the figures of our top five customers of each of the three years ended 31 December 2017 are shown in this table.
2. Please also refer to the section headed “Connected Transactions” in this prospectus.
3. The figures and percentages above may not add up to the total due to rounding.

### Major contract terms with our customers

If our quotation/tender is accepted by our customers, a written letter of intent is to be issued by our customers, which sets out the agreed contract terms with our customers including, among others, product description, unit price, quantity, scope of work, terms of payment, terms of delivery and defect liability period, which are summarised below:

Major contract terms	Description
Product description, unit price and quantity	The letter of intent sets out a brief product description, quantity, unit price and total amount of each item of our products.
Scope of work	The scope of work can include the supply, delivery, installation and testing and commissioning of our products, as well as provision of certain documents such as shop drawings, equipment catalogue and testing procedure.
Terms of payment	<p>For (i) new customers; or (ii) sales to the PRC, we generally request payment of deposit of 10% to 30% of the total purchase price upon acceptance of our quotations/tenders.</p> <p>If installation and site test are not required, we generally receive all the outstanding purchase price after completion of factory acceptance test and delivery.</p> <p>If installation and site test are required, we generally receive approximately 60% to 80% of the total purchase price after completion of factory acceptance test and delivery, approximately 15% to 37.5% of the total purchase price after installation and passing of the site test and other necessary inspections and approvals, and the remaining approximately 2.5% to 5% of the total purchase price after the defect liability period.</p> <p>We issue an invoice to our customers for the outstanding payment. We generally grant them an average credit period of 30 to 75 days for settling our invoices.</p> <p>Payment is usually made by way of cheque or bank transfer in Hong Kong dollars, RMB or MOP.</p>

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<b>Major contract terms</b>	<b>Description</b>
Terms of delivery	We are responsible to arrange transportation and insurance for delivering our products to the designated site and bear the relevant charges. During the Track Record Period, we did not have our own fleet of vehicles and engaged external transportation service providers to handle delivery of our products.
Defect liability period	We are required to make good any defects at our own cost within the defect liability period, which is generally six months to two years, after installation and passing of the site test and other necessary inspections and approvals.

### **OUR SUPPLIERS AND RAW MATERIALS**

Our major raw materials are various electrical parts and components, and copper products. Our top five suppliers during the Track Record Period were suppliers of such raw materials. For each of the three years ended 31 December 2017, the cost of raw materials for production of our products constituted our largest cost, which amounted to approximately HK\$112.3 million, HK\$102.7 million and HK\$116.5 million, representing approximately 82.3%, 82.7% and 82.2% of our total cost of sales, respectively.

We place purchase orders to our suppliers for raw materials based on our production needs and inventory control measures. We did not enter into any master long-term contract or framework agreement with our suppliers during the Track Record Period and up to the Latest Practicable Date. For details of our quality control over the raw materials from our suppliers, please refer to the paragraph headed “Our products – Quality control” in this section.

Our inventory includes raw materials that are frequently used in the production process, namely copper bars and steel plates. It is our policy to maintain a minimum but sufficient inventory level of principal raw materials that are frequently used in the production process. Further, we closely monitors the inventory level of our raw materials and when the inventory level of a particular raw material drops to a certain level, we will place orders with our suppliers to maintain the inventory level for our future production for approximately one to two months as to copper bars and approximately one to two weeks as to steel plates. Such inventory level will be revised from time to time by making reference to outstanding sales projects and our production schedule. As to electrical parts and components, we generally do not stock up the same for our future production and only place purchase orders for the same according to the approved material submission from our customers. As per the aforesaid inventory control measures, we ensure that we do not stock up raw materials unnecessarily but at the same time secure a stable supply of quality raw materials at reasonable cost. For each of the three years ended 31 December 2017, our inventory turnover days was approximately 69.0 days, 50.2 days and 54.4 days, respectively.

Our suppliers generally grant us an average credit period of 30 to 75 days after we receive their invoices and inspect the goods provided by them. In most scenarios, we settle our suppliers’ invoices by cheque, bank transfer or letter of credit in RMB, Hong Kong dollars or US\$.

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It is our general policy to maintain multiple suppliers in order to avoid over relying on any single supplier. Due to the established business relationships with our suppliers, our suppliers are familiar with our demand on quantity and requirements as to the quality of the raw materials we need. During the Track Record Period, we did not rely on any single supplier of each type of raw materials and did not experience any material shortage of our major raw materials.

For each of the three years ended 31 December 2017, our top five suppliers were Independent Third Parties, and total purchase attributable to them amounted to approximately HK\$51.1 million, HK\$59.4 million and HK\$64.3 million, representing approximately 57.0%, 55.0% and 53.2% of our total purchase, respectively. During the same period, total purchase attributable to our largest suppliers amounted to approximately HK\$20.7 million, HK\$22.6 million and HK\$23.9 million, representing approximately 23.1%, 20.9% and 19.8% of our total purchase, respectively. None of our Directors, Shareholders (which to the knowledge of our Directors owns more than 5% of the issued share capital of our Company) or their respective close associates had any interest in any of our top five suppliers during the Track Record Period. Save and except Customer D, Supplier A, Supplier B, Supplier C and Supplier E, our major customers engaged by us are not our major suppliers, nor vice versa.

During the Track Record Period, Customer D occasionally supplied to us various electrical parts and components. For each of the three years ended 31 December 2017, our revenue attributable to Customer D amounted to approximately HK\$18.2 million, HK\$16.1 million and HK\$17.9 million with gross profit attributable to Customer D of approximately HK\$5.0 million, HK\$9.0 million and HK\$5.8 million for the same periods, respectively. For the same periods, our purchases attributable to Customer D's supply of various electrical parts and components to us amounted to approximately HK\$2.3 million, HK\$1.1 million and HK\$2.6 million, respectively.

During the Track Record Period, Supplier A occasionally purchased from us local motor control panel, molded case circuit breaker board, automatic transfer switch panel and manual transfer switch. For each of the three years ended 31 December 2017, our revenue attributable to Supplier A amounted to approximately HK\$15,000, HK\$488,000 and HK\$6,000 with gross profit attributable to Supplier A of approximately HK\$9,000, HK\$363,000 and HK\$4,000 for the same periods, respectively. For the same periods, our purchases attributable to Supplier A's supply of various electrical parts and components to us amounted to approximately HK\$20.1 million, HK\$22.6 million and HK\$23.9 million, respectively.

During the Track Record Period, Supplier B occasionally purchased from us parts of low-voltage switchboard, parts of motor control centre and certain electrical parts and components. For each of the three years ended 31 December 2017, our revenue attributable to Supplier B amounted to approximately HK\$425,000, HK\$381,000 and HK\$580,000 with gross profit attributable to Supplier B of approximately HK\$116,000, HK\$174,000 and HK\$155,100 for the same periods, respectively. For the same periods, our purchases attributable to Supplier B's supply of various electrical parts and components to us amounted to approximately HK\$6.9 million, HK\$10.5 million and HK\$11.6 million, respectively.

During the Track Record Period, Supplier C occasionally purchased from us local motor control panel and parts of low-voltage switchboard. For each of the three years ended 31 December 2017, our revenue attributable to Supplier C amounted to nil, nil and approximately HK\$275,000 with gross profit

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attributable to Supplier C of nil, nil and approximately HK\$12,200 for the same periods, respectively. For the same periods, our purchases attributable to Supplier C's supply of various electrical parts and components to us amounted to approximately HK\$11.5 million, HK\$10.5 million and HK\$10.8 million, respectively.

During the Track Record Period, Supplier E occasionally purchased from us certain electrical parts and components. For each of the three years ended 31 December 2017, our revenue attributable to Supplier E amounted to nil, approximately HK\$250,000 and HK\$31,000 with gross profit attributable to Supplier E of nil, approximately HK\$40,000 and HK\$2,700 for the same periods, respectively. For the same periods, our purchases attributable to Supplier E's supply of various electrical parts and components to us amounted to approximately HK\$5.7 million, HK\$5.7 million and HK\$12.1 million, respectively.

For each of the three years ended 31 December 2017, the percentage of total purchase attributable to Customer D amounted to approximately 2.4%, 1.1% and 2.2% of our total purchase, respectively, while the aggregate percentage of total revenue attributable to Supplier A, Supplier B, Supplier C and Supplier E amounted to approximately 0.2%, 0.6% and 0.5% of our total revenue, respectively.

The following table sets forth the details of our top five suppliers during the Track Record Period:

Supplier	Background	Types of goods purchased by our Group from the supplier	Approximate % of our purchase for the year ended 31 December <sup>(Note 1)</sup>			Length of business relationship with us
			2015	2016	2017	
Supplier A	A supplier with its parent company headquartered in Switzerland, the shares of which are listed on the SIX Swiss Exchange, the NASDAQ OMX Stockholm Exchange and the New York Stock Exchange (where its shares are traded in the form of American depositary shares), and the annual revenue of which was approximately US\$33.8 billion in 2016 <sup>(Note 2)</sup>	Electrical parts and components	23.1%	20.9%	19.8%	Since 2012
Supplier B	A supplier with its parent company headquartered in Singapore	Electrical parts and components	7.7%	9.8%	9.6%	Since 1997
Supplier C	Two suppliers within the same group, with their parent company headquartered in France, the shares of which are listed on Euronext Paris (compartment A), and the annual revenue of which was approximately EUR24.7 billion in 2016 <sup>(Note 3)</sup>	Electrical parts and components	12.8%	9.7%	8.9%	Since 2000
Supplier D	A supplier based in Thailand	Copper products	7.1%	9.3%	n/a	Since 2008

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Supplier	Background	Types of goods purchased by our Group from the supplier	Approximate % of our purchase for the year ended 31 December <sup>(Note 1)</sup>			Length of business relationship with us
			2015	2016	2017	
Supplier E	A supplier based in Hong Kong	Electrical parts and components	6.3%	5.3%	10.0%	Since 2014
Supplier F	A supplier based in Malaysia	Copper products	n/a	n/a	4.9%	Since 2007
Total <sup>(Note 4)</sup> :			57.0%	55.0%	53.2%	

*Notes:*

- Only the figures of our top five suppliers of each of the three years ended 31 December 2017 are shown in this table.
- To the best of knowledge of our Directors, Supplier A has the ability to produce our low-voltage electrical power distribution and control devices.
- To the best of knowledge of our Directors, Supplier C has the ability to produce our low-voltage electrical power distribution and control devices.
- The figures and percentages above may not add up to the total due to rounding.

### MAJOR QUALIFICATIONS AND LICENCES

As at the Latest Practicable Date, we had obtained the following licences and qualifications which are material for us to operate our business in Hong Kong:

No.	Certification	Relevant register/category	Issuing authority	Holder	Validity period
1.	Electrical contractor	Register of registered electrical contractors kept under Regulation 10(1) of the Electricity (Registration) Regulations (Chapter 406D of the Laws of Hong Kong)	Director of Electrical and Mechanical Services	Ready Electrical Metal	Up to 10 August 2019
2.	Approved suppliers of materials and specialist contractors for public works	Low-voltage cubicle switchboard installation	Works Branch, Development Bureau of the Government	Ready Electrical Metal	Effective from 1999 <sup>(Note)</sup>

*Note:* It is not subject to any periodic renewal conditions.

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With the support of the advice of the Legal Counsel, our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, we had obtained all the necessary licences, permits and approvals for our business operation in Hong Kong and all of them are valid.

As advised by the Macau Legal Advisers, there is no statutory licence, permit or approval necessary for our Group to supply our products to Macau customers under the Macau laws and regulations.

In considering our quotation/tender, to ensure our products have passed certain international standards namely the standards laid down by the International Electrotechnical Commission (IEC) and Guobiao (GB), our customers will require us to submit our Association of Short-Circuit Authorities (ASTA) Certificates of Verification Tests and/or Certificates for China Compulsory Product Certification (CCC) issued by the China Quality Certification Centre in relation to the relevant products for their consideration.

The following table sets forth all our current Certificates for China Compulsory Product Certification (CCC) issued by the China Quality Certification Centre in relation to our products as at the Latest Practicable Date:

No.	Products	Standards and technical requirements	Holder	Date of grant	Expiry date
1.	Local motor control panel – low-voltage switchgear assemblies (InA = 630A to 100A) and low-voltage switchgear assemblies (InA = 2500A to 1000A)	GB 7251.12 – 2013	Ready Electrical Metal and DG Quanda	26 May 2016	13 April 2021
2.	Low-voltage switchgear assemblies (InA = 4000A to 1600A)	GB 7251.12 – 2013	Ready Electrical Metal and DG Quanda	26 May 2016	29 October 2018
3.	Low-voltage switchgear assemblies (InA = 4000A to 1600A), (InA = 2500A to 1000A) and (InA = 6300A to 4000A)	GB 7251.12 – 2013	Ready Electrical Metal and GZ Quanda	12 April 2016	12 April 2021
4.	Automatic changeover switches – low-voltage switchgear assemblies (InA = 400A to 10A) and (InA = 1600 to 400A)	GB 7251.12 – 2013	Ready Electrical Metal and GZ Quanda	18 May 2016	18 May 2021
5.	Low-voltage draw-out type switchboard – low-voltage switchgear assemblies (InA = 2500A to 1000A)	GB 7251.12 – 2013	Ready Electrical Metal and GZ Quanda	12 April 2016	12 April 2021
6.	Low-voltage draw-out type switchboard – low-voltage switchgear assemblies (InA = 6300A to 4000A)	GB 7251.12 – 2013	Ready Electrical Metal and GZ Quanda	14 April 2016	14 April 2021

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No.	Products	Standards and technical requirements	Holder	Date of grant	Expiry date
7.	Low-voltage capacitor bank (InA = 509.5A to 76A)	GB/T 15576 – 2008	Ready Electrical Metal and GZ Quanda	15 July 2015	10 March 2020
8.	Cable distribution box (InA = 630A to 100A)	GB 7251.5 – 2008	Ready Electrical Metal and GZ Quanda	18 May 2016	18 May 2021
9.	Molded case circuit breaker board – low-voltage switchgear assemblies (InA = 400A)	GB 7251.12 – 2013	Ready Electrical Metal and GZ Quanda	13 April 2016	13 April 2021
10.	Molded case circuit breaker board – low-voltage switchgear assemblies (InA = 800A to 400A)	GB 7251.12 – 2013	Ready Electrical Metal and GZ Quanda	19 April 2016	19 April 2021
11.	Miniature circuit breaker board (InA = 200A to 32A) and (InA = 63A to 20A)	GB 7251.3 – 2006	Ready Electrical Metal and GZ Quanda	11 August 2014	11 August 2019
12.	Local motor control panel – low-voltage switchgear assemblies (InA = 800A to 400A)	GB 7251.12 – 2013	Ready Electrical Metal and GZ Quanda	12 April 2016	11 August 2019

As advised by the PRC Legal Advisers, save as the aforesaid certificates, there is no statutory licence, permit or approval necessary for our Group to manufacture and supply our products in the PRC under the PRC laws and we have obtained all the relevant licences, permits or approvals in relation to our operation in the PRC.

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The following table sets forth all our current Association of Short-Circuit Authorities (ASTA) Certificates of Verification Tests in relation to our products as at the Latest Practicable Date:

No.	Products	Standards and technical requirements	Holder	Dates of tests <sup>(Note 1)</sup>
1.	Local motor control panel (630A)	IEC 61439-2: Edition 2.0 2011-08	Ready Electrical Metal	21 February to 7 June 2011
2.	Low-voltage switchboard and motor control centre (2500A) <i>(Note 2)</i>	IEC 61439-2: Edition 2.0 2011-08	Ready Electrical Metal	1 March to 19 October 2011  3 September 2012 to 9 May 2013  11 February 2014 to 4 December 2014  14 June 2016 to 26 July 2016
3.	Low-voltage switchboard and motor control centre (3200A) <i>(Note 3)</i>	IEC 61439-2: Edition 2.0 2011-08	Ready Electrical Metal	14 March to 14 October 2011  3 September 2012 to 9 May 2013
4.	Local motor control panel (630A, 660V)	IEC 61439-2: Edition 2.0 2011-08	Ready Electrical Metal	20 January 2014 to 27 November 2014
5.	Local motor control panel (630A, 415V)	IEC 61439-2: Edition 2.0 2011-08	Ready Electrical Metal	11 February 2014 to 8 December 2014

*Notes:*

1. Association of Short-Circuit Authorities (ASTA) Certificates are not subject to any periodic renewal conditions.
2. We have in total four sets of design and materials (the main electrical parts and components of which were purchased from four different suppliers, two of which were Supplier A and Supplier C) for the same products of low-voltage switchboard and motor control centre, both designed to accommodate electric current at 2500A). One (out of four) set of design and materials (the main electrical parts and components of which were purchased from Supplier A) has also passed the standards and technical requirements of IEC 61641: 2008, Clauses 6, 7 and 8.
3. We have in total two sets of design and materials (the main electrical parts and components of which were purchased from two different suppliers, one of which was Supplier A) for the same products of low-voltage switchboard and motor control centre, both designed to accommodate electric current at 3200A). One (out of two) set of design and materials (the main electrical parts and components of which were purchased from Supplier A) has also passed the standards and technical requirements of IEC 61641: 2008, Clauses 6, 7 and 8.



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The following two tables sets forth our qualifications which recognise our quality control system and quality standards of our products, thereby considered by our Directors as material qualifications:

Certification	Issuing organisation	Date of grant	Expiry date	Description
ISO 9001:2008	Hong Kong Quality Assurance Agency	31 October 2001	14 September 2018	Our design, supply, manufacture and installation of low-voltage switchboards, motor control centres and motor control panels have been assessed and certified as meeting the requirements of ISO 9001:2008 quality management system standard since 2001

Product	Issuing organisation	Standards and technical requirements	Holder	Dates of tests <i>(Note)</i>
Capacitor bank	Intertek Testing Services Shenzhen Ltd. Guangzhou Branch	IEC 61439-1: 2009 (Edition 1.0, 2009-01)	Ready Electrical Metal	29 November 2010 to 15 December 2010

*Note:* It is not subject to any periodic renewal conditions.

### COMPETITION

According to the Frost & Sullivan Report, the entry barriers in the low-voltage electrical power distribution and control devices industry in Hong Kong, Macau and the PRC include (i) capital investment; (ii) professional talents; (iii) acquisition of related certificates; (iv) project experience; and (v) relationship with stakeholders. For details, please refer to the paragraph headed “Industry Overview – Entry barriers” in this prospectus. In view of the aforesaid, our Directors consider that our key competitors in the low-voltage electrical power distribution and control devices industry in Hong Kong, Macau and the PRC are those major manufacturers and suppliers of low-voltage electrical power distribution and control devices especially those focuses on low-voltage switchboard, motor control centre and local motor control panel which have strong financial resources and are large in size in the industry, and the competition is intense.

In view of the competition in the industry, we believe that we are well equipped to compete with our competitors on our competitive strengths. We consider that our competitive strengths have contributed to our success. According to the Frost & Sullivan Report, the top five players in the low-voltage electrical power distribution and control devices industry in Hong Kong in 2017 altogether took up a share of approximately 43.6% from the total market revenue in 2017 (among which we ranked second and represented approximately 8.1% of the total market revenue in 2017). Further, we strive to

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achieve sustainable growth in our business by acquiring a factory in the Guangdong Province, the PRC as well as acquiring and replacing our machines and equipment in our DG Quanda Factory. We also believe that the Listing will be a breakthrough in promoting our Group to the general public, further enhancing our brand and continued future business development. As such, even though competition within the low-voltage electrical power distribution and control devices industry in Hong Kong, Macau and the PRC will continue to intensify in the future, we are confident that we are able to withstand the intense competition with our competitive strengths and business strategies. For further details of our competitive strengths and business strategies, please refer to the paragraphs headed “Our competitive strengths” and “Business strategies” in this section.

### OUR EMPLOYEES

As at the Latest Practicable Date, we had 232 full-time employees who were directly employed by us in Hong Kong and the PRC. The following table sets out the number of our full-time employees who were directly employed by us in Hong Kong and the PRC by their functional role:

Functional role	Number of employees in Hong Kong	Number of employees in our DG Quanda Factory	Number of employees in our GZ Quanda Factory	Total
Director	2	–	–	2
Sales and marketing	3	–	2	5
Engineering	25	2	5	32
Procurement	5	9	3	17
Production	–	138	17	155
Accounting and administrative	5	10	6	21
<b>Total:</b>	<b>40</b>	<b>159</b>	<b>33</b>	<b>232</b>

Our department heads will prepare annual department headcount budgets for their respective department. Our sales and marketing department will also prepare an on-going sales project forecasts. All these will be consolidated and submitted to our management for approval. If any of our departments need recruitment, requisition form would be prepared stating the reasons for requisition, key areas of responsibilities, job specifications and any extra requirements. Our administrative officer will approve such requisition form and then issues recruitment advertisement.

We recruit our employees based on a number of factors such as their work experience, educational background, qualifications or certifications possessed and vacancies. We may recruit our employees by advertising on websites. During the Track Record Period, we did not engage any human resources agency for recruitment purpose.

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Our new employees are generally subject to a three-month probation. On-the-job training will be provided to our new employees during the probation period by their respective supervisors. At the end of the probation period, we will conduct performance evaluation and the same is to be approved by our management before our new employees are appointed as our permanent employees.

Education and training will also be provided to our existing employees on various aspects including advanced knowledge and skills on machines operation, work safety and quality control on a continuing basis. Our Directors consider that our training programme can increase our overall efficiency and facilitate us to retain quality employees.

The remuneration package for our employees generally includes salary and bonuses. Our employees also receive welfare benefits, including retirement benefits, occupational injury insurance, medical insurance and other miscellaneous items. We conduct annual review of the performance of our employees for determining the level of bonus, salary adjustment and promotion of our employees. Our executive Directors will also conduct research on the remuneration packages offered for similar positions in the low-voltage electrical power distribution and control devices industry in Hong Kong and the PRC in order to keep our remuneration packages at a competitive level. We have also adopted the Share Option Scheme which will become effective upon Listing. The Share Option Scheme is designed to provide incentives and rewards to our employees.

We are required to, and so currently make, for the benefit of our employees in the PRC, social insurance contributions (which include basic pension insurance, basic medical insurance, unemployment insurance, maternity insurance and work-related injury insurance) under the relevant PRC laws and regulations. Further, according to the laws and regulations of the PRC, an enterprise established in the PRC is also required to make contributions to a government-administered housing provident fund for our employees. We currently make housing provident fund contributions for our employees in compliance with the relevant PRC laws and regulations. As advised by our PRC Legal Advisers, save as disclosed under the paragraph headed “Business – Legal proceedings and legal compliance – Legal proceedings” and the paragraph headed “Business – Legal proceedings and legal compliance – Legal compliance” in this prospectus, we have complied with all the relevant labour laws and social welfare laws and regulations in the PRC in all material respects.

We have not set up any trade union for our employees. We have not had any strikes or other material labour disputes that have materially disrupted our operations, during the Track Record Period and up to the Latest Practicable Date. Our Directors believe that we have maintained a good working relationship with our employees.

Our staff cost (including fees, salaries and other allowance, and retirement benefit scheme contributions) for each of the three years ended 31 December 2017 amounted to approximately HK\$25.3 million, HK\$23.1 million and HK\$26.9 million, respectively.

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### WORK SAFETY

As at the Latest Practicable Date, we had one qualified safety production management personnel for each of our DG Quanda Factory and GZ Quanda Factory, to be responsible for the work safety matters in our GZ Quanda Factory and DG Quanda Factory as required under the relevant PRC laws and regulations. Our qualified safety production management personnel are responsible to formulate our work safety guidelines, including the use of the protective clothing, installation of safety devices and working procedures about the use of machines and equipment. Our work supervisors are responsible to monitor adherence to the safety guidelines. Further, in order to make sure our new employees for manufacturing are familiar with and comply with our work safety guidelines, our work supervisors and senior technicians will provide them on-the-job training, which is usually on a one-on-one basis. In order to enhance the work safety awareness of our current employees for manufacturing or update them with new work safety guidelines, spot checks by our qualified safety production management personnel and on-going training against them will also be carried out.

All incidents of work injury are reported to our qualified safety production management personnel for record and review. Regular meetings between our qualified safety production management personnel and work supervisors are held to evaluate the causes of the incidents of work injury and thereby revising the work safety guidelines if necessary.

We did not record any work injury in Hong Kong during the Track Record Period. For each of the three years ended 31 December 2017, there were 24, 19 and one work injuries recorded in our GZ Quanda Factory and DG Quanda Factory, respectively. For the same periods, the total cost for compensation of work injuries were approximately HK\$12,000 (insurance coverage of which was approximately HK\$5,400), approximately HK\$16,000 (insurance coverage of which was approximately HK\$11,000), and approximately HK\$1,600 (insurance coverage of which was approximately HK\$1,100), respectively. Further, as at the Latest Practicable Date, there is no outstanding or pending claims of work injury from our employees. As such, our Directors consider that our Group did not have any material work injuries during the Track Record Period.

As at the Latest Practicable Date, we had six items of equipment, which were treated as special equipment (特種設備) under the relevant PRC laws and regulations, in our DG Quanda Factory namely three cargo lifts, one forklift and two gas containers, and nil in our GZ Quanda Factory. All our special equipment (特種設備) are operated by qualified operators and to which we conduct regular maintenance.

### INSURANCE

We maintain an insurance to protect our DG Quanda Factory and GZ Quanda Factory against a range of contingencies, including, among others, loss and theft of, and damage to, property, plant and equipment, and inventory of raw materials, work-in-progress and finished products, business interruption, public liability and the social insurance required under the PRC laws. We also maintain the employees' compensation insurance for our staff in Hong Kong as required under the Hong Kong laws, an insurance to protect our office and workshop in Hong Kong against public liability and damage to property, and an insurance to cover the transportation risk of our products.

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As at Latest Practicable Date, we also maintain a product liability insurance for our products. We believe our practice in this regard is consistent with the industry practices in the PRC. To minimise our product liability risk, we have stringent quality control measures in order to avoid or reduce the incidence of product defects. Details of our quality control measures are set out in paragraph headed “Our products – Quality control” in this section. During the Track Record Period, we were not involved in material product liability claims.

Our Directors believe that our current insurance policies provide sufficient coverage of the risks to which we may be exposed to and is in line with the industry norm. For each of the three years ended 31 December 2017, the total amount of premium paid were approximately HK\$44,000, HK\$276,000 and HK\$473,000, respectively. During the Track Record Period and up to the Latest Practicable Date, we had not made and did not make or had not been subject to any material insurance claims and/or product liability claims.

### OUR PROPERTIES

As at the Latest Practicable Date, our Group held one property in Hong Kong and held one property in the PRC, which are for our own use. The following table sets out the information of the property we own as at the Latest Practicable Date:

No.	Address	Usage	Size <sup>(Note)</sup>
1.	Unit 5 on 4/F, Chai Wan Industrial City Phase II, 70 Wing Tai Road, Hong Kong	Warehouse	Saleable floor area of approximately 1,100 sq. ft.
2.	Wangdong Village, Wangniudun Town, Dongguan City, Guangdong Province, the PRC	DG Quanda Factory	Gross floor area of production factory at approximately 14,000 sq. m. and staff dormitory at approximately 5,200 sq. m.

*Note:* For more precise floor area, please refer to Appendix III to this prospectus.

During the Track Record Period and up to the Latest Practicable Date, our Directors confirm that our Group has a good and marketable title to the property and such property was not subject to any compulsory order for sale or auction in public pursuant to the Land (Compulsory Sale for Redevelopment) Ordinance (Chapter 545 of the laws of Hong Kong).

As advised by our PRC Legal Advisers, save as disclosed under the paragraph headed “Business – Legal proceedings and legal compliance – Title defect of our DG Quanda Factory and GZ Quanda Factory” in this prospectus, the above property in the PRC possesses a good and marketable title under the laws of the PRC as at the Latest Practicable Date.

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For further details of the above two properties, please refer to the section headed “Property Valuation” set out in Appendix III to this prospectus.

The following table sets forth the particulars of the properties leased by us as at the Latest Practicable Date:

No.	Address	Usage	Size	Expiry date	Rental Type
1.	Unit B, 5th Floor, Wing Sing Commercial Centre, Nos. 12-16 Wing Lok Street, Hong Kong	Office	Saleable area of approximately 300 sq. ft.	13 November 2018	Fixed rent
2.	Unit 9, 5th Floor, Chai Wan Industrial City Phase II, No. 70 Wing Tai Road, Chai Wan, Hong Kong <i>(Note 1)</i>	Workshop	Gross floor area of approximately 1,300 sq. ft.	30 November 2019	Fixed rent
3.	Da Long Street, Panyu District, Guangzhou City, Guangdong Province, the PRC <i>(Note 2)</i>	GZ Quanda Factory	Gross floor area for factory of approximately 1,200 sq. m.	31 January 2020	Fixed rent

*Notes:*

1. Please also refer to the section headed “Connected Transactions” in this prospectus.
2. It has been relocated from Zhong Xin Cun Industrial Zone, Panyu District, Guangzhou City, Guangdong Province, the PRC and fully resumed our production operations in May 2017.

## ENVIRONMENTAL PROTECTION

Our business is governed by PRC environmental laws and regulations including the Environment Protection Law of the PRC. These laws and regulations cover a broad range of environmental matters, including air pollution, noise emissions, hazardous wastes, discharge of sewage and waste residues. We consider the protection of the environment to be important.

We believe that our production process does not have a significant adverse effect on the environment and that our environmental protection measures are adequate to ensure compliance with all applicable current local and national PRC regulations.

Our cost of compliance with the applicable environmental rules and regulations were approximately RMB32,000, RMB8,200 and RMB76,000 for each of the three years ended 31 December 2017. The expected cost of compliance with applicable environmental rules and regulations for the year ending 31 December 2018 is approximately RMB90,000.

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As at the Latest Practicable Date, save as disclosed under the paragraph headed “Business – Legal proceedings and legal compliance – Legal proceedings” and the paragraph headed “Business – Legal proceedings and legal compliance – Legal compliance” in this prospectus, no administrative sanctions, penalties or punishments have been imposed upon us for the violation of any environmental laws or regulations.

### **LEGAL PROCEEDINGS AND LEGAL COMPLIANCE**

Our Controlling Shareholders have entered into the Deed of Indemnity whereby our Controlling Shareholders have agreed to indemnify our Group, subject to the terms and conditions of the Deed of Indemnity, in respect of any liabilities and penalties which may arise as a result of any work injuries, outstanding litigations (including criminal litigations), claims, and non-compliances of our Group on or before the date on which the Share Offer becomes unconditional. Further details of the Deed of Indemnity are set out in the paragraph headed “Statutory and General Information – E. Other information — 1. Estate duty, tax and other indemnities” in Appendix V to this prospectus.

#### **Legal proceedings**

During the Track Record Period and up to the Latest Practicable Date and save as disclosed in this paragraph, no member of our Group was engaged in any litigation, claim or arbitration of material importance, and no litigation, claim or arbitration of material importance is known to our Directors to be pending or threatened against any member of our Group.

In January 2014, pursuant to an administrative penalty decision, since GZ Quanda failed to obtain a valid sewage discharge licence and carried out manufacturing before its environmental protection equipment had been inspected and approved by the relevant environmental protection authority, GZ Quanda was ordered to cease any sewage discharge and penalised for a fine of RMB50,000. GZ Quanda paid the fine in April 2014. The administrative order was applied for enforcement in June 2014 and a written enforcement decision and a written enforcement notice were made by the relevant court in June 2014 and August 2014, respectively. Such proceedings was closed in February 2015. Further, since GZ Quanda had not promptly and fully complied with the aforesaid administrative order, GZ Quanda may be imposed a fine of not less than RMB50,000 but not more than RMB100,000.

Save for the above, no administrative sanctions, penalties or punishments have been imposed upon us for the violation of any environmental laws or regulations during the Track Record Period and up to the Latest Practicable Date.

#### **Legal compliance**

Our Directors confirm that save as disclosed below under this paragraph, we have complied with all applicable laws and regulations in all material respects in Hong Kong and the PRC during the Track Record Period and up to the Latest Practicable Date.

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### *Title defect of our DG Quanda Factory and GZ Quanda Factory*

#### DG Quanda Factory

Our DG Quanda Factory was situated at Wangdong Village, Wangniudun Town, Dongguan City, Guangdong Province, the PRC with gross floor area of production factory at approximately 14,000 sq. m. and staff dormitory at approximately 5,200 sq. m.. During the Track Record Period, our DG Quanda Factory did not obtain all the required certificates (including the construction planning permit (建設工程規劃許可證)).

On 3 May 2017, we were penalised by the relevant PRC authority for a fine of RMB104,965 of failing to obtain a valid construction permit (施工許可證) before commencing the building construction of our DG Quanda Factory, and we paid the fine on 5 May 2017.

On 13 June 2017, we were penalised by the relevant PRC authority for a fine of RMB524,824.3 of failing to obtain a valid construction planning permit (建設工程規劃許可證) before commencing the building construction of our DG Quanda Factory, and we paid the fine on 14 June 2017.

To rectify the title defect of our DG Quanda Factory, as at the Latest Practicable Date, our DG Quanda Factory had obtained the construction land use planning permit (建設用地規劃許可證), the construction planning permit (建設工程規劃許可證), the certificate of housing safety inspection (房屋安全檢查證書) and the property right certificate (不動產權證).

#### GZ Quanda Factory

Our GZ Quanda Factory was previously situated at Zhong Xin Cun Industrial Zone, Panyu District, Guangzhou City, Guangdong Province, the PRC with gross floor area of production factory and staff dormitory together of approximately 2,800 sq. m. and open area of approximately 580 sq. m.. Since the title defects of the previous factory, as a transitional measure, we started to relocate our GZ Quanda Factory in December 2016 to Da Long Street, Panyu District, Guangzhou City, Guangdong Province, the PRC with gross floor area for factory of approximately 1,200 sq. m..

As per our Directors' knowledge, our previous GZ Quanda Factory did not obtain all the required certificates (including but not limited to the construction planning permit (建設工程規劃許可證) and the property ownership certificate (房屋產權證)). As advised by our PRC Legal Advisers, there is a risk that the relevant tenancy agreement can be treated as void and the buildings of our previous GZ Quanda Factory will be ordered to be dismantled by the relevant PRC authority under the relevant PRC laws and regulations. Under this situation, we would have been forced to relocate our GZ Quanda Factory.

Since forced relocation might materially affect our business operations of our GZ Quanda Factory, our Directors had prepared for the rectification of title defect of our GZ Quanda Factory since early 2016. Nevertheless, since we were not the landlord, we were not entitled to apply for the relevant title certificates for our previous GZ Quanda Factory. As advised by the PRC Legal Advisers, the obligation to rectify the title defect of a property rests on the landlord, instead of the tenant, and the tenant is not in the position to apply for the relevant title certificates. As such, we had to choose to relocate our GZ Quanda Factory.



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In choosing a site for our GZ Quanda Factory to relocate, our predominant consideration was that such site must have all the relevant title certificates and comply with all relevant standards and safety regulations such as fire safety and environmental protection. Other major considerations included close proximity with our previous GZ Quanda Factory (in order to save relocation cost) as well as gross floor area. With our Directors' endeavours, we chose the site situated at Da Long Street, Panyu District, Guangzhou City, Guangdong Province, the PRC, which does not have any title defect and is approximately 10.6 k.m. from our previous GZ Quanda Factory, but the shortfall of which is its gross floor area of approximately 1,200 sq. m..

Our Directors understood that the relocation of our GZ Quanda Factory to Da Long Street, Panyu District, Guangzhou City, Guangdong Province, the PRC would result in reduction of more than half of the gross floor area for production. Nevertheless, in the long run to resolve the insufficient area for production in both our existing and previous GZ Quanda Factory, we are going to acquire a new factory with a gross floor area of at least 11,000 sq. m. for industrial use in the Humen Town, Dongguan City, Guangdong Province, the PRC with the net proceeds of the Share Offer. Therefore, we started to relocate our GZ Quanda Factory to Da Long Street, Panyu District, Guangzhou City, Guangdong Province, the PRC in December 2016, only as a transitional measure.

For details of our such future plan, please refer to the paragraph headed "Business strategies – To acquire a factory in the Guangdong Province, the PRC" in this section.

As our policy to keep up the morale, no machines had been disposed and written off as a result of the relocation and we did not implement any laid-off scheme because of the relocation of our GZ Quanda Factory. Nevertheless, the number of employees of our GZ Quanda Factory decreased from 51 as at 31 December 2015 to 34 as at 31 December 2016, which was due to, as considered by our Directors (i) transfer of manpower to our DG Quanda Factory; and (ii) voluntary turnover, within this period.

As advised by our PRC Legal Advisers, our existing GZ Quanda Factory has obtained the property right certificate (不動產權證) and the relevant tenancy agreement has been duly registered to the relevant PRC authority, and therefore our tenancy agreement of our existing GZ Quanda Factory is legal, valid and enforceable under the PRC laws and regulations.

Further, as advised by our PRC Legal Advisers, save and except that GZ Quanda may be penalised for a fine of not more than RMB10,000 for its non-filing of its previous tenancy agreement (while no penalty had been imposed on us as at the Latest Practicable Date), it will not be penalised by the relevant PRC authority for its historical lease of property with title defect.

*Non-compliance with the environmental protection regulations of the PRC*

<b>Background</b>	<b>Legal consequences</b>	<b>Follow-up actions</b>
<p>The discharge facility of DG Quanda under use had not passed the inspection by the relevant PRC authority.</p>	<p>According to the construction management regulations (建設項目環境保護管理條例), the relevant PRC authority may order DG Quanda to cease production or use of such facility, and impose a fine against DG Quanda of not more than RMB100,000.</p>	<p>On 21 March 2017, the relevant sewage discharge facility of DG Quanda passed the inspection of the Environmental Protection Department of Dongguan City (東莞市環境保護局).</p>
<p>DG Quanda had not obtained valid sewage discharge certificate prior to 21 March 2017.</p>	<p>According to the Environmental Protection Regulations of Guangdong Province (廣東省環境保護條例), the relevant PRC authority may order DG Quanda to cease any sewage discharge, and impose a fine against DG Quanda of not less than RMB50,000 but not more than RMB100,000.</p>	<p>On 21 March 2017, DG Quanda obtained the sewage discharge certificate issued by the Environmental Protection Department of Dongguan City (東莞市環境保護局).</p>

*Non-compliance with the Social Insurance Law of the PRC*

**Background**

According to the Social Insurance Law of the PRC (中華人民共和國社會保險法), we are required to make contribution to the social insurance for our employees.

During the Track Record Period, DG Quanda and GZ Quanda did not make adequate contribution to social insurance for our employees due to the inadvertent oversight of our administrative staff.

**Legal consequences**

Under the relevant PRC laws and regulations, the relevant government authority may require DG Quanda and GZ Quanda to make the outstanding contribution with an additional late payment fee at a daily rate of 0.05% of the outstanding contribution from the due date within a given period and, if DG Quanda and GZ Quanda fail to do so, may impose a fine on DG Quanda and GZ Quanda ranging from one to three times of the total outstanding amount.

Since our Group will immediately settle the outstanding contribution together with such additional late payment fee upon receipt of such notice or order from the relevant government authority, with the support of our PRC Legal Advisers, the maximum liability against DG Quanda and GZ Quanda in their non-compliance with the Social Insurance Law of the PRC during the Track Record Period will comprise (i) such additional late payment fee in the maximum amount of approximately HK\$1.5 million; and (ii) the unpaid amount of social insurance contribution during the Track Record Period at approximately HK\$2.1 million

**Follow-up actions**

We obtained three certificates dated 17 April 2017, 1 September 2017 and 16 January 2018 issued by the Social Insurance Authority of Dongguan City (東莞市社會保障局) and we also obtained three certificates dated 2 May 2017, 27 July 2017 and 8 January 2018 issued by the Human Resources and Social Insurance Department of Panyu District, Guangzhou City (廣州市番禺區人力資源和社會保障局), respectively, confirming that during the Track Record Period, DG Quanda and GZ Quanda had not been penalised for violating the relevant PRC laws and regulations regarding the social insurance. As advised by our PRC Legal Advisers, the Social Insurance Authority of Dongguan City (東莞市社會保障局) and the Human Resources and Social Insurance Department of Panyu District, Guangzhou City (廣州市番禺區人力資源和社會保障局) have the authority and are competent to issue the aforesaid certificates.

According to the interview on 1 June 2017 between our PRC Legal Advisers and the Social Insurance Authority of Dongguan City (東莞市社會保障局), it was noted that since DG Quanda has currently made adequate contribution to social insurance for its employees, unless any DG Quanda's employees complain to such PRC authority, such PRC authority will not require DG Quanda to make the outstanding social insurance contribution or impose administrative sanction against DG Quanda. As such, as advised by our PRC Legal Advisers, the chance of requiring DG Quanda to make the outstanding social insurance contribution or imposing administrative sanction against DG Quanda by the relevant PRC authority is remote. Further, our PRC Legal Advisers confirm that the Social Insurance Authority of Dongguan City (東莞市社會保障局) is competent to provide the aforesaid confirmations.

**Background****Legal consequences**

million as at 30 June 2017 under the PRC laws.

Since 2017, we have made adequate contribution to social insurance for our employees.

**Follow-up actions**

According to the interview on 9 June 2017 between our PRC Legal Advisers and the Human Resources and Social Insurance Department of Panyu District, Guangzhou City (廣州市番禺區人力資源和社會保障局), it was noted that since GZ Quanda has currently made adequate contribution to social insurance for its employees, unless any GZ Quanda's employees complain to such PRC authority, such PRC authority will not require GZ Quanda to make the outstanding social insurance contribution or impose administrative sanction against GZ Quanda. As such, as advised by our PRC Legal Advisers, the chance of requiring GZ Quanda to make the outstanding social insurance contribution or imposing administrative sanction against GZ Quanda by the relevant PRC authority is remote. Further, our PRC Legal Advisers confirm that the Human Resources and Social Insurance Department of Panyu District, Guangzhou City (廣州市番禺區人力資源和社會保障局) is competent to provide the aforesaid confirmations.

In view of the aforesaid, since most of the previous and existing employees of DG Quanda and GZ Quanda during the Track Record Period had confirmed to us that they will not complain to the relevant PRC authority to require us to make the outstanding social insurance contribution, our Directors consider that it is not necessary for us to make any provision for the unpaid social insurance contribution and the relevant fines.

**Background**

According to the Regulations on the Administration of Housing Provident Fund (住房公積金管理條例) and other relevant regulations, we are required to make contribution to the housing provident fund for our employees.

During the Track Record Period, DG Quanda and GZ Quanda did not make adequate contribution to the housing provident fund for our employees due to the inadvertent oversight of our administrative staff.

**Legal consequences**

According to the relevant PRC laws and regulations, the relevant governmental authorities may require us to make the outstanding contribution within a given period, and, if we fail to do so within the given period, an application may be made to the people's court for compulsory enforcement.

Since no penalty or fine was involved in our Group's non-compliance with the Regulations on the Administration of Housing Provident Fund, with the support of our PRC Legal Advisers, the maximum liability against DG Quanda and GZ Quanda will be the unpaid amount of housing provident fund during the Track Record Period at approximately HK\$0.8 million as at 30 June 2017 under the PRC laws.

Since 2017, we have made adequate contribution to housing provident fund for our employees.

**Follow-up actions**

We obtained one certificate of contribution of housing provident fund (單位住房公積金繳存證明) dated 11 January 2018 and 1 September 2017 issued by the Housing Provident Fund Management Centre of Dongguan City (東莞市住房公積金管理中心) and we also obtained three certificates dated 8 May 2017, 26 July 2017 and 28 December 2017 issued by the Housing Provident Fund Management Centre of Guangzhou City (廣州市住房公積金管理中心), respectively, confirming that DG Quanda and GZ Quanda had not been penalised by such centres during the Track Record Period, respectively. As advised by our PRC Legal Advisers, the Housing Provident Fund Management Centre of Dongguan City (東莞市住房公積金管理中心) and the Housing Provident Fund Management Centre of Guangzhou City (廣州市住房公積金管理中心) have the authority and are competent to issue the aforesaid certificates.

According to the interview on 1 June 2017 between our PRC Legal Advisers and the Housing Provident Fund Management Centre of Dongguan City (東莞市住房公積金管理中心), it was noted that since DG Quanda has currently made adequate contribution to housing provident fund for its employees, unless any DG Quanda's employees complain to such PRC authority, such PRC authority will not require DG Quanda to make the outstanding housing provident fund or impose administrative sanction against DG Quanda. As such, as advised by our PRC Legal Advisers, the chance of requiring DG Quanda to make the outstanding housing provident fund or imposing administrative sanction against DG Quanda by the relevant PRC authority is remote. Further, our PRC Legal Advisers confirm that the Housing Provident Fund Management Centre of Dongguan City (東莞市住房公積金管理中心) is competent to provide the aforesaid confirmations.

**Background****Legal consequences****Follow-up actions**

According to the interview on 9 June 2017 between our PRC Legal Advisers and the Housing Provident Fund Management Centre of Guangzhou City (廣州市住房公積金管理中心), it was noted that since GZ Quanda has currently made adequate contribution to housing provident fund for its employees, unless any GZ Quanda's employees complain to such PRC authority, such PRC authority will not impose administrative sanction against GZ Quanda. As such, as advised by our PRC Legal Advisers, the chance of imposing administrative sanction against GZ Quanda by the relevant PRC authority is remote. Further, our PRC Legal Advisers confirm that the Housing Provident Fund Management Centre of Guangzhou City (廣州市住房公積金管理中心) is competent to provide the aforesaid confirmations.

In view of the aforesaid, since (i) the amount of the outstanding housing provident fund was not material; and (ii) most of the previous and existing employees of DG Quanda and GZ Quanda had confirmed to us that they will not complain to the relevant PRC authority to require us to make the outstanding housing provident fund, our Directors consider that it is not necessary for us to make any provision for the unpaid housing provident fund and the relevant fines.

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Save as the non-compliances as disclosed above, there were certain non-compliances of our Group with the Predecessor Companies Ordinance and the Companies Ordinance in respect of matters including among others, late filing of statutory forms to the Companies Registry and failing to lay the audited financial statements before its general meetings. With the support of the Legal Counsel, we consider those non-compliance incidents not disclosed in detail in this prospectus are immaterial in nature. Taking into account the above and the fact that any loss, fee, expense and penalty of our Group in relation to non-compliance matters will be fully indemnified by our Controlling Shareholders, our Directors consider, and the Sponsor concurs, that the impact of them would be immaterial upon our Group's operation and financial positions.

### **Compliance with the Competition Ordinance**

The Competition Ordinance entered into force on 14 December 2015. It aims to promote competition and prohibit anti-competitive practices in Hong Kong. For details, please refer to the section headed "Regulatory Overview – Competition Ordinance (Chapter 619 of the Laws of Hong Kong)" in this prospectus.

Our Directors are aware of the prohibition under the Competition Ordinance and are of the view that our business operations are not in breach of any of the applicable prohibitions set forth in the Competition Ordinance. We are not aware of any enquiry, investigation, or notification relating to us under the Competition Ordinance.

In particular, as one of the top ranking low-voltage electrical power distribution and control devices market players in terms of share of total industry revenue in Hong Kong, our management shall not conduct our business in any way that will constitute an abuse of our market power, if any, by engaging in conduct that has as its object or effect the prevention, restriction, or distortion of competition in Hong Kong.

In respect of the compliance with the Second Conduct Rule, the following factors are taken into consideration based on the Guideline on the Second Conduct Rule ("**Second Guideline**") published by the Competition Commission.

### **Lack of substantial degree of market power**

- (i) Market share and market concentration: We do not consider that we possess substantial market power, which means the ability profitably to charge prices above competitive levels, or to restrict output or quality below competitive levels, for a sustained period of time according to the Second Guideline. Despite our extensive industry experience and ranking as second in terms of share of total industry revenue in 2017 in Hong Kong, our market share was only approximately 8.1% in 2017, as the low-voltage electrical power distribution and control devices market in Hong Kong is highly competitive with the top five players accounting for only approximately 42.6% of the total revenue of the industry in 2016, according to the Frost & Sullivan Report. Please see the paragraph headed "Industry Overview — Competitive landscape of low-voltage electrical power distribution and control devices market" in this prospectus.



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- (ii) Countervailing buyer power: According to the Second Guideline, the strength of buyers and the structure of the buyers' side of the market may prevent a supplier from having a substantial degree of market power; buyer power is not so much a matter of the size of the buyer but more a matter of bargaining strength and whether buyers have a choice between alternative suppliers. The concentration ratio of the low-voltage electrical power distribution and control devices market in Hong Kong is not high and customers generally have wide discretion to choose between alternative low-voltage electrical power distribution and control devices suppliers.

### **No abuse of substantial market power**

- (iii) No anti-competitive conduct: Our Directors confirmed that we have not engaged and is not engaging in predatory pricing, anti-competitive tying and bundling, margin squeeze or refusal to deal, which are examples of conduct that may constitute an abuse of substantial market power that has as its object or effect the prevention, restriction or distortion of competition according to the Second Guideline.
- (iv) Exclusive dealing not abusive: We have not entered into any exclusive cooperation agreements with our customers.

In light of the prohibitions under the Competition Ordinance, we will from time to time seek compliance advices on our business operations.

As confirmed by our Directors, as at the Latest Practicable Date, save as disclosed under the paragraph headed "Business – Legal proceedings and legal compliance – Legal proceedings" and the paragraph headed "Business – Legal proceedings and legal compliance – Legal compliance" in this prospectus, our Group did not receive any notices for any fines or penalties for any non-compliance that is material and systemic in nature.

### **INTERNAL CONTROL MEASURES**

We have implemented the following internal control measures to prevent the recurrence of non-compliance incidents.

#### **Internal control measures to prevent the recurrence of non-compliance incidents**

In order to continuously improve our Group's corporate governance and to prevent recurrence of the abovementioned non-compliance in the future, our Group has, after taking into account the recommendations made by Elite Partners Risk Advisory Services Limited ("**Elite Partners**"), an independent internal control adviser engaged by us as disclosed in the paragraph headed "Review by Elite Partners" below in this section, adopted or will adopt the following measures:



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### *Environmental protection regulations of the PRC*

As at the Latest Practicable Date, we have clearly set out in a manual all internal procedures for timely application for valid sewage discharge licence before manufacturing and inspection of our environmental protection equipment before use. We will ensure the New Factory to be acquired will obtain valid sewage discharge licence and carried out manufacturing after all its environmental protection equipment had been inspected and approved by the relevant environmental protection authority.

Our administrative staff will also maintain a register of inspection record of all our environmental protection equipment and licence record in relation to environmental protection regulations of the PRC, for our management's regular review. If necessary, we will seek legal advice from the legal advisers of the PRC laws in this aspect.

### *Title defect of our DG Quanda Factory and GZ Quanda Factory*

As at the Latest Practicable Date, we have clearly set out in a manual all internal procedures for necessary due diligence to ensure any property to be acquired or leased by us in the PRC has duly obtained all the required certificates and complied with all relevant standards and safety regulations before we acquire or lease it, which is to be responsible by our executive Director. If necessary, we will seek legal advice from the legal advisers of the PRC laws in this aspect.

### *Social Insurance Law of the PRC and Regulations on the Administration of Housing Provident Fund related compliance requirements*

As at the Latest Practicable Date, we have clearly set out in a manual all internal procedures for timely payment of adequate contributions to social insurance and housing provident fund in accordance with the relevant PRC rules and regulations. In particular, our administrative staff will (i) ensure that correctness of the amounts of contributions to social insurance and housing provident fund for each employee before the payment due date; (ii) on or before the due date, notify our accounting department to arrange for payment; and (iii) create and update a register of payment record of contributions to social insurance and housing provident fund.

Our Company has also assigned our accounting manager to carry out procedures of review and double-check on a monthly basis to ensure that the register of payment record is updated properly and that all payments of contributions to social insurance and housing provident fund for each employee are made on a timely basis.

### *Companies Ordinance and Predecessor Companies Ordinance related compliance requirements*

Our accounting manager will be responsible for keeping the filing register up to date from time to time and as required by the relevant Hong Kong laws and regulations and we will seek legal advice from external legal advisers to ensure on-going compliance.

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We have also assigned our chief financial officer and company secretary, Ms. Chow Chi Ling Janice, who is a certified public accountant of the Hong Kong Institute of Certified Public Accountants (for more of her information, please refer to the paragraph headed “Directors, Senior Management and Staff – Company secretary” in this prospectus) to carry out procedures of review and double-check on a monthly basis to ensure that the filing register is updated properly and that all notices and returns are properly filed with the Companies Registry in a timely manner, and all shareholders’ meetings are properly held with the required documents laid before the meetings.

### *Post-listing compliance requirements*

- our Directors have attended a training session conducted by our legal advisers as to Hong Kong law on the on-going obligations and duties of a director of a company whose shares are listed on the Stock Exchange;
- we have engaged Ample Capital Limited as our compliance adviser commencing on the Listing Date to advise us on compliance matters under the Listing Rules;
- we will engage Elite Partners to conduct an internal control review for our Group after the Listing to assess our internal control system, including areas of financial, operational and compliance; and
- we established an audit committee which comprises one non-executive Director and two independent non-executive Directors, namely Mrs. Kan Wan Wai Yee Mavis, Mr. Cheng Sum Hing and Ms. Ng Ching Ying. The primary duties of the audit committee include, among other things, making recommendations to our Board on the appointment, re-appointment and removal of the external auditor, reviewing our Group’s financial information, overseeing our Group’s financial reporting system, risk management and internal control systems.

### **Review by Elite Partners**

In preparation for the Listing, we engaged Elite Partners to perform an internal control review on our Group’s internal control system including the areas of financial, operation, compliance and risk management. The review was carried out from 23 January 2017 to 16 February 2017 and the testing period was from 1 January 2016 to 31 December 2016. Following such review and evaluation performed by Elite Partners, our Group has implemented most of the recommendations given by Elite Partners on our internal control system.

Elite Partners performed a follow up review in this connection from 10 April 2017 to 2 June 2017, and from 8 February 2018 to 14 February 2018. The result of the follow up review did not note any statement of findings of material weakness or material insufficiency in our Group’s internal control system.

Save as the non-compliance incidents mentioned above and the title defect of our DG Quanda Factory and GZ Quanda Factory (for details, please refer to the paragraph headed “Legal proceedings and legal compliance – Title defect of our DG Quanda Factory and GZ Quanda Factory” in this section), there is no internal control deficiency with a risk level above medium as identified by Elite Partners.

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### Views of our Directors and the Sponsor

Our Directors consider that the abovementioned non-compliance incidents would not affect the suitability of our executive Directors under Rules 3.08 and 3.09 of the Listing Rules or the suitability of listing of our Company under Rule 8.04 of the Listing Rules having taken into account that (i) our Group has fully rectified all of the non-compliance incidents, where appropriate; (ii) our Group has implemented (or will implement where applicable) the measures described above to avoid recurrence of the non-compliance incidents; (iii) there were no recurrence of similar non-compliance incidents since the implementation of such measures; (iv) the non-compliance incidents did not involve any dishonesty or fraudulent act on the part of our executive Directors; and (v) our executive Directors' commitment to implement changes demonstrates that their integrity is not at risk. In view of the above, our Directors believe, and the Sponsor concurs that, the internal control measures are sufficient and could effectively ensure a proper internal control system of our Group and prevent the recurrence of non-compliance incident.

### INTELLECTUAL PROPERTY

As at the Latest Practicable Date, we have registered one trademark in the PRC and one trademark in Hong Kong, and have registered one domain name in Hong Kong, which are being used or intended to be used by, and are material to the business of, our Group.

As at the Latest Practicable Date, we have not received any material claim against us for infringement of any trademark nor were we aware of any pending or threatened claims in relation to any such infringement, nor had any material claim been made by us against third parties in relation to the infringement of intellectual property rights owned by us or third parties.

Please refer to the paragraph headed "Statutory and General Information – B. Further information about the business of our Group – 2. Intellectual property of our Group" in Appendix V to this prospectus for further details of the registration of our trademarks and domain names.

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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### OUR CONTROLLING SHAREHOLDERS

On 30 June 2017, in preparation of the Listing, Mr. MK Wan, Mr. CW Wun, Mr. CK Wun and Mr. KW Leung executed an acting in concert confirmatory deed (the “Acting-in-concert Confirmatory Deed”). Pursuant to the confirmation, Mr. MK Wan, Mr. CW Wun, Mr. CK Wun and Mr. KW Leung acknowledged and confirmed, among others, that they had been acting in concert by actively cooperating to obtain and consolidate control of our Group since the commencement of the Track Record Period. Mr. MK Wan, Mr. CK Wun, Mr. CW Wun and Mr. KW Leung further acknowledged, confirmed and agreed that, provided that they remain key management members in our Group or they remain interested in the share capital of our Company, they will continue to do the following:

- (i) act in concert and collectively for all material management affairs and the arrival and/or execution of all commercial decisions, including but not limited to financial and operational matters of our Group;
- (ii) give unanimous consent, approval or rejection on any other material issues and decisions in relation to the business of our Group;
- (iii) cast unanimous vote collectively for or against all resolutions in all meetings and discussions of our Group; and
- (iv) cooperate with each another to obtain and maintain control and management of our Group.

Immediately after completion of the Share Offer and the Capitalisation Issue (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme), our Company will be owned as to 75% in total by Unique Best which is owned as to 85.14% by WANs Limited, 13.33% by REM Enterprises and 1.53% by REM Limited. WANs Limited is wholly owned by WAN Union (as trustee of the WAN Union Trust), while REM Enterprises is wholly owned by Mr. KW Leung and REM Limited is wholly owned by Mr. CK Yu. After Mr. CK Wun’s passing, Mr. MK Wan and Mr. CW Wun, the settlors of the WAN Union Trust, retain the control of the WAN Union Trust given the board of directors of WAN Union comprises solely Mr. MK Wan, Mr. CW Wun and Ms. Wun Tsz Ying (the daughter of Mr. CK Wun who was nominated by Mr. CK Wun). Thus, Mr. MK Wan and Mr. CW Wun have control of the Company through WAN Union, the trustee of WAN Union Trust. For the purposes of the Listing Rules, Mr. MK Wan, Mr. CW Wun, Mr. KW Leung, WAN Union (the trustee of WAN Union Trust), WANs Limited, REM Enterprises and Unique Best are a group of our Controlling Shareholders.

Mr. MK Wan, Mr. CW Wun and Mr. KW Leung remain acting in concert in accordance with the Acting-in-concert Confirmatory Deed after the establishment of Wan Union Trust and the passing of Mr. CK Wun.

Save as mentioned above, there is no other person who will, immediately following completion of the Share Offer and the Capitalisation Issue (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or any options that may be granted under the Share Option Scheme), be directly or indirectly interested in 30% or more of the Shares in issue.

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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### EXCLUDED BUSINESSES

Our Group principally engages in the manufacturing and supply of low-voltage electrical power distribution and control devices, whereas Mr. MK Wan and Mr. CW Wun currently have investments in other businesses such as provision of mechanical and electrical engineering work, trading of building materials and trading of electrical machinery, products and equipment. In order to facilitate the listing of our core business and to expedite the implantation of our strategic direction and development plan, the Excluded Businesses, which are unrelated to the manufacturing and supply of low-voltage electrical power distribution and control devices, will not form part of our Group after the Listing. For further details, please refer to the paragraph headed “History, Reorganisation and Group Structure – Excluded Businesses” in this prospectus.

Our Directors are of the view that there is a clear delineation between the Excluded Businesses and our Group’s core business, as a result of which none of the Excluded Businesses would compete, or is expected to compete, directly or indirectly, with our core business. None of the companies which have been excluded from our Group as a result of the Reorganisation are currently engaged in any business relating to our principal business of manufacturing and supply of low-voltage electrical power distribution and control devices that competes or may compete with us. The Excluded Group comprises (i) companies acting as contractor for mechanical and electrical engineering work and installation work and provision of electrical and mechanical engineering services in Macau, building construction, fire fighting facilities and building decoration works, construction, mechanical and electrical technical advisory services; (ii) companies principally engaging in trading of mechanical and electrical machineries, equipment, building materials and metal hardwares; (iii) companies principally engaging in trading and sales of building materials, mechanical and electrical products and equipment, metal hardwares and related products; (iv) companies principally engaging in manufacturing and sales of stainless steel pipes, and related products; (v) companies principally engaging in trading of cable tray, trunking and conduits for electrical cables and wires; (vi) companies principally engaging in provision of technical and administrative support; (vii) investment holding companies; and (viii) companies principally engaging in property development and related consulting services, property management, housing leasing and other related services.

Save as disclosed in this section and the paragraph headed “History, Reorganisation and Group Structure – Excluded Businesses” in this prospectus, none of our Controlling Shareholders is interested in any business which competes, either directly or indirectly, with our business and would require disclosure under Rule 8.10 of the Listing Rules. To ensure that competition will not exist in the future, each of our Controlling Shareholders has entered into the Deed of Non-competition in favour of our Company to the effect that each of them will not, and will procure each of their respective close associates not to, directly or indirectly participate in, or hold any right or interest, or otherwise be involved in any business which may be in competition with our businesses. For details of the non-competition undertakings given by each of our Controlling Shareholders, please refer to the paragraph headed “Non-competition undertakings from our Controlling Shareholders” in this section.

### Business delineation between the Excluded Group and our Group

The Excluded Group does not engage in the manufacturing and supply of low-voltage electrical power distribution and control devices. As at the Latest Practicable Date, Mr. MK Wan and Mr. CW Wun confirmed that they have no current plan to inject the Excluded Businesses into our Group.

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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Based on the following grounds, our Directors are of the view that there is clear delineation between the Excluded Businesses and the core business engaged by our Group, and accordingly, our Directors are of the view that the Excluded Businesses are not in competition, directly or indirectly, with our principal business of manufacturing and supply of low-voltage electrical power distribution and control devices:

1. *Differences in terms of services*

Ready System (Macau), SZ Jianda Construction and Ready System Engineering, part of the Excluded Group, principally engage in the provision of electrical and mechanical installation work, installation of building facilities, building construction, fire fighting facilities, building decoration works, construction, mechanical and electrical technical advisory services. Our Directors consider that the businesses of our Group are distinct, as Ready System (Macau), SZ Jianda Construction and Ready System Engineering do not engage in any product design and production process and act as a contractor in providing their services. Our Group does not act as a contractor.

Likewise, the trading of building materials and electrical parts carried out by SZ Jianda, Shun Tat M & E Equipment, SZ Yongkeda, DG Zhaokang and DG Zhaoheng do not involve any product design and production process, which is a critical part of our Group's business model.

2. *Differences in terms of raw materials and manufacturing processes*

Ningbo Huatao engages in the manufacturing, sales and installation of stainless steel pipes and related products. Our Directors consider that such Excluded Business is different from our Group's business in respect of the manufactured products, raw materials used and the production methods employed. Our Group's principal raw materials are various electrical parts and components and copper products, while the principal raw materials of the products produced by Ningbo Huatao are stainless steel.

In terms of manufacturing processes, our Group mainly comprises (i) steel case production; (ii) electrical parts and equipment assembly and installation; and (iii) copper bar installation, whereas the production methods used for the manufacturing of stainless steel pipes and related products used in Ningbo Huatao are mainly by stainless steel roll.

3. *Principal difference in product categories*

While our Group principally manufactures and supplies low-voltage electrical power distribution and control devices, we also sell small amounts of electrical parts and replacements (the “**Relevant Products**”) to our customers. Some companies in the Excluded Group, being SZ Jianda, SZ Yongkeda, SZ Anda and DG Zhaoheng, also trade electrical machinery, products and equipment which may fall into the same broad category of the Relevant Products. The following table shows the extent of the sales of Relevant Products by our Group and the sales of electrical machinery, products and equipment by the respective companies in the Excluded Group as a percentage of revenue in the most recent financial year ended 31 December 2017:

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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### **Sales of electrical machinery, products and equipment by the respective companies in the Excluded Group (unaudited)**

SZ Jianda	13.94%
SZ Yongkeda	11.97%
SZ Anda	6.51%
DG Zhaoheng	24.82%

### **Sales of the Relevant Products by our Group**

Our Group	1.3%
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From the above table that, although our Group sells the Relevant Products that may fall into the same broad category of the product portfolio of SZ Jianda, SZ Yongkeda, SZ Anda and DG Zhaoheng, the extent of such Relevant Products as a percentage of our revenue only amounted to approximately 1.3% for the year ended 31 December 2017 and was insignificant to our Group's business and revenue. Therefore, our Directors take the view that the sales of the Relevant Products is immaterial to our Group's business.

Apart from that, following the transfer of the beneficial interest in 3,895,000 and 205,000 shares of Ready System Engineering by Ready Engineering (representing 95% and 5% of the issued share capital of Ready System Engineering, respectively) to an Independent Third Party and Mr. MK Wan, respectively, on 14 February 2017, SZ Jianda (being a subsidiary of Ready System Engineering) is not a connected person (as defined under Chapter 14A of the Listing Rules) of our Company after the Listing.

Save for the above, our Group and the Excluded Group principally supply different products to their respective customers. Our Directors believe that if our Group ceases to supply low-voltage electrical power distribution and control devices to any of our customers, or if the price and quality of our Group's products do not meet the requirements of any of our customers, these customers would only purchase low-voltage electrical power distribution and control devices from other manufacturers, and would not purchase the Excluded Group's products as a substitute of our Group's products, as our products are different from and are not interchangeable with the products of the Excluded Group.

#### *4. Independent access to customers and suppliers*

Our Group and the Excluded Group negotiated and concluded contracts independently with their respective customers during the Track Record Period. Our Directors confirm that we did not experience any material customer or order loss during the Track Record Period as a result of any potential competition between our Group and the Excluded Group.

Our Group has its own sources of raw materials, which are obtained independently from the Excluded Group. Our procurement department has been operating independently from the Excluded Group.

For further details, please refer to the paragraph headed "History, Reorganisation and Group Structure – Excluded Businesses" in this prospectus.



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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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### NON-COMPETITION UNDERTAKINGS FROM OUR CONTROLLING SHAREHOLDERS

Our Controlling Shareholders have entered into the Deed of Non-competition in favour of our Company, under which each of our Controlling Shareholders has irrevocably and unconditionally, jointly and severally, undertakes to and covenants with our Company (for itself and as trustee for each of our subsidiaries) that:

- (a) he/it shall not, and shall procure each of his/its close associates (which for the purpose of the Deed of Non-competition, shall not include any member of our Group), whether on his/its own account or in conjunction with or on behalf of any person, firm or company, whether directly or indirectly and whether for profit or otherwise, which carries on a business which is, or be interested or involved or engaged in or acquire or hold any rights or interest or otherwise involved in (in each case whether as a shareholder, partner, principal, agent or otherwise and whether for profit, reward or otherwise) any business which competes or is likely to compete, whether directly or indirectly, with the Restricted Business;
- (b) if he/it or his/its close associates (which for the purpose of the Deed of Non-competition, shall not include any member of our Group) is offered or becomes aware of any project or new business opportunity that relates to the Restricted Business in Hong Kong, whether directly or indirectly, he/it shall give our Company a first right of refusal to participate or engage in such new business opportunity by: (i) promptly within seven business days notify our Company in writing of such opportunity and provide such information as is reasonably required by our Company in order to enable our Company to come to an informed assessment of such new business opportunity; and (ii) use his/its best endeavours to procure that such new business opportunity is offered to our Company on terms no less favourable than the terms on which such new business opportunity is offered to him/it and/or his/its close associates;
- (c) he/it shall provide our Company and our Directors from time to time (including the independent non-executive Directors) with all information necessary for the annual review by our independent non-executive Directors with regard to compliance of the terms of the Deed of Non-competition and the enforcement of the non-competition undertakings therein and to make an annual declaration on compliance with the undertakings contained therein in the annual reports of our Company;
- (d) he/it shall allow our Directors, their respective representatives and the auditors to have sufficient access to his/its records and the records of his/its close associates to ensure their compliance with the terms and conditions of the Deed of Non-competition and during the continuation of the Deed of Non-competition;
- (e)
  - (i) he/it shall not solicit any existing or then existing employee of our Group for employment by him/it or his/its close associates (excluding member of our Group); and
  - (ii) he/it shall not without the consent from our Company, make use of any information pertaining to the business of our Group which may have come to his/its knowledge in his/its capacity as a Controlling Shareholder or Director for any purposes not related to the business of our Group.



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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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The restrictions which each of our Controlling Shareholders has agreed to undertake pursuant to the non-competition undertaking will not apply to the following:

- (a) the holding of shares or other securities issued by our Company or any member of our Group from time to time;
- (b) the holding of shares or other securities in any company which has an involvement in the Restricted Business, provided that such shares or securities are listed on the Stock Exchange or any other recognised stock exchange approved by the board of Directors from time to time and the aggregate interest of our Controlling Shareholders and their respective close associates (as “interest” is construed in accordance with the provisions contained in Part XV of the SFO) do not amount to more than 5% of the relevant share capital of the company in question and our Controlling Shareholders and their respective close associates do not otherwise control the majority of the board of directors of that company;
- (c) the contracts and other agreements (including any business carried on and service provided pursuant thereto and the transactions contemplated thereunder) entered into between any member of our Group and any Controlling Shareholders and/or his/its respective close associates;
- (d) the involvement or participation of any Controlling Shareholder or his/its close associates in a Restricted Business in Hong Kong, the PRC or other jurisdiction in which any member of our Group carries on business from time to time in relation to which our Company has agreed in writing to such involvement or participation, following a decision by our independent non-executive Directors to allow such involvement or participation subject to any conditions our independent non-executive Directors may require to be imposed; and
- (e) the interests of our Controlling Shareholders as disclosed in the paragraph headed “History, Reorganisation and Group Structure – Excluded Businesses” in this prospectus.

The non-competition undertaking will take effect from the date on which dealings in the Shares first commence on Main Board and will cease to have any effect upon the earlier of:

- (a) the day on which (i) such Controlling Shareholders and/or their close associates, individually or taken as a whole, cease to own, in aggregate, 30% or more of the then issued Shares directly or indirectly or cease to be deemed as controlling shareholder (as defined under the Listing Rules from time to time) of our Company and does not have power to control the Board or there is at least one other independent Shareholder other than our Controlling Shareholders and their close associates holding more Shares than our Controlling Shareholders and their close associates taken together; and (ii) Mr. MK Wan and Mr. KW Leung cease to be Directors; or
- (b) the day on which the Shares cease to be listed on Main Board or other recognised stock exchange.

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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### CORPORATE GOVERNANCE MEASURES TO SAFEGUARD THE INTEREST OF MINORITY SHAREHOLDERS

To further protect the interests of the minority Shareholders, our Company will adopt the following corporate governance measures to manage any potential conflicts of interest:

- (1) the Articles provide that a Director shall absent himself/herself from participating in Board meetings (nor shall he/she be counted in the quorum) and voting on any resolution of the Board approving any contract or arrangement or other proposal in which he/she or any of his/her close associates is materially interested unless a majority of the independent non-executive Directors expressly requested him/her to attend. The attendance of that Director shall not be counted towards a quorum at the meeting and such Director shall not vote on the relevant resolution;
- (2) the independent non-executive Directors will review on a quarterly basis the compliance with the respective non-competition undertaking by the Controlling Shareholders;
- (3) our Controlling Shareholders undertake to provide all information requested by our Company which is necessary for the quarterly review by the independent non-executive Directors and the enforcement of the respective non-competition undertaking;
- (4) our Company will disclose decisions with basis on matters reviewed by the independent non-executive Directors relating to compliance and enforcement of the respective non-competition undertaking of the Controlling Shareholders in the annual reports of our Company;
- (5) our Controlling Shareholders will make an annual declaration on compliance with their respective non-competition undertaking in the annual report of our Company;
- (6) the independent non-executive Directors will be responsible for deciding whether or not to allow our Controlling Shareholders and/or their respective close associates to be involved or participate in a Restricted Business in Hong Kong or other jurisdiction in which any member of our Group carries on business from time to time, and if so, any condition to be imposed;
- (7) the independent non-executive Directors may appoint independent financial adviser and other professional advisers as they consider appropriate to advise them on any matter relating to the non-competition undertakings or connected transaction(s) at the cost of our Company; and
- (8) our Company has appointed Ample Capital Limited as our compliance adviser which shall provide our Company with professional advice and guidance in respect of compliance with the Listing Rules and applicable laws including various requirements relating to directors' duties and corporate governance.

Further, any transaction that is proposed between our Group and our Controlling Shareholders and their respective associates will be required to comply with the requirements of the Listing Rules, including, where appropriate, the reporting, annual review, announcement and independent shareholders' approval requirements.

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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### INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

#### Management independence

Although our Controlling Shareholders will retain controlling interests in our Company upon completion of the Share Offer and Capitalisation Issue, the day-to-day management and operation of the business of our Group will be the responsibility of all our executive Directors and senior management of our Company. Our Board has six Directors comprising two executive Directors, one non-executive Director and three independent non-executive Directors. Our Board and senior management operate as a matter of fact independently of our Controlling Shareholders and they are in a position to fully discharge their duties to the Shareholders as a whole after the Listing without reference to our Controlling Shareholders.

Each of our Directors is aware of his or her fiduciary duties as a Director which require, among other things, that he/she acts for the benefit of and in the best interests of our Company and does not allow any conflict between his or her duties as a Director and his or her personal interest. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective associates, the interested Director(s) will abstain from voting at the relevant board meetings of our Company in respect of such transactions and will not be counted in the quorum. In addition, our Company has an independent senior management team to carry out the business decisions of our Group independently.

Notwithstanding the directorship of Mr. MK Wan, our executive Director and Controlling Shareholder, Mrs. Kan, our non-executive Director, and Mr. CW Wun, our Controlling Shareholder, in certain members of the Excluded Group, our Directors, including the independent non-executive Directors, are of the view that our Board is able to manage our business on a full time basis independently from the Excluded Group for the following reasons:

- (a) none of the business undertaken or carried on by the Excluded Group competes with our core business, and there are adequate corporate governance measures in place to manage the existing and potential conflicts of interest. Therefore, the dual roles assumed by Mr. MK Wan will not affect the requisite degree of impartiality of our executive Directors in discharging their fiduciary duties owed to our Company;
- (b) we have three independent non-executive Directors, and certain matters of our Company, including matters referred to in the Deed of Non-competition, details of which are set out in the paragraph headed “Non-competition undertakings from our Controlling Shareholders” above in this section, must always be referred to the independent non-executive Directors for review. This helps to enhance the independence of our management from that of the Excluded Group;

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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- (c) in the event of a conflict of interest, Mr. MK Wan will abstain from voting, will not be present in the relevant Board meetings and will be excluded from deliberation by our Board. Hence, Mr. MK Wan would not be able to influence our Board in making decisions on matters in which he is, or may be, interested. We believe all of our Directors, including the independent non-executive Directors, have the requisite qualifications, integrity and experience to maintain an effective board and observe their fiduciary duties in the event of a conflict of interest. Please refer to the section headed “Directors, Senior Management and Staff” in this prospectus for a summary of the relevant experience and qualifications of our Directors; and
- (d) save as disclosed herein, our daily operations will be managed by our senior management team, none of whom holds any senior managerial position or directorship position within the Excluded Group.

Having considered the above factors, our Directors are satisfied that they are able to perform their roles in our Company independently, and our Directors are of the view that our Company is capable of managing our Group’s business independently from the Controlling Shareholders.

### **Operational independence**

Our Group has established our own organisational structure made up of individual departments, each with specific areas of responsibilities. We have sufficient operational resources, such as office premises, sales and marketing and general administration resources to operate our business independently. Our Group has also established a set of internal controls to facilitate the effective operation of our business.

During the Track Record Period, the products we sold to Ready System Engineering, SZ Jianda and Ready System (Macau) included low-voltage switchboard and local motor control panel. Ready System Engineering is a limited liability company incorporated in Hong Kong which principally engages as a contractor for mechanical and electrical engineering work and installation work in Hong Kong and provides administrative services for Ready Engineering and its subsidiaries. Immediately prior to its disposal on 14 February 2017, Ready System Engineering was legally held by Ready Engineering and Mr. MK Wan (as trustee for Ready Engineering) as to 4,099,999 shares and one share, respectively. As such, Ready Engineering was the then beneficial owner of the entire issued share capital of Ready System Engineering. Ready Engineering is a Hong Kong incorporated company owned as to 99% by Metro Linkage, 0.73% by Mr. MK Wan, 0.24% by Mr. CW Wun and 0.03% by Mr. CK Yu. Metro Linkage is a BVI incorporated company owned as to 73% by Mr. MK Wan, 24% by Mr. CW Wun and 3% by Mr. CK Yu. As such, Ready Engineering is indirectly owned by Mr. MK Wan and Mr. CW Wun as to 73% and 24%, respectively. SZ Jianda was a company incorporated in the PRC engaged in trading of mechanical and electrical machineries and equipment, building materials, metal hardwares and related technical development and consultancy services, and was owned as to 70% by Ready System Engineering immediately prior to the disposal of Ready System Engineering on 14 February 2017.

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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During the Track Record Period, Ready System (Macau), Ready System Engineering and SZ Jianda placed purchase orders on individual basis and our Group did not enter into any long-term agreement with them. The following table sets out the approximate total transaction amount received by our Group from Ready System (Macau), Ready System Engineering and SZ Jianda, respectively, during the Track Record Period:

	For the year ended 31 December		
	2015 (HK\$'000)	2016 (HK\$'000)	2017 (HK\$'000)
Ready System (Macau)	17,451	6,419	441
Ready System Engineering	445	1,906	585
SZ Jianda	812	1,191	Nil

*Note:* the transactions were entered into with Ready System Engineering after 14 February 2017.

Our Directors are of the view that the transactions between our Group and Ready System (Macau), Ready System Engineering and SZ Jianda were conducted on normal commercial terms, fair and reasonable. They were also in the interest of our Group and Shareholders as a whole.

On 14 February 2017, Ready Engineering transferred its beneficial interest in 3,895,000 and 205,000 shares in Ready System Engineering (representing 95% and 5% of the issued share capital of Ready System Engineering, respectively) to an Independent Third Party and Mr. MK Wan, respectively. For details, please refer to the paragraph headed “History, Reorganisation and Group Structure – Excluded Businesses” in this prospectus. As a result, transactions between our Group and Ready System Engineering and SZ Jianda will not constitute connected transaction within the meaning of the Listing Rules. For details of the transactions between our Group and Ready System (Macau), please refer to section headed “Connected transactions” in this prospectus. Save that Ready System Engineering, Ready System (Macau) and SZ Jianda were collectively one of our top five customers during the Track Record Period, none of our Controlling Shareholders and/or their close associates has been our customers or suppliers which provided any critical services or materials for our operation during the Track Record Period. Our Directors believe that we do not unduly rely on our Controlling Shareholders or their close associates and have our independent access to our suppliers and customers.

For each of the three years ended 31 December 2017, our purchase of raw materials from SZ Anda amounted to nil, approximately HK\$646,000 and nil, respectively. In stating so, the purchase transactions with SZ Anda have been discontinued.

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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Pursuant to a tenancy agreement between Ready System Engineering and Ready Electrical Metal, (i) Ready System Engineering (as landlord) agreed to let the property situated at Unit 2, 4/F, Chai Wan Industrial City, Phase II, 70 Wing Tai Road, Hong Kong; and (ii) Ready System Engineering (as head tenant) agreed to sub-let the properties situated at Unit 1, 4/F, Chai Wan Industrial City, Phase II, 70 Wing Tai Road, Chai Wan, Hong Kong and Unit 9, 5/F, Chai Wan Industrial City Phase II, No.70 Wing Tai Road, Chai Wan, Hong Kong to Ready Electrical Metal for a term commencing from 1 January 2014 with a monthly rent at HK\$40,000. Ready System Engineering and Ready Electrical Metal mutually agreed to terminate the said tenancy with effect from 30 November 2016, and our Group has since then ceased sub-leasing the property at Unit 1, 4/F, Chai Wan Industrial City, Phase II, 70 Wing Tai Road, Chai Wan, from Ready System Engineering. The rental payable to Ready System Engineering for each of the three years ended 31 December 2017 were HK\$480,000, HK\$440,000 and nil, respectively.

On 5 May 2017, a tenancy agreement was entered into between Mr. MK Wan (as landlord) and Ready Electrical Metal (as tenant), pursuant to which the parties agreed that the property situated at Unit 9 on 5/F, Chai Wan Industrial City Phase II, No. 70 Wing Tai Road, Hong Kong, with a gross floor area of approximately 1,300 sq. ft. shall be leased for a term of 36 months commencing on 1 December 2016 and ending on 30 November 2019 (both days inclusive) at a monthly rental of HK\$18,000 (exclusive of rates, government rent and management fee). The rent under the Tenancy Agreement was determined after arm's length negotiations between the parties thereto with reference to the market rent payable for comparable premises and is in line with the market level.

Save as disclosed in the section headed "Connected Transactions" in this prospectus, our Group does not currently have any intention to enter into any other transactions with our Controlling Shareholders and their associates and, if such event happens in the future, the connected transactions/ continuing connected transactions will be conducted in compliance with the Listing Rules. Though there will be continuing connected transactions between our Group and our Controlling Shareholders or their associates after Listing, the transaction is entered into in the ordinary course of business of our Group on terms which are fair and reasonable and in the interests of our Company and our Shareholders as a whole. Accordingly, our Directors do not consider there is any material reliance by our Group on our Controlling Shareholders or their close associates.

### **Financial independence**

We have our own accounting and finance department and independent financial system and we make financial decisions according to our own business needs. We also have independent access to third party financing.

As at 31 December 2015 and 2016, our banking facilities are secured by (i) personal guarantees provided by Mr. MK Wan, Mr. CW Wun and Mr. CK Wun for unlimited amounts; (ii) legal charges over properties held by Mr. MK Wan and Ms. Lam Yin, the spouse of Mr. MK Wan, properties held by one of our subsidiaries and properties held by related companies; (iii) corporate guarantees provided by subsidiaries and related companies; and (iv) pledged deposits held by a related company.

As at 31 December 2017, the banking facilities are secured by (i) personal guarantees provided by Mr. MK Wan, Mr. CW Wun and Mr. CK Wun for unlimited amounts; (ii) legal charges over properties held by one of our subsidiaries; and (iii) corporate guarantees provided by subsidiaries.

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## **RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS**

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As at 28 February 2018, our banking facilities are secured by (i) personal guarantees provided by Mr. MK Wan, Mr. CW Wun and Mr. CK Wun for unlimited amounts; (ii) legal charges over properties held by one of our subsidiaries; and (iii) corporate guarantees provided by subsidiaries.

These personal guarantees, legal charges over properties of our Controlling Shareholders and related companies and corporate guarantees provided by related companies will be released before/upon Listing.

In view of our Group's internal resources and the estimated net proceeds from the Share Offer of new Shares, our Directors believe that our Group will have sufficient capital for its financial needs without dependence on our Controlling Shareholders. Our Directors further believe that, upon the Listing, our Group is capable of obtaining financing from external sources independently without the support of our Controlling Shareholders. Therefore, our Group will be financially independent from our Controlling Shareholders and/or any of their respective associates.

### **UNDERTAKINGS TO THE STOCK EXCHANGE PURSUANT TO THE LISTING RULES**

Pursuant to Rule 10.07(1) of the Listing Rules, each of our Controlling Shareholders has undertaken to the Stock Exchange that, save as permitted under the Listing Rules, pursuant to the Share Offer (including the offer for sale of the Sale Shares by the Selling Shareholder), he/it shall not and shall procure that the relevant registered holder(s) shall not: (a) in the First Six-Month Period, dispose of, nor enter into any agreement to dispose of, or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares which he/it is shown in this prospectus to be the beneficial owner(s); or (b) in the Second Six-Month Period, dispose of, nor enter into any agreement to dispose of, or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/it would either individually or together cease to be a Controlling Shareholder.



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## CONNECTED TRANSACTIONS

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### OVERVIEW

During the Track Record Period, our Group has entered into certain transactions with some related parties, the details of which are set out under note 32 to the accountants' report set out in Appendix I to this prospectus. Some of these related parties will, upon Listing, become our Company's connected persons (as defined under Chapter 14A of the Listing Rules). The transactions with Mr. MK Wan and Ready System (Macau) will continue following the Listing and so will constitute continuing connected transactions under the Listing Rules. The sales transactions with Ready System Engineering and SZ Jianda after Listing are not connected transactions because Ready System Engineering and SZ Jianda are not the connected persons (as defined under Chapter 14A of the Listing Rules) of our Company following the transfer of the beneficial interest in 3,895,000 and 205,000 shares of Ready System Engineering by Ready Engineering (representing 95% and 5% of the issued share capital of Ready System Engineering, respectively) to an Independent Third Party, and Mr. MK Wan, respectively, on 14 February 2017. The purchase transactions with SZ Anda and the rental agreement with Ready System Engineering have been discontinued.

### RELATIONSHIP BETWEEN OUR GROUP AND THE CONNECTED PERSONS

The following persons and entities, among others, will be regarded as connected persons of our Group under the Listing Rules upon Listing:

#### **Mr. MK Wan**

Mr. MK Wan is a Controlling Shareholder, an executive Director and a director of Ready Electrical Metal, Ready Enterprise (China), DG Quanda and GZ Quanda. He will be deemed to be interested in 75% of the total issued share capital of our Company upon Listing. For further details, please refer to the section headed "Substantial Shareholders" in this prospectus. Under Rule 14A.07(1) and 14A.07(4) of the Listing Rules, Mr. MK Wan and his associates are connected persons of our Company.

#### **Mr. CW Wun**

Mr. CW Wun is a Controlling Shareholder. He will be deemed to be interested in 75% of the total issued share capital of our Company upon Listing. For further details, please refer to the section headed "Substantial Shareholders" in this prospectus. Under Rule 14A.07(1) and 14A.07(4) of the Listing Rules, Mr. CW Wun and his associates are connected persons of our Company.



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## CONNECTED TRANSACTIONS

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### Mr. KW Leung

Mr. KW Leung is a Controlling Shareholder, our chief executive officer, an executive Director and a director of Ready Electrical Metal, Ready Enterprise (China), DG Quanda and GZ Quanda. He will be deemed to be interested in 75% of the total issued share capital of our Company upon Listing. For further details, please refer to the section headed “Substantial Shareholders” in this prospectus. Under Rule 14A.07(1) and 14A.07(4) of the Listing Rules, Mr. KW Leung and his associates are connected persons of our Company.

### Ready System (Macau)

Ready System (Macau) is a limited liability company incorporated in Macau which principally engages as a contractor providing electrical and mechanical engineering services in Macau on project basis. Ready System (Macau) is indirectly owned by SEM Enterprises as to 90%, with the remaining 10% held by two Independent Third Parties. SEM Enterprises is a BVI incorporated company owned by Mr. MK Wan, Mr. CW Wun and Mr. CK Yu as to 74.08%, 23.04% and 2.88%, respectively. As such, Ready System (Macau) is indirectly owned by Mr. MK Wan and Mr. CW Wun as to approximately 66.7% and 20.7%, respectively.

As Mr. MK Wan and Mr. CW Wun are siblings, they are each other’s “family members” under Rule 14A.12(2)(a) of the Listing Rules. The interests of Mr. MK Wan and Mr. CW Wun in Ready System (Macau) are thus aggregated, and Ready System (Macau) will be considered as an associate of Mr. MK Wan and Mr. CW Wun pursuant to Rule 14A.12 of the Listing Rules, and will become a connected person of our Company under Chapter 14A of the Listing Rules.

## EXEMPT CONTINUING CONNECTED TRANSACTIONS

Upon Listing, the following transaction will be regarded as exempt continuing connected transaction of our Group, which is fully exempt from the reporting, annual review, announcement and independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

### Tenancy agreement

On 5 May 2017, a tenancy agreement (the “**Tenancy Agreement**”) was entered into between Mr. MK Wan (as landlord) and Ready Electrical Metal (as tenant), pursuant to which the parties agreed that the property situated at Unit 9 on 5/F, Chai Wan Industrial City Phase II, No. 70 Wing Tai Road, Hong Kong, with a gross floor area of approximately 1,300 sq. ft. shall be leased for a term of 36 months commencing on 1 December 2016 and ending on 30 November 2019 (both days inclusive) at a monthly rental of HK\$18,000 (exclusive of rates, government rent and management fee). There is no option to renew the Tenancy Agreement. Either party may terminate the Tenancy Agreement by serving not less than 30 days written notice. As such, our Group enjoys the flexibility to relocate to another premises and to terminate the Tenancy Agreement should it consider the tenancy no longer suitable for our Group’s use or no longer cost competitive. The rent under the Tenancy Agreement was determined after arm’s length negotiations between the parties thereto with reference to the market rent payable for comparable premises and is in line with the market level.

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## CONNECTED TRANSACTIONS

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Considering that the rent under the Tenancy Agreement is in line with market level, our Company intends to continue using the premises as our workshop after Listing, which we believe is in the interest of our Company and our Shareholders as a whole in terms of cost and time.

### *Listing Rules implications*

Based on the fixed monthly rent under the Tenancy Agreement, the annual cap in respect of the annual rental payable by our Group to Mr. MK Wan for each of the three years ending 31 December 2019 will be HK\$216,000. Each of the applicable percentage ratios calculated with reference to the rental annual cap is less than 5% and the total consideration is less than HK\$3,000,000. Accordingly, the entering into of the Tenancy Agreement constitutes an exempt continuing connected transaction of our Company under 14A.76(1)(c) of the Listing Rules, and is exempt from the reporting, annual review, announcement and independent Shareholders' approval requirements under the Listing Rules.

### **CONFIRMATION FROM OUR DIRECTORS**

In respect of the Tenancy Agreement, our Directors (including the independent non-executive Directors) consider that (i) it is in our Group's interest to continue the continuing connected transactions under the Tenancy Agreement as described above after the Listing; (ii) taking into consideration of the view from Roma Appraisals Limited, our Independent Valuer, that the terms of the Tenancy Agreement are fair and reasonable and the rental payment thereunder reflect the prevailing market rate as at the commencement date of the tenancy, all such continuing connected transactions have been entered into and will be carried out in the ordinary and usual course of the business of our Group and have been based on arm's length negotiations and on normal commercial terms or better that are fair and reasonable; and (iii) such transactions are fair and reasonable and in the interests of our Group and our Shareholders as a whole.

### **Supply of products to Ready System (Macau)**

#### *Background*

During the Track Record Period, we sold to Ready System (Macau) our products including low-voltage switchboards, motor control centres, local motor control panels, and electrical parts and replacements (the "**Products**").

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## CONNECTED TRANSACTIONS

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### *Historical figures*

The following table sets out the total transaction amount received by our Group from Ready System (Macau) during the Track Record Period:

	For the year ended 31 December		
	2015	2016	2017
	(HK\$'000)	(HK\$'000)	(HK\$'000)
Ready System (Macau)	17,451	6,419	441

The above transaction amount received from Ready System (Macau) representing approximately 9.3% and 3.6%, and 0.2% of our Group's total sales for FY2015, FY2016 and FY2017, respectively. The gross profit margin of transactions relating to Ready System (Macau) during the Track Record Period was approximately 38.5%, 24.9% and 37.6% for FY2015, FY2016 and FY2017, respectively.

Ready System (Macau) is a contractor providing electrical and mechanical engineering services in Macau on project basis. During the Track Record Period, it secured new projects through direct invitation to submit quotation or tender by its customers. If the projects awarded to Ready System (Macau) involved the use of the Products, then Ready System (Macau) would generally place orders to us for the Products.

Since this is a competitive process, there is no assurance that Ready System (Macau) will be awarded the projects for every quotation/tender it submits. Further, even if a project has been awarded, there is no assurance that such project will involve the use of the Products. Therefore, our sales to Ready System (Macau) largely depends on the sizes and types (i.e. whether the use of the Products is involved) of projects that Ready System (Macau) has been awarded and on hand.

To the best knowledge of our Directors, the significantly higher transaction amount for the year ended 31 December 2015 was due to a boom in casino resort development in Macau around that period. For the year ended 31 December 2015, Ready System (Macau) had been awarded eight electrical and mechanical engineering projects in relation to six casino resort construction developments in Macau, all of which involved the use of the Products.

### *Principal terms and pricing basis*

During the Track Record Period, our Group did not enter into any long-term agreement with Ready System (Macau). Ready System (Macau) placed purchase orders with our Group on separate occasions with relevant purchase price agreed between the parties after arm's length negotiation from time to time.

On 27 April 2018, our Group entered into a master supply agreement (the "**Master Supply Agreement**") with Ready System (Macau), with the principal terms set out as below:

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## CONNECTED TRANSACTIONS

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Parties	:	Ready Electrical Metal (as supplier) Ready System (Macau) (as purchaser)
Date	:	27 April 2018
Term	:	the Master Supply Agreement shall be effective from the Listing Date up to 31 December 2020
Products to be supplied	:	Ready System (Macau) agreed to purchase our Group's products which have been manufactured or processed by our Group in accordance with the specifications set out in each individual purchase order as may from time to time placed by Ready System (Macau) and accepted by our Group
Purchase price	:	to be specified in each individual purchase order to be offered by Ready System (Macau) and accepted by our Group

### *Pricing policy*

The purchase price shall be determined by reference to our Group's cost plus a profit margin of approximately 31% (which is approximate to our Group's consolidated gross profit margin of approximately 30.8% for the year ended 31 December 2016 and is slightly higher than our Group's consolidated gross profit margin of approximately 28.7% for the year ended 31 December 2017) and in any event not less than the gross profit margin we will impose on our customers, who are Independent Third Parties, for the same products with same specifications from time to time. Our Directors confirmed that the transactions with Ready System (Macau) during the Track Record Period were (i) conducted on terms no less favourable to our Group than terms available to or from independent third parties; (ii) carried out in our Group's ordinary and usual course of business; and (iii) fair and reasonable, and in the interest of our Shareholders as a whole.

### *Reasons for and benefits of entering into the Master Supply Agreement*

Our Group had been supplying the Products to Ready System (Macau) since 2007. Taking into account of our stable business relationship with Ready System (Macau), our Directors consider that entering into the Master Supply Agreement would allow our Group to maintain a stable sales of the Products in favour of our business. Further, our Directors confirmed that the terms of the Master Supply Agreement are fair and reasonable, on normal commercial terms or better, no less favourable to Ready Electrical Metal than terms available from Independent Third Parties, and in the interest of our Group and our Shareholders as a whole.

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## CONNECTED TRANSACTIONS

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### *Annual caps*

Since the transaction amount for the year ended 31 December 2017 was only approximately HK\$441,000, our Directors expect that the aggregate annual transaction amounts under the Master Supply Agreement for each of the three years ending 31 December 2020 will be less than HK\$3,000,000.

### *Listing Rules implications*

As the applicable percentage ratios (other than the profits ratio) under Chapter 14 of the Listing Rules are expected to be less than 5% and the annual consideration is less than HK\$3 million, the transactions contemplated under the Master Supply Agreement is considered to be a *de minimis* transaction upon Listing under Rule 14A.76(1)(c) of the Listing Rules and will be exempted from independent Shareholders' approval, annual review and all disclosure requirements under the Listing Rules.

Our Group will comply with the relevant requirements under Chapter 14A of the Listing Rules in relation to the transaction under the Master Supply Agreement including the proposed annual caps set out above, and if any of material terms of such continuing connected transactions is altered and/or if our Group enters into any new continuing connected transactions with Ready System (Macau) in the future resulting in the aggregate annual consideration paid or payable by Ready System (Macau) to us in any of the three years ending 31 December 2020 exceeds any of the proposed annual caps set out above, our Company will issue an announcement, circular and seek independent Shareholders' approval regarding this alteration and/or the new cap for compliance with the applicable requirements under Chapter 14A of the Listing Rules;

### **CONFIRMATION FROM OUR DIRECTORS**

In respect of the Master Supply Agreement, our Directors (including the independent non-executive Directors) consider that (i) it is in our Group's interest to continue the continuing connected transactions under the Master Supply Agreement as described above after the Listing; (ii) having considered the terms of the Master Supply Agreement, including the pricing basis that the purchase price shall be determined by reference to our Group's cost plus a profit margin of approximately 31% (which is approximate to our Group's consolidated gross profit margin of approximately 30.8% for the year ended 31 December 2016 and is slightly higher than our Group's consolidated gross profit margin of approximately 28.7% for the year ended 31 December 2017) and in any event not less than the gross profit margin we will impose on our customers who are Independent Third Parties for the same products with same specifications from time to time, all such continuing connected transactions have been entered into and will be carried out in the ordinary and usual course of the business of our Group, have been based on arm's length negotiations, no less favourable to Ready Electrical Metal than terms available from Independent Third Parties, and on normal commercial terms or better that are fair and reasonable; and (iii) such transactions are fair and reasonable and in the interests of our Group and our Shareholders as a whole.

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## DIRECTORS, SENIOR MANAGEMENT AND STAFF

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### BOARD OF DIRECTORS

Our Board consists of six Directors, including two executive Directors, one non-executive Director and three independent non-executive Directors. The table below sets forth the information regarding our Board:

Name	Age	Position	Responsibilities in our Group	Date of joining our Group	Date of appointment as Director	Relationship with other Directors, members of our senior management and Substantial Shareholders
Mr. Wan Man Keung (尹民強)	56	Chairman, executive Director, member of remuneration committee and nomination committee	Overall strategic planning and daily management of our Group's business development and operations	25 August 1992	15 March 2017	Elder brother of Mr. CK Wun and Mr. CW Wun, and cousin of Mrs. Kan
Mr. Leung Ka Wai (梁家威)	49	Chief executive officer and executive Director	Overseeing daily management of our Group's business development and operations	25 August 1992	9 May 2017	N/A
Mrs. Kan Wan Wai Yee Mavis (簡尹慧兒)	61	Non-executive Director and member of audit committee	Providing strategic advice to our Group's internal control and corporate governance	9 May 2017	9 May 2017	Cousin of Mr. MK Wan, Mr. CK Wun and Mr. CW Wun
Mr. Ng Chi Keung Alex (吳志強)	60	Independent non-executive Director, chairman of remuneration committee and member of nomination committee	Supervising and providing independent judgment to our Board, our remuneration committee and nomination committee	23 April 2018	23 April 2018	N/A

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## DIRECTORS, SENIOR MANAGEMENT AND STAFF

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Name	Age	Position	Responsibilities in our Group	Date of joining our Group	Date of appointment as Director	Relationship with other Directors, members of our senior management and Substantial Shareholders
Mr. Cheng Sum Hing (鄭森興)	61	Independent non-executive Director, chairman of nomination committee, member of audit committee and remuneration committee	Supervising and providing independent judgment to our Board, our nomination committee, audit committee and remuneration committee	23 April 2018	23 April 2018	N/A
Ms. Ng Ching Ying (吳晶瑩)	42	Independent non-executive Director and chairman of audit committee	Supervising and providing independent judgment to our Board and our audit committee	23 April 2018	23 April 2018	N/A

### Executive Directors

**Mr. Wan Man Keung (尹民強)**, aged 56, together with, among others, Mr. CK Wun and Mr. KW Leung, founded our Group on 25 August 1992. He is one of our Controlling Shareholders, our Chairman and executive Director, and member of remuneration committee and nomination committee. He was our non-executive Director for the period between 29 June 2017 and 11 January 2018, and was redesignated as our executive Director on 12 January 2018. He is also a director/legal representative of each of the members of our Group. He is currently responsible for overall strategic planning and daily management of our Group's business development and operations.

Mr. MK Wan currently holds the certificate of registration of electrical worker issued by the Electrical and Mechanical Services Department in Hong Kong and is a grade B electrical worker. Mr. MK Wan has more than 24 years of experience in the low-voltage electrical power distribution and control devices industry. Please also refer to the section headed "Relationship with our Controlling Shareholders – Excluded business" in this prospectus. Mr. MK Wan is currently an administrator of Ready System (Macau), a director of each of SEM Development, SEM Enterprises, SEM Investments and SEM Resources, and an executive director of SEM Holdings. For further details, please refer to the paragraph headed "History, Reorganisation and Group Structure – Excluded Businesses" in this prospectus.

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## DIRECTORS, SENIOR MANAGEMENT AND STAFF

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Mr. MK Wan was awarded a craft certificate in electrical fitting and installations by the Morrison Hill Technical Institute (currently known as the Hong Kong Institute of Vocational Education (Morrison Hill)) in Hong Kong in July 1981. He completed form three education in 1978. He is the elder brother of Mr. CK Wun and Mr. CW Wun, and a cousin of Mrs. Kan.

Mr. MK Wan was a director of each of the following companies incorporated in Hong Kong, which were dissolved, the details of which are as follows:

Name of company	Date of dissolution	Nature of proceeding <small>(Notes 1 &amp; 2)</small>	Nature of business prior to dissolution
China Head Development Limited 華尊發展有限公司	14 January 2011	Deregistration	Mechanical and electrical engineering
Citiwell Engineering Limited 成威工程有限公司	29 June 2007	Striking off	Mechanical and electrical engineering in the PRC
Ready Building Services Engineering Limited 全達屋宇設備工程有限公司	14 January 2011	Deregistration	Mechanical and electrical engineering
Ready China Development Limited 全達中國發展有限公司	9 January 2009	Deregistration	Mechanical and electrical engineering
Ready (China) Limited 全達(中國)有限公司	17 September 2004	Deregistration	Equity investment holding
Universal Fortune Enterprise Limited 奧斯企業有限公司	16 April 2004	Deregistration	Education
Yearwick Engineering Limited 益力工程有限公司	16 May 2003	Striking off	Mechanical and electrical engineering

*Notes:*

- Under section 291AA of the Predecessor Companies Ordinance, an application for deregistration can only be made if (a) all members of such company agree to such deregistration; (b) such company has never commenced business or operation, or has ceased to carry on business or ceased operation for more than three months immediately before the application; and (c) such company has no outstanding liabilities.
- Under section 291 of the Predecessor Companies Ordinance, the Registrar of Companies may strike off the name of a company from the register of companies where the Registrar of Companies has reasonable cause to believe that a company is not carrying on business or in operation.



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## DIRECTORS, SENIOR MANAGEMENT AND STAFF

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Mr. MK Wan confirmed that there have been no claims against him in relation to the abovementioned companies that have been deregistered or struck off, and the each of the abovementioned companies was solvent and had no outstanding liabilities before or at the time of being deregistered or struck off, and that the abovementioned companies have not been involved in any material non-compliant incidents, claims, litigation or legal proceedings.

### **Directorship in Tianjin Hua Yuan**

#### *Background and non-compliance of Tianjin Hua Yuan*

Tianjin Hua Yuan Mechanical and Electrical Equipment Installation Limited\* (天津華源機電設備安裝有限公司) (“**Tianjin Hua Yuan**”) was established in the PRC as a sino-foreign equity joint venture (中外合資經營企業) on 28 June 1995. It was owned by two joint venture partners as to 30% from the PRC side and as to 70% from Hong Kong side. Mr. MK Wan was the legal representative and the chairman of Board of Tianjin Hua Yuan. Due to its failure to carry out annual inspection (年檢), on 16 September 2004, the business licence (企業法人營業執照) of Tianjin Hua Yuan was revoked by Administration for Industry and Commerce of Tianjin City (天津市工商行政管理局) as administrative penalty.

\* For identification purpose only

To the best knowledge of Mr. MK Wan, Tianjin Hua Yuan had no longer carried out active business immediately before 2004. Since the joint venture partner of the PRC side was relatively more familiar with the administrative and filing requirements under the PRC laws, as compared with the joint venture partner of Hong Kong side, it was more convenient for the joint venture partner of the PRC side to handle the regulatory filing of Tianjin Hua Yuan. When the time for Tianjin Hua Yuan to carry out annual inspection came, Mr. MK Wan did not have in his possession the documents and records required for carrying out the annual inspection, and he also lacked timely and professional advice on this aspect of the PRC laws. As a result, Tianjin Hua Yuan did not carry out annual inspection.

As advised by our PRC Legal Advisers, under the PRC Company Law (公司法) and Registration Management Regulations on Legal Representative of Enterprise Entity (企業法人法定代表人登記管理規定), for any person (i) being the legal representative of a PRC company of which the business licence has been revoked due to violation of laws or regulations, and (ii) bearing personal responsibility for such violation of laws or regulations, he/she is prohibited from acting as legal representative, director, supervisor or member of senior management in other PRC companies within three years upon the revocation of business licence. Therefore Mr. MK Wan was prohibited from acting as legal representative, director, supervisor or member of senior management in other PRC companies for the period from 16 September 2004 to 15 September 2007.

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## DIRECTORS, SENIOR MANAGEMENT AND STAFF

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As advised by our PRC Legal Advisers, under the Registration Management Regulations on Legal Representative of Enterprise Entity (企業法人法定代表人登記管理規定), within the aforesaid prohibition period (i.e. from 16 September 2004 to 15 September 2007), if GZ Quanda failed to replace Mr. MK Wan as its legal representative within a prescribed period after receiving a notice from the relevant PRC legal authority, then it might be subject to a fine not more than RMB100,000 and, if the relevant PRC authority considered the case to be serious, might have its business registration (企業登記) and business license (企業法人營業執照) revoked. There is no evidence suggesting that GZ Quanda had received any notice from the relevant PRC legal authority in relation to the incident and this issue had already been time-barred, lapsed and become historical.

As advised by our PRC Legal Advisers, save as mentioned above, there is no other penalty imposable on Mr. MK Wan or GZ Quanda in relation to this matter under the PRC laws.

As advised by our PRC Legal Advisers, the aforesaid prohibition on Mr. MK Wan to act as the legal representative, director or member of senior management of the PRC companies was no longer in force as at the Latest Practicable Date. Further, although Mr. MK Wan had been a director and legal representative of GZ Quanda within the aforesaid prohibition period (i.e. from 16 September 2004 to 15 September 2007), there is no evidence suggesting such non-compliance had been discovered by administrative department within two years of its commission, it had already been time-barred to impose administrative penalty according to the Administrative Penalty Law of the PRC (中華人民共和國行政處罰法).

Therefore, our PRC Legal Advisers are of the view that there is no evidence suggesting Mr. MK Wan is not capable of acting as director, legal representative or member of senior management in the PRC companies.

### *Internal control measures to prevent the occurrence of similar non-compliance incidents in our Group*

We have implemented the following internal control measures to prevent the occurrence of non-compliance incident as described in the paragraphs above in our Group, and to ensure that our Group will not be susceptible to undue influence of any single Director:

- our accounting manager is responsible for setting up an alarm system in respect of the prescribed time limit for the annual inspection of all our PRC companies as required by the relevant PRC laws and regulations;
- we have also assigned our chief financial officer and company secretary, Ms. Chow Chi Ling Janice, who is a certified public accountant of the Hong Kong Institute of Certified Public Accountants (for more of her information, please refer to the paragraph headed “Directors, Senior Management and Staff – Company secretary” in this prospectus) to carry out follow-up review on a monthly basis to ensure that the annual inspection of all our PRC companies are completed properly and in a timely manner; and
- if necessary, we will seek legal advice from external PRC legal advisers to ensure on-going compliance.

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## DIRECTORS, SENIOR MANAGEMENT AND STAFF

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### *Views of our Directors and the Sponsor*

In respect of the aforesaid non-compliance incident of Mr. MK Wan, it is noted that:

- the aforesaid non-compliance incident of Mr. MK Wan is an isolated incident, there is no other PRC company (of which Mr. MK Wan was a director, legal representative or supervisor) the business licence of which had been revoked;
- no legal liability was imposed on Mr. MK Wan in relation to the aforesaid non-compliance incident;
- the prohibition against Mr. MK Wan to act as the legal representative, director or member of senior management of other PRC companies was no longer in force since 15 September 2007;
- there was no indication of dishonesty or willful act committed on the part of Mr. MK Wan in relation to the aforesaid non-compliance incident; and
- the aforesaid internal control measures have been implemented to avoid occurrence of any similar incident in our Group.

Based on the above, our Directors, as concurred by the Sponsor, consider that the abovementioned non-compliance incidents would not affect the suitability of Mr. MK Wan to be our executive Director under Rules 3.08 and 3.09 of the Listing Rules or acting as the director of our PRC subsidiaries or the suitability of listing of our Company under Rule 8.04 of the Listing Rules.

**Mr. Leung Ka Wai (梁家威)**, aged 49, is our chief executive officer and executive Director. He is one of the founders of our Group, and a director of each of the members of our Group. He is responsible for overseeing daily management of our Group's business development and operations. Mr. KW Leung has over 24 years of experience in low-voltage electrical power distribution and control devices industry. Mr. KW Leung was awarded a basic mechanical craft certificate and a general course certificate by the Vocational Training Council in July 1987 and in July 1988, respectively. He completed form five education in 1985.

### **Non-executive Director**

**Mrs. Kan Wan Wai Yee Mavis (簡尹慧兒)**, aged 61, is our non-executive Director and member of audit committee. She is currently responsible for providing strategic advice to our Group's internal control and corporate governance. Mrs. Kan is currently a certified public accountant (practising) of the Hong Kong Institute of Certified Public Accountants, a certified tax adviser of The Taxation Institute of Hong Kong and a fellow of The Association of Chartered Certified Accountants.

Between June 1977 and December 1980, Mrs. Kan worked for The Hongkong and Shanghai Banking Corporation (currently known as The Hongkong and Shanghai Banking Corporation Limited). She was employed by John B.P. Byrne & Co. between December 1980 and April 1985 with her last position as a tax senior. She was a founding partner of a local firm of certified public accountants from April 1997 to October 2010. She later founded KAN-WAN Certified Tax Advisors, a tax consultancy firm, in December 2010 and BOYA CPA & Co., a certified public accountant (practising) firm, in October 2012.

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## DIRECTORS, SENIOR MANAGEMENT AND STAFF

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Mrs. Kan is currently a non-executive director of SEM Holdings. For further details, please refer to the paragraph headed “History, Reorganisation and Group Structure – Excluded Businesses” in this prospectus. She completed the program of diploma in management studies organised jointly by the Hong Kong Management Association and Hong Kong Polytechnic (currently known as The Hong Kong Polytechnic University) in June 1988. Mrs. Kan is a cousin of Mr. MK Wan, Mr. CK Wun and Mr. CW Wun.

### Independent non-executive Directors

**Mr. Ng Chi Keung Alex (吳志強)**, aged 60, is our independent non-executive Director, chairman of our remuneration committee and member of nomination committee. He is currently responsible for supervising and providing independent judgment to our Board, our remuneration committee and nomination committee. He is currently a member of The Chartered Institution of Building Services Engineers and a member of The Hong Kong Institution of Engineers. In December 2002, Mr. Ng was also registered as a chartered engineer by the Engineering Council UK (currently known as the Engineering Council), in relation to his membership of The Chartered Institution of Building Services Engineers.

Mr. Ng has more than 38 years of experience in the engineering industry. He worked for Yuen Cheong Engineering Company Limited as a site agent from July 1978 to July 1981, Arthur C. S. Kwok Architects & Associates as a M&E draftsman from August 1981 to November 1982, Kennedy & Donkin International as an assistant plumbing & drainage engineer from October 1982 to November 1984. Prior to joining our Group, he served as a senior project co-ordinator of the Hongkong & Whampoa Dock Company Limited from April 1985 to March 1994, the chief project manager of Hutchison Whampoa Properties Limited from April 1994 to March 2015, and the chief project manager of Hutchison Property Group Limited from April 2015 to December 2016.

Mr. Ng obtained a master degree in business administration from Asia International Open University (Macau) (currently known as the City University of Macau) in May 1993, a master degree in building services engineering from the Brunel University, United Kingdom, through distance learning, in July 1995, and a bachelor degree of engineering in building services engineering from the City University of Hong Kong in November 2000.

Mr. Ng was a director of the following company incorporated in Hong Kong, which was dissolved, the details of which are as follows:

<b>Name of company</b>	<b>Date of dissolution</b>	<b>Nature of proceeding (Note 1)</b>	<b>Nature of business prior to dissolution</b>
Universal Fortune Enterprise Limited (奧斯企業有限公司)	16 April 2004	Deregistration	Education

*Notes:*

1. Under section 291AA of the Predecessor Companies Ordinance, an application for deregistration can only be made if (a) all members of such company agree to such deregistration; (b) such company has never commenced business or operation, or has ceased to carry on business or ceased operation for more than three months immediately before the application; and (c) such company has no outstanding liabilities.

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## DIRECTORS, SENIOR MANAGEMENT AND STAFF

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Mr. Ng confirmed that there have been no claims against him in relation to the abovementioned company that has been deregistered, and the abovementioned company was solvent and had no outstanding liabilities before or at the time of being deregistered, and that the abovementioned company has not been involved in any material non-compliant incidents, claims, litigation or legal proceedings.

**Mr. Cheng Sum Hing (鄭森興)**, aged 61, is our independent non-executive Director, chairman of our nomination committee, member of audit committee and remuneration committee. He is responsible for supervising and providing independent judgment to our Board, our audit committee, remuneration committee and nomination committee. He was admitted as a fellow of The Hong Kong Institute of Surveyors in November 2003.

Mr. Cheng has more than 39 years of experience in the quantity surveying industry. He worked for Widnell, a chartered quantity surveyors firm, from April 1993 to June 2005, Hong Kong Construction (Holdings) Limited (stock code: 190), the issued shares of which are listed on the Stock Exchange, as an executive director from August 2005 to June 2007, Construction Industry Training Authority as a consultant from September 2007 to September 2008, and H. A. Brechin Co. Limited, a chartered quantity surveyors firm, as a director from September 2008 to March 2013. He then continued to serve Turner & Townsend Brechin Limited as a director, when H.A. Brechin Co. Limited merged with Turner & Townsend plc in March 2013, and is currently serving as a director.

Mr. Cheng obtained a bachelor degree of science in building economics and measurement from The University of Aston in Birmingham, United Kingdom, in July 1982, a bachelor degree in law from the Peking University in July 1998, and a master degree of science in construction law and dispute resolution from The Hong Kong Polytechnic University in October 2009. Mr. Cheng is currently directors of the Hong Kong Green Building Council Limited and BEAM Society Limited.

Mr. Cheng was a director of each of the following companies incorporated in Hong Kong, which were dissolved, the details of which are as follows:

<b>Name of company</b>	<b>Date of dissolution</b>	<b>Nature of proceeding (Note 1)</b>	<b>Nature of business prior to dissolution</b>
Grand Gate Consultants Limited (能基顧問有限公司)	21 September 2001	Striking off	Consultancy and property holding
Quantity Surveyors Bureau Limited	23 November 2001	Striking off	Consultancy

*Notes:*

1. Under section 291 of the Predecessor Companies Ordinance, the Registrar of Companies may strike off the name of a company from the register of companies where the Registrar of Companies has reasonable cause to believe that a company is not carrying on business or in operation.

Mr. Cheng confirmed that there have been no claims against him in relation to the abovementioned companies that have been struck off, and each of the above-mentioned companies was solvent and had no outstanding liabilities before or at the time of being struck off, and that the abovementioned companies have not been involved in any material non-compliant incidents, claims, litigation or legal proceedings.

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## DIRECTORS, SENIOR MANAGEMENT AND STAFF

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**Ms. Ng Ching Ying (吳晶瑩)**, aged 42, is our independent non-executive Director and chairman of audit committee. She is currently responsible for supervising and providing independent judgment to our Board and our audit committee. She has been a member of the Hong Kong Institute of Certified Public Accountants since April 2001.

Ms. Ng has rich experience in the accounting, auditing and finance industry. She worked for Deloitte Touche Tohmatsu, a certified public accountant firm, from September 1997 to April 2002 with her last position as senior accountant, China Healthcare Holdings Limited (stock code: 673) (currently known as China Health Group Limited), the issued shares of which are listed on the Stock Exchange, as a financial controller from May 2002 to May 2006, China Travel International Investment Hong Kong Limited from May 2006 to May 2017, with her last position as assistant general manager of the finance department, and Shun Tak – China Travel Ship Management Limited, a company that provides ferry services, from January 2010 to May 2017 as a deputy financial controller.

Ms. Ng obtained a bachelor degree of business administration with honours in accounting from the Hong Kong Baptist University in December 1997.

### **Other disclosure pursuant to Rule 13.51(2) of the Listing Rules**

Save as disclosed above, each of our Directors and senior management is independent from and not related to any of our Directors or senior management. Save as disclosed above and elsewhere in this prospectus (if any), each of our Directors confirmed with respect to himself/herself that: (i) apart from our Company, he/she has not held directorships in the last three years in other public companies the securities of which are listed on any securities market in Hong Kong or overseas; (ii) he/she did not hold other positions in our Company or other members of our Group as at the Latest Practicable Date; (iii) he/she did not have any other relationship with any other Directors, senior management, substantial shareholders or Controlling Shareholders of our Company as at the Latest Practicable Date; (iv) he/she does not have any interests in our Shares within the meaning of Part XV of the SFO, save as disclosed in the paragraph headed “Statutory and General Information – C. Further information about our Directors and Substantial Shareholders – 1. Disclosure of interests” in Appendix V to this prospectus; (v) he/she does not have any interest in any business which competes or may compete, directly or indirectly, with us, which is disclosable under the Listing Rules; and (vi) to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there is no additional information relating to our Directors or senior management that is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules and no other matter with respect to their appointments that needs to be brought to the attention of our Shareholders as at the Latest Practicable Date.

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## DIRECTORS, SENIOR MANAGEMENT AND STAFF

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### SENIOR MANAGEMENT

The table below sets forth information regarding our senior management:

Name	Age	Position	Responsibility in our Group	Date of joining our Group	Date of appointment to the current position	Relationship with other Directors, members of our senior management and Substantial Shareholders
Ms. Chow Chi Ling Janice (周緻玲)	35	Chief financial officer and company secretary	Managing the financial operations as well as overseeing company secretarial and compliance affairs of our Group	4 January 2017	4 January 2017 (chief financial officer) 29 June 2017 (company secretary)	N/A
Mr. Liu Kwok Wai (廖國偉)	42	Senior project manager	Overseeing the daily operation of and coordination in our Group's projects	21 January 2002	1 January 2012	N/A
Mr. To Kwai Sang (杜桂生)	45	Technical manager	Overseeing the import and export of materials, and monitoring shop drawings for production and manufacturing status for our Group's projects	10 November 1998	1 June 2013	N/A

**Ms. Chow Chi Ling Janice (周緻玲)**, aged 35, is our chief financial officer and company secretary. She is responsible for managing the financial operations as well as overseeing the company secretarial and compliance affairs of our Group. She is currently a certified public accountant of the Hong Kong Institute of Certified Public Accountants.

Prior to joining our Group, Ms. Chow worked for Stirling SCI as a graduate accountant in audit division from July 2004 to May 2005, Wong Lam Leung & Kwok C.P.A. Limited from September 2005 to December 2007 with her last position as an accountant II, Moore Stephens Associates Limited from January 2008 to September 2012 with her last position as an audit supervisor, and Boer Power Holdings Limited (stock code: 1685), the issued shares of which are listed on the Stock Exchange, as an assistant finance manager from February 2013 to July 2016. From October 2016 to December 2016, she was employed by Sky Business Consultants Limited as consulting manager. In January 2017, she joined our Group and is currently serving as the chief financial officer of Ready Electrical Metals, and on 29 June 2017, she was appointed as our company secretary.

Ms. Chow obtained a bachelor degree of commerce from The University of Auckland, New Zealand, in May 2004 and a master degree of commerce in finance from The University of New South Wales, Australia, in September 2005.



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## DIRECTORS, SENIOR MANAGEMENT AND STAFF

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**Mr. Liu Kwok Wai** (廖國偉), aged 42, is our senior project manager. He is responsible for overseeing the daily operation of and coordination in our Group's projects. Mr. Liu is the supervisor of GZ Quanda and DG Quanda. He currently holds the certificate of registration of electrical worker issued by the Electrical and Mechanical Services Department in Hong Kong and is a grade C electrical worker.

Mr. Liu has more than 18 years of experience in the electrical engineering industry. Prior to joining our Group, he worked for Mpower Engineering Ltd. from July 1998 to July 2001 with his last position as an executive engineer. He was employed by our Group as an engineer and a project manager from January 2002 to December 2011. In January 2012, he was promoted to the position of senior project manager.

Mr. Liu obtained a bachelor degree in electrical engineering from The Hong Kong Polytechnic University in November 1998 and a continuing education certificate in occupational safety and health from the School of Continuing and Professional Education of the City University of Hong Kong in November 2002.

**Mr. To Kwai Sang** (杜桂生), aged 45, is our technical manager. He is responsible for overseeing the import and export of materials, and monitoring shop drawing for production and manufacturing status for our Group's projects. He currently holds the certificate of registration of electrical worker issued by the Electrical and Mechanical Services Department in Hong Kong and is a grade C electrical worker.

Mr. To has more than 18 years of experience in the electrical engineering industry. Prior to joining our Group, he worked for Wong's Circuits (P.T.H.) Ltd. from July 1992 to September 1995. He was employed by our Group in various positions from November 1998 to May 2013, namely, engineer trainee, engineer and project manager. In June 2013, he was promoted to the position of technical manager.

Mr. To obtained a bachelor degree in electrical engineering from The Hong Kong Polytechnic University in November 1998.

Save as disclosed above and elsewhere in this prospectus (if any), each of the members of our senior management confirmed with respect to himself that: (i) as at the Latest Practicable Date, he had no interests in our Shares within the meaning of Part XV of the SFO; (ii) he did not have any relationships with any Directors, members of our senior management, Substantial Shareholders or Controlling Shareholders as at the Latest Practicable Date; and (iii) he did not hold any directorships in any other public company the securities of which were listed on any securities market in Hong Kong and/or overseas in the last three years prior to the Latest Practicable Date.

### COMPANY SECRETARY

**Ms. Chow Chi Ling Janice** (周緻玲), aged 35, is our company secretary. Details of her qualifications and experience are set out in the paragraph headed "Directors, Senior Management and Staff – Senior management" in this prospectus.



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## DIRECTORS, SENIOR MANAGEMENT AND STAFF

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### AUTHORISED REPRESENTATIVES

Mr. Leung Ka Wai (梁家威) and Ms. Chow Chi Ling Janice (周緻玲) are our authorised representatives under Rule 3.05 of the Listing Rules.

### COMPLIANCE ADVISER

We have appointed Ample Capital Limited to be our compliance adviser commencing on the Listing Date in compliance with Rules 3A.19 of the Listing Rules. We have entered into a compliance adviser's agreement with the compliance adviser prior to the Listing Date, the material terms of which are as follows:

- the term of appointment of the compliance adviser will commence on the Listing Date and end on the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the Listing Date (i.e. the date of despatch of the annual reports of our Company in respect of our results for the financial year ending 31 December 2019), or until the agreement is terminated, whichever is earlier;
- the compliance adviser will provide us with certain services, including guidance and advice as to compliance with the requirements under the Listing Rules and applicable laws, rules, codes and guidelines and advice on the continuing requirements under the Listing Rules and applicable laws and regulations;
- our Company will consult with and, if necessary, seek advice from Ample Capital Limited as our compliance adviser in the following circumstances:
  - (i) before the publication of any regulator announcement, circular or financial report;
  - (ii) where a transaction which might be a notifiable or connected transaction, is contemplated including share issues and share repurchases;
  - (iii) where our Company intends to use the proceeds of the Share Offer in a manner different from that detailed in this prospectus or where the business activities, developments or results of our Company deviates from any forecast, estimate or other information in this prospectus; and
  - (iv) where the Stock Exchange makes any enquiry to our Company under Rule 13.10 of the Listing Rules.

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## DIRECTORS, SENIOR MANAGEMENT AND STAFF

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### BOARD PRACTICES

In the absence of extraordinary events, it is the practice of our Board to meet at least four times a year. At such meetings, our Directors conduct, among other things, an operational review of our business.

### BOARD COMMITTEES

#### Audit Committee

Our Company established an audit committee pursuant to a resolution of our Directors passed on 23 April 2018 in compliance with Rule 3.21 of the Listing Rules and with the written terms of reference in compliance with the Corporate Governance Code (the “Code”) as set out in Appendix 14 of the Listing Rules. The primary duties of our audit committee are (i) to make recommendations to our Board on the appointment and removal of external auditors; (ii) to review the financial statements; (iii) to review the effectiveness of our Company’s internal audit activities, internal controls and risk management systems; and (iv) to review and monitor the extent of any non-audit work undertaken by external auditors. Our audit committee currently consists of Mrs. Kan Wan Wai Yee Mavis, Mr. Cheng Sum Hing and Ms. Ng Ching Ying. Ms. Ng Ching Ying is the chairman of the audit committee.

#### Remuneration Committee

Our Company established a remuneration committee pursuant to a resolution of our Directors passed on 23 April 2018 in compliance with Rule 3.25 of the Listing Rules and with the written terms of reference in compliance with the Code. The primary duties of our remuneration committee are (i) to review and make recommendations to our Board on the overall remuneration policy and structure relating to all Directors and senior management of our Group; (ii) other remuneration-related matters, including benefits-in-kind and other compensation payable to our Directors and senior management; and (iii) to review performance based remunerations and to establish a formal and transparent procedure for developing policy in relation to remuneration. Our remuneration committee currently consists of Mr. Ng Chi Keung Alex, Mr. Cheng Sum Hing and Mr. Wan Man Keung. Mr. Ng Chi Keung Alex is the chairman of our remuneration committee.

#### Nomination Committee

Our Company established a nomination committee pursuant to a resolution of our Directors passed on 23 April 2018 with written terms of reference in compliance with paragraph A.5 of the Code. The primary duties of our nomination committee are (i) to review the structure, size, composition and diversity of our Board on a regular basis; (ii) to identify individuals suitably qualified to become Board members; (iii) to assess the independence of independent non-executive Directors; (iv) to make recommendations to our Board on relevant matters relating to the appointment or re-appointment of Directors and succession planning for Directors; and (v) to make recommendations to our Board regarding candidates to fill vacancies on our Board. Our nomination committee currently consists of Mr. Cheng Sum Hing, Mr. Ng Chi Keung Alex and Mr. Wan Man Keung. Mr. Cheng Sum Hing is the chairman of the nomination committee.

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## DIRECTORS, SENIOR MANAGEMENT AND STAFF

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### REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

#### Service contract/Letter of appointment with Directors

Each of our executive Directors has entered into a service contract with our Company for a term of three years commencing from the Listing Date (subject to termination in certain circumstances as stipulated in the relevant service contract). Each of our executive Directors is entitled to their respective basic salaries set out below and may be entitled to a discretionary bonus. The current basic annual salaries of our executive Directors to their respective executive and management roles in our Group are as follows:

Name	Approximate annual salary (HK\$)
Mr. MK Wan	537,000
Mr. KW Leung	384,000

Each of our non-executive Director and independent non-executive Directors has entered into a letter of appointment with our Company for a period of three years commencing from the Listing Date (subject to termination in certain circumstances as stipulated in the relevant letter of appointment). The appointments are subject to the provisions of the Articles of Association with regard to vacation of office of Directors and removal and retirement by rotation of Directors. Each of our non-executive Director Mrs. Kan and independent non-executive Directors Ms. Ng and Mr. Cheng is entitled to a director's fee of HK\$120,000 per annum and Ms. Ng, our independent non-executive director is entitled to a director fee of HK\$144,000 per annum. Save for the directors' fee, none of our non-executive Director and independent non-executive Directors is expected to receive any other remuneration for holding their office as a non-executive Director or an independent non-executive Director and a member of any board committees of our Company.

Save as disclosed above, no Director has entered into any service agreement with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

#### Emoluments paid during the Track Record Period

For each of the three years ended 31 December 2017, the aggregate amount of emoluments (including fee, salaries and other allowance, and retirement benefit scheme contributions) paid by our Group to our Directors amounted to approximately HK\$0.9 million, HK\$0.9 million and HK\$0.9 million, respectively. It is estimated that an aggregate sum of approximately HK\$1.2 million and HK\$1.4 million are payable by our Group to our Directors as emoluments for the two years ending 31 December 2019, respectively.

For each of the three years ended 31 December 2017, the total emoluments (including salaries and other allowance, discretionary bonus, and retirement benefit scheme contributions) paid by our Group to the five highest paid individuals, excluding our Directors, were approximately HK\$2.8 million, HK\$1.7 million and HK\$1.9 million, respectively. For details of the emoluments of our Directors and the five highest paid individuals of our Group during the Track Record Period, please refer to note 12 of Appendix I to this prospectus.

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## DIRECTORS, SENIOR MANAGEMENT AND STAFF

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During the Track Record Period, no emoluments were paid by our Group to any of the Directors or any of the aforementioned highest paid individuals as an inducement to join or upon joining our Group as a compensation for loss of office. Mr. MK Wan has waived his director's emoluments during the Track Record Period which are not significant. Other than Mr. MK Wan, none of the Directors have waived any emoluments during the Track Record Period. Save as disclosed in this prospectus, no other emoluments have been paid, or are payable, by us to our Directors in respect of each of the three years ended 31 December 2017.

Subject to the review by and the recommendations of our remuneration committee, the remuneration policy we intend to adopt after the Listing for our Directors and senior management members will be based on comparable market levels and their performance and qualifications.

### EMPLOYEES

As at the Latest Practicable Date, our Group had 232 full-time employees who were directly employed by us in Hong Kong and the PRC. For details about our employees and staff policy, please refer to the paragraph headed "Business — Our employees" in this prospectus.

Our staff cost (including fees, salaries and other allowance, and retirement benefit scheme contributions) for each of the three years ended 31 December 2017 amounted to approximately HK\$25.3 million, HK\$23.1 million and HK\$26.9 million, respectively.

In Hong Kong, we operate a defined contribution retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) for all of our employees in Hong Kong who joined us after the commencement of this ordinance. Contributions are made based on a percentage of the employees' basic salaries. We contribute the lower of HK\$1,500 or 5% of the relevant monthly salary to the MPF Scheme, a contribution to be matched by our employees.

As required by the PRC regulations, we participate in social insurance schemes operated by relevant local government authorities. As advised by our PRC Legal Advisers, we and our employees have entered into labour contracts according to the relevant laws and regulations. As confirmed by relevant governmental departments, respectively regulating the areas of labour security, social insurance and housing provident fund, we have contributed social insurance fees according to the relevant laws and regulations, and have been making contribution of house provident fund in full, and there have been no administrative penalties on, dispute with or complaints against us of violation of the applicable laws regulations. For details of our historical non-compliance, please refer to the paragraph headed "Business – Legal proceedings and legal compliance" in this prospectus.

### Share Option Scheme

Our Company has conditionally adopted the Share Option Scheme on 23 April 2018 under which certain selected classes of participants (including, among others, full-time employees and Directors) may be granted options to subscribe for our Shares. The principal terms of the Share Option Scheme are summarised in the paragraph headed "Statutory and General Information – D. Share Option Scheme" in Appendix V to this prospectus.

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## SHARE CAPITAL

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The table below sets forth information with respect to the authorised and issued share capital of our Company before and following the completion of the Share Offer and Capitalisation Issue (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme):

### As of the date of this prospectus

	<i>HK\$</i>
<i>Authorised share capital:</i>	
38,000,000 Shares of HK\$0.01 each	380,000
<i>Issued share capital:</i>	
10,000 Shares of HK\$0.01 each	100

### Immediately after completion of the Share Offer and Capitalisation Issue

	<i>HK\$</i>
<i>Authorised share capital:</i>	
10,000,000,000 Shares of HK\$0.01 each	100,000,000
<i>Shares in issue or to be issued, fully paid or credited as fully paid:</i>	
10,000 Shares in issue at the date of this prospectus	100
1,439,990,000 Shares to be issued pursuant to the Capitalisation Issue	14,399,900
<u>360,000,000</u> Shares to be issued pursuant to the Share Offer	<u>3,600,000</u>
<u><u>1,800,000,000</u></u> Total	<u><u>18,000,000</u></u>

In the event that the Over-allotment Option is exercised in full, and without taking into account any Shares which may be issued upon the exercise of any options that may be granted under the Share Option Scheme, the issued share capital of our Company immediately after completion of the Share Offer and Capitalisation Issue will be HK\$18,675,000.00 divided into 1,867,500,000 Shares.

### ASSUMPTIONS

The table as shown above assumes the Share Offer becoming unconditional and the allotment and issue of Shares pursuant thereto and under the Capitalisation Issue and Share Offer are made as described herein. It does not take into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by our Company pursuant to the general mandates given to our Directors to allot and issue or repurchase Shares as referred to in the paragraph headed “General mandate to issue Shares” or the paragraph headed “General mandate to repurchase Shares” in this section, as the case may be.

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## SHARE CAPITAL

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### MINIMUM PUBLIC FLOAT

Pursuant to Rule 8.08 of the Listing Rules, at the time of the Listing and at all times thereafter, our Company must maintain the minimum prescribed percentage of 25% of the total issued share capital of our Company in the hands of the public (as defined in the Listing Rules).

### RANKING

The Offer Shares will rank *pari passu* in all respects with all Shares in issue or to be issued as mentioned in this prospectus, and will qualify for all dividends or other distributions declared, made or paid after the date of this prospectus, save for entitlements under the Capitalisation Issue.

### SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme. The principal terms of the Share Option Scheme are summarised in the paragraph headed “Statutory and General Information – D. Share Option Scheme” in Appendix V to this prospectus.

### GENERAL MANDATE TO ISSUE SHARES

Conditional on the conditions as stated in the paragraph headed “Structure and Conditions of the Share Offer – Conditions of the Share Offer” in this prospectus being fulfilled, our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares and to make or grant offers, agreements or options which might require such Shares to be allotted and issued or dealt with subject to the requirement that the total number of the Shares so allotted and issued or agreed conditionally or unconditionally to be allotted and issued (otherwise than pursuant to a rights issue, or scrip dividend scheme or similar arrangements, or a specific authority granted by the Shareholders) shall not exceed:

- (a) 20% of the total number of issued Shares immediately following the completion of the Share Offer and the Capitalisation Issue (not including Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme); and
- (b) the aggregate number of Shares repurchased by our Company (if any) pursuant to the general mandate to repurchase Shares as referred to in the paragraph headed “General mandate to repurchase Shares” in this section.

This mandate does not cover Shares to be allotted, issued, or dealt with under a rights issue or upon the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme. This general mandate to issue Shares will remain in effect until:

- (a) the conclusion of our Company’s next annual general meeting;
- (b) the expiration of the period within which our Company’s next annual general meeting is required to be held by any applicable laws of the Cayman Islands or the Articles; or

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## SHARE CAPITAL

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- (c) it is varied or revoked by an ordinary resolution of the Shareholders in general meeting, whichever is the earliest.

For further details of this general mandate, please refer to the paragraph headed “Statutory and General Information – A. Further Information about our Company – 3. Written resolutions of the sole Shareholder passed on 23 April 2018” in Appendix V to this prospectus.

### **GENERAL MANDATE TO REPURCHASE SHARES**

Conditional on conditions as stated in the paragraph headed “Structure and Conditions of the Share Offer – Conditions of the Share Offer” being fulfilled, our Directors have been granted a general unconditional mandate to exercise all the powers to repurchase Shares (Shares which may be listed on the Stock Exchange or on any other stock exchange which is recognised by the SFC and the Stock Exchange for this purpose) with a total number of not more than 10% of the total number of Shares in issue immediately following the completion of the Share Offer and the Capitalisation Issue (not including Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme).

This mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which the Shares may be listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and made in connection with all applicable laws and regulations and the requirements of the Listing Rules. A summary of the relevant Listing Rules is set out in the paragraph headed “Statutory and General Information – Repurchase by our Company of its own securities” in Appendix V to this prospectus.

The general mandate to repurchase Shares will remain in effect until:

- (a) the conclusion of our Company’s next annual general meeting;
- (b) the expiration of the period within which our Company’s next annual general meeting is required to be held by any applicable laws of the Cayman Islands or the Articles; or
- (c) it is varied or revoked by an ordinary resolution of the Shareholders in general meeting,

whichever is the earliest.

For further details of this general mandate, please refer to the paragraph headed “Statutory and General Information – A. Further Information about our Company – 3. Written resolutions of the sole Shareholder passed on 23 April 2018” in Appendix V to this prospectus.

### **CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED**

The circumstances under which general meeting and class meeting are required are provided in our Articles. For details, please see the section headed “Summary of the Constitution of the Company and Cayman Islands Company Law” in Appendix IV to this prospectus.

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## SUBSTANTIAL SHAREHOLDERS

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### SUBSTANTIAL SHAREHOLDERS

So far as is known to our Directors, immediately following the completion of the Share Offer and the Capitalisation Issue and without taking into account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme, the following persons will have an interest and/or short positions in the Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or will, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any other member of our Group:

#### Interests and long positions in Shares

Name of Shareholder	Nature of interests	Number of Shares	Percentage of shareholding
Unique Best	Beneficial owner ( <i>Note 1</i> )	1,350,000,000	75%
WANs Limited	Interest held jointly with others; interest in a controlled corporation ( <i>Note 1</i> )	1,350,000,000	75%
WAN Union	Interest held jointly with others; interest in a controlled corporation ( <i>Note 2</i> )	1,350,000,000	75%
REM Enterprises	Interest held jointly with others; interest in a controlled corporation ( <i>Note 1</i> )	1,350,000,000	75%
Mr. KW Leung	Interest held jointly with others; interest in a controlled corporation ( <i>Note 1</i> )	1,350,000,000	75%
Ms. Huang Xiao Ying	Interest of spouse ( <i>Note 2</i> )	1,350,000,000	75%
Mr. MK Wan	Beneficiary and settlor of the WAN Union Trust; interest held jointly with others; interest in a controlled corporation ( <i>Note 1</i> )	1,350,000,000	75%
Ms. Lam Yin	Interest of spouse ( <i>Note 3</i> )	1,350,000,000	75%
Mr. CW Wun	Beneficiary and settlor of the WAN Union Trust; interest held jointly with others; interest in a controlled corporation ( <i>Note 1</i> )	1,350,000,000	75%
Ms. Emi Que	Interest of spouse ( <i>Note 4</i> )	1,350,000,000	75%



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## SUBSTANTIAL SHAREHOLDERS

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*Notes:*

1. Unique Best is owned by WANs Limited, REM Enterprises and REM Limited as to 85.14%, 13.33% and 1.53%, respectively. WANs Limited is wholly owned by WAN Union (as trustee of the WAN Union Trust), while REM Enterprises is wholly owned by Mr. KW Leung and REM Limited is wholly owned by Mr. CK Yu. The WAN Union Trust is a discretionary family trust established by Mr. MK Wan, Mr. CW Wun and Mr. CK Wun as settlors and WAN Union as trustee which holds the entire interest in WANs Limited on trust for the benefits of Mr. MK Wan, Mr. CW Wun and Mr. CK Wun, and their immediate family members. By virtue of the SFO, Mr. MK Wan and Mr. CW Wun, being the settlors and beneficiaries, and WAN Union, being the trustee, are deemed to be interested in the Shares in which WANs Limited is interested. Mr. MK Wan, Mr. CW Wun retain the control of the WAN Union Trust given the board of directors of WAN Union comprises solely Mr. MK Wan, Mr. CW Wun and Ms. Wun Tsz Ying (the daughter of Mr. CK Wun who was nominated by Mr. CK Wun). Further, Mr. MK Wan, Mr. CW Wun and Mr. KW Leung have confirmed that they are parties acting in concert and are therefore deemed to be interested in the Shares held by the others. Hence, Mr. MK Wan, Mr. CW Wun, Mr. KW Leung, WAN Union, WANs Limited and REM Enterprises are deemed to be interested in all the Shares held by Unique Best.
2. Ms. Huang Xiao Ying is the wife of Mr. KW Leung and is deemed to be interested in the Shares which are interested by Mr. KW Leung under the SFO.
3. Ms. Lam Yin is the wife of Mr. MK Wan and is deemed to be interested in the Shares which are interested by which Mr. MK Wan under the SFO.
4. Ms. Emi Que is the wife of Mr. CW Wun and is deemed to be interested in the Shares which are interested by Mr. CW Wun under the SFO.

Save as disclosed above, none of our Directors is aware of any other person who will, immediately following the Share Offer and the Capitalisation Issue and without taking into account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme, have an interest or short position in the Shares or underlying Shares which would be fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group. None of our Directors is aware of any arrangement which may at a subsequent date result in a change of control of our Company.

## CONTROLLING SHAREHOLDERS

Each of our Controlling Shareholders has given undertakings in respect of its Shares to our Company, the Sponsor, the Sole Global Coordinator and the Underwriters in addition to the requirements of Rules 10.07 of the Listing Rules. For further details, please refer to the paragraph headed “Relationship with our Controlling Shareholders – Undertakings to the Stock Exchange pursuant to the Listing Rules” in this prospectus.

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## FINANCIAL INFORMATION

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*You should read this section in conjunction with our Group's audited combined financial statements, including the notes thereto, as set out in the accountants' report set out in Appendix I to this prospectus. Our Group's financial statements have been prepared in accordance with HKFRSs. You should read the entire accountants' report and not merely rely on the information contained in this section.*

*The following discussion and analysis contains certain forward-looking statements that reflect the current views with respect to future events and financial performance. These statements are based on assumptions and analyses made by our Group in light of our Group's experience and perception of historical trends, current conditions and expected future developments, as well as other factors our Group believes are appropriate under the circumstances. However, whether actual outcomes and developments will meet our Group's expectations and projections depend on a number of risks and uncertainties over which our Group does not have control. For further information, see the section headed "Risk Factors" in this prospectus.*

### OVERVIEW

We are a manufacturer and supplier of low-voltage electrical power distribution and control devices. During the Track Record Period, our products included (i) low-voltage switchboard, (ii) motor control centre, (iii) local motor control panel, (iv) certain electrical distribution board and control box including miniature circuit breaker board, molded case circuit breaker board, automatic transfer switch panel, manual transfer switch panel and contactor box, and (v) certain electrical parts and replacements including busbar connections, fuses, fuse switches, panel covers and insulating plates.

During the Track Record Period, we principally sold our products to E&M engineering companies which participated in private sector projects and public sector projects. Our top five customers during the Track Record Period comprised, among others, E&M engineering companies (being either subsidiary of Hong Kong listed company, PRC listed company or member of established private group headquartered in Hong Kong or Japan) with operations in Hong Kong, the PRC and/or Macau, as well as PRC property developer. Our products are used for power distribution, power control, circuit connection, circuit switch and protection, and panel control and display and cover various application scenarios including commercial buildings, shopping malls, casinos, hotels, banks, sewage treatment plants, schools, hospitals, railway stations, data centers and government headquarter.

Our Group's revenue amounted to approximately HK\$186.7 million, HK\$179.3 million and HK\$198.5 million, respectively for the year ended 31 December 2015 ("FY2015"), the year ended 31 December 2016 ("FY2016") and the year ended 31 December 2017 ("FY2017"). Our Group's net profit amounted to approximately HK\$24.4 million, HK\$26.6 million and HK\$12.4 million for FY2015, FY2016 and FY2017, respectively.

## FINANCIAL INFORMATION

### SUMMARY RESULTS OF OPERATIONS

The following table sets out a summary of the audited financial results of our Group over the Track Record Period. For more detailed information, please refer to the accountants' report in Appendix I to this prospectus.

#### Consolidated statements of profit or loss and other comprehensive income

	FY2015	FY2016	FY2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	186,743	179,292	198,507
Cost of sales	<u>(136,497)</u>	<u>(124,112)</u>	<u>(141,599)</u>
Gross profit	50,246	55,180	56,908
Other income, gains and losses	1,609	699	557
Selling and distribution expenses	(6,355)	(6,188)	(7,561)
General and administrative and other expenses ( <i>Note</i> )	(14,820)	(16,557)	(31,648)
Finance costs	<u>(499)</u>	<u>(353)</u>	<u>(274)</u>
Profit before taxation	30,181	32,781	17,982
Taxation	<u>(5,765)</u>	<u>(6,194)</u>	<u>(5,534)</u>
Profit for the year	24,416	26,587	12,448
Other comprehensive income (expense) for the year:			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations	<u>(2,071)</u>	<u>(1,123)</u>	<u>3,352</u>
Total comprehensive income for the year	<u><u>22,345</u></u>	<u><u>25,464</u></u>	<u><u>15,800</u></u>
Profit for the year attributable to:			
Owners of our Company	23,747	26,285	12,431
Non-controlling interests	<u>669</u>	<u>302</u>	<u>17</u>
	24,416	26,587	12,448
Total comprehensive income attributable to:			
Owners of our Company	21,732	25,175	15,717
Non-controlling interests	<u>613</u>	<u>289</u>	<u>83</u>
	<u><u>22,345</u></u>	<u><u>25,464</u></u>	<u><u>15,800</u></u>

*Note:*

Included in general and administrative and other expenses were non-recurring listing expenses of nil, approximately HK\$1.5 million and HK\$11.8 million for the three years ended 31 December 2017 respectively.

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## FINANCIAL INFORMATION

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### **BASIS OF PREPARATION**

Our Company was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law on 15 March 2017 to act as the holding company of our Group. The Reorganisation is further explained in the section headed “History, Reorganisation and Group Structure – Reorganisation” in this prospectus.

In the preparation for the proposed Listing, the companies now comprising our Group underwent the Reorganisation. Our Group resulting from the Reorganisation continued to be controlled by the Controlling Shareholders is regarded as a continuing entity. Accordingly, the consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for FY2015, FY2016 and FY2017 have been prepared to present the financial performance and cash flows of our Group, as if the group structure upon the completion of our Reorganisation had been in existence throughout for FY2015, FY2016 and FY2017 or since the respective dates of establishment/incorporation, which is a shorter period.

The consolidated statements of financial position of our Group as at 31 December 2015, 2016 and 2017 have been prepared to present the assets and liabilities of our Group as if the current group structure had been in existence at those dates, taken into account the respective dates of establishment/incorporation.

To prepare the consolidated financial statements for the Track Record Period, which are presented in Hong Kong dollars, our Group has consistently applied all the new and revised HKFRSs, Hong Kong Accounting Standards and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants which are effective for the accounting periods beginning on 1 January 2017 throughout the Track Record Period.

### **PRINCIPAL FACTORS AFFECTING THE RESULTS OF OPERATIONS AND FINANCIAL CONDITION OF OUR GROUP**

Our financial condition and results of operations have been, and will continue to be, affected by a number of factors, including those set out below and in the section headed “Risk Factors” in this prospectus.

#### **Our works are labour intensive**

We rely on a stable workforce to carry out our production. In particular, we require a significant number of workers with various skills and expertise. For details, please refer to the paragraph headed “Business – Our employees” in this prospectus. According to the Frost & Sullivan Report, historically, average wage in the PRC had been steadily increasing from approximately RMB46,769.0 to RMB75,787.4 per year during 2012 to 2017. From the perspective of overall market, continuous rise in labour cost has a certain effect on the low-voltage electrical power distribution and control devices manufacturers.

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## FINANCIAL INFORMATION

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During the Track Record Period and up to the Latest Practicable Date, we did not experience any material shortage of labour, industrial actions, strikes or material increase in labour cost. Nevertheless, in view of the current situation in the labour market, we cannot assure you that we will not experience these problems in the future, and as a result, we would have to offer better remuneration packages and other benefits to attract and retain key personnel and skilled labour. There can be no assurance that we will possess sufficient resources for such purpose. If we cannot retain or recruit sufficient number of skilled workers to handle our production in a timely manner, we may experience delay in delivery of our products and our ability to handle future sales projects or purchase orders would in turn be significantly reduced.

### **Relationship with our customers**

For each of FY2015, FY2016 and FY2017, our aggregate sales attributable to our top five customers amounted to approximately HK\$126.7 million, HK\$115.2 million and HK\$107.8 million, representing approximately 67.8%, 64.3% and 54.3% of our total revenue, respectively. For the same periods, sales to our largest customer were approximately HK\$41.3 million, HK\$33.4 million and HK\$34.4 million, representing approximately 22.1%, 18.6% and 17.3% of our total revenue, respectively. Nevertheless, there can be no assurance that we will be able to retain these customers or that they will maintain their current level of business with us. If there is a significant decrease in the amount of sales to these customers for whatever reasons and we are unable to secure other sales with comparable size in substitution, our financial condition and operating results may be materially and adversely affected.

Our sales are made on the basis of individual sales projects awarded by or purchase orders placed by our customers which are non-recurring in nature. For each of FY2015, FY2016 and FY2017, our sales projects or purchase orders with total amount over HK\$1 million accounted for approximately 83.2%, 75.7% and 81.1% of our total revenue, respectively. We did not enter into any master long-term contract or framework agreement with our customers during the Track Record Period and up to the Latest Practicable Date. After completion of our sales, our customers are not obliged to purchase any further low-voltage electrical power distribution and control devices from us.

Our success is partly attributable to our ability to maintain and increase our sales to our existing customers and new customers, which depend on a variety of factors including but not limited to our customers' demand for our products, our product and service quality and responsiveness, the then market conditions and the degree of competition in the market.

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### **Shortage in supply of our principal raw materials used in our production**

Our profitability depends to a large extent on our ability to anticipate and react to changes in purchase prices of our principal raw materials. Our total purchase of raw materials for production accounted for approximately 82.3%, 82.7% and 82.2% of our total cost of sales for each of FY2015, FY2016 and FY2017, respectively. Our major raw materials used in our production are various electrical parts and components, and copper products.

According to the Frost & Sullivan Report, the prices of copper and steel in the PRC had been steadily decreasing from 2012 to 2016, followed by a rebound in 2017 due to supply fluctuation and are estimated to maintain steady in the next few years.

The availability of our principal raw materials can fluctuate and is subject to factors beyond our control such as general economic conditions and government regulations, and our suppliers may be affected by factors such as rising labour cost and other expenses which may be passed on to us. There can be no assurance that we will be able to accurately anticipate and react to the changes in prices of our principal raw materials, or that we will be able to pass on the increased purchase cost of our raw materials to our customers. Should we fail to manage effectively, our business and results of operations may be adversely affected.

### **Insurance coverage may not adequately protect us against compensations in connection with industrial accidents at our production facilities**

Due to the nature of our operations, we are subject to risks of our employees being exposed to industrial-related accidents at our production facilities. For each of FY2015, FY2016 and FY2017, there were 24, 19 and one work injuries recorded in our GZ Quanda Factory and DG Quanda Factory. For details, please refer to the paragraph headed “Business – Work safety” in this prospectus.

There can be no assurance that industrial accidents, whether due to malfunction of machines or other reasons, will not occur at our production facilities in the future and that any compensation to be paid by us will be fully covered by our insurance policy. Under such circumstances, we may be subject to employees’ compensation claims. If we are found to be liable and a substantial amount of damages was awarded by the court against us or a substantial amount of penalty is imposed by the governmental authority on us while the insurance coverage maintained by us is not able to cover such payment, we may have to pay out from our own resources for any uninsured loss, damages and liabilities. Our business, financial condition results of operation and reputation may therefore be adversely affected.

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### CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Details of the principal accounting policies applied in the preparation of our financial information are set out in the accountants' report contained in Appendix I to this prospectus.

The preparation of our financial information in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires our management to exercise judgement in the process of applying the accounting policies of our Group. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The following paragraph summarise the critical accounting policies and estimated applied in the preparation of our Group's financial information.

#### Revenue recognition

Revenue represents amounts received and receivable for the sale of low-voltage electrical power distribution and control devices, less discount, if any, during the Track Record Period.

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business and net of discounts and returns.

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to our Group and when the sale of goods is recognised when the goods are delivered and titles have passed.

#### Translation of foreign currencies

In preparing the financial statements of each entity within our Group, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchange prevailing at 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.

For the purposes of presentation, the assets and liabilities of the foreign operations are translated into the presentation currency of our Group (i.e. HK\$) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year/period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

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### **Property, plant and equipment**

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

Depreciation is recognised to write off the cost of items of property, plant and equipment 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 the 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 profit or loss.

### **Inventories**

Our inventories consist primarily of raw materials, work in progress and finished goods. Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined using weighted average method. Net realisable value is the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

### **Impairment of financial assets**

Our Group's financial assets are mainly loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

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

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty;
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

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



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

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

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

### **Borrowings**

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.

During the Track Record Period, our borrowing consists of the variable-rate bank borrowings.

### **Provisions**

Provisions are recognised when our Group has a present obligation (legal or constructive) as a result of a past event, it is probable that our Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

### **Taxation**

Hong Kong profit tax has been provided at the rate of 16.5% for the Track Record Period on the estimated assessable profit arising in or derived from the jurisdictions which the entities operate for the year. Under the Law of the PRC on Enterprise Income Tax (the "EIT Law"), the tax rate of the subsidiaries in the PRC is 25% during the Track Record Period.

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before taxation' as reported in the consolidated statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. Our Group's 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 temporary differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax base 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 difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of the 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 in which 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 our Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity, respectively.

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### MANAGEMENT DISCUSSION AND ANALYSIS

#### Description of selected items of our Group's profit or loss and the comparison of results of operation for the Track Record Period.

#### Revenue

##### *By products*

Our Group's revenue amounted to approximately HK\$186.7 million, HK\$179.3 million and HK\$198.5 million, respectively for the Track Record Period. The table below sets forth a breakdown of our revenue by products during the Track Record Period:

	FY2015	FY2016	FY2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Low-voltage switchboard	84,379	84,469	71,322
Local motor control panel	61,431	43,912	75,308
Motor control centre	24,859	31,847	34,839
Electrical distribution board and control box	13,875	16,826	14,427
Electrical parts and replacements	2,199	2,238	2,611
	186,743	179,292	198,507

(1) *Low-voltage switchboard*

Our revenue from sales of low-voltage switchboard were approximately HK\$84.4 million, HK\$84.5 million and HK\$71.3 million for FY2015, FY2016 and FY2017, respectively, representing approximately 45.2%, 47.1% and 35.9% of our revenue, respectively.

(2) *Local motor control panel*

Our revenue from sales of local motor control panel were approximately HK\$61.4 million, HK\$43.9 million and HK\$75.3 million for FY2015, FY2016 and FY2017, respectively, representing approximately 32.9%, 24.5% and 37.9% of our revenue, respectively.

(3) *Motor control centre*

Our revenue from sales of motor control centre were approximately HK\$24.9 million, HK\$31.8 million and HK\$34.8 million for FY2015, FY2016 and FY2017, respectively, representing approximately 13.3%, 17.8% and 17.6% of our revenue, respectively.

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(4) *Electrical distribution board and control box*

Our revenue from sales of electrical distribution board and control box were approximately HK\$13.9 million, HK\$16.8 million and HK\$14.4 million for FY2015, FY2016 and FY2017, respectively, representing approximately 7.4%, 9.4% and 7.3% of our revenue, respectively.

(5) *Electrical parts and replacements*

Our revenue from sales of electrical parts and replacements were approximately HK\$2.2 million, HK\$2.2 million and HK\$2.6 million for FY2015, FY2016 and FY2017, respectively, representing approximately 1.2%, 1.2% and 1.3% of our revenue, respectively.

***Period to period comparison of results of operations***

***FY2016 compared to FY2015***

Our Group's revenue decreased by approximately HK\$7.5 million, or approximately 4.0%, from approximately HK\$186.7 million for FY2015 to approximately HK\$179.3 million for FY2016. It was due to the decrease in sales of local motor control panel of approximately HK\$17.5 million, and was offset by the increase in sales of the remaining products of our Group of approximately HK\$10.1 million simultaneously.

(1) *Low-voltage switchboard*

Our Group's revenue generated from sales of low-voltage switchboard recorded a slight increase of approximately HK\$0.1 million, or approximately 0.1%, from approximately HK\$84.4 million for FY2015 to approximately HK\$84.5 million for FY2016. Such increase was mainly due to the increase in revenue of (i) approximately HK\$3.7 million contributed by two commercial projects in the PRC awarded by a customer who has operation in the PRC ("Customer G"); (ii) approximately HK\$6.9 million contributed by three commercial projects in Hong Kong and the PRC and one residential project in the PRC awarded by Customer B; (iii) approximately HK\$2.8 million contributed by two commercial projects in Hong Kong awarded by Customer C; (iv) approximately HK\$4.3 million contributed by three residential projects and a commercial project in Hong Kong awarded by Customer F; and (v) approximately HK\$4.5 million attributable to Customer E; and partially offset by (i) the decrease in revenue of approximately HK\$14.9 million mainly due to product delivery of projects awarded by Customer A during FY2015; and (ii) the decrease of revenue of approximately HK\$4.4 million attributable to a customer who has operation in the PRC.

(2) *Local motor control panel*

Our Group's revenue generated from sales of local motor control panel recorded a decrease of approximately HK\$17.5 million, or approximately 28.5%, from approximately HK\$61.4 million for FY2015 to approximately HK\$43.9 million for FY2016 and such decrease was mainly due to the decrease in revenue of (i) approximately HK\$5.4 million attributable to Customer B; (ii) approximately HK\$5.2 million attributable to Customer E; (iii) approximately HK\$5.4 million attributable to Ready System

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Engineering and Ready System (Macau); (iv) approximately HK\$5.1 million attributable to a customer who has operation in Hong Kong (“**Customer H**”); and (v) approximately HK\$4.3 million attributable to Customer C; and partially offset by the increase in revenue of approximately HK\$5.8 million attributable to Customer A.

(3) *Motor control centre*

Our Group’s revenue generated from sales of motor control centre recorded an increase of approximately HK\$7.0 million, or approximately 28.1%, from approximately HK\$24.9 million for FY2015 to approximately HK\$31.8 million for FY2016. Such increase was mainly due to the increase in revenue of (i) approximately HK\$12.2 million contributed by three commercial projects in Hong Kong awarded by Customer C; (ii) approximately HK\$1.6 million contributed by two commercial projects in Hong Kong and one commercial project in Macau awarded by Customer A; (iii) approximately HK\$3.3 million mainly contributed by three commercial projects in Hong Kong awarded by a customer who has operation in Hong Kong; (iv) approximately HK\$1.5 million attributable to a customer who has operation in Macau (“**Customer I**”); and (v) approximately HK\$0.9 million attributable to Customer E; and partially offset by the decrease in revenue of (i) approximately HK\$9.9 million attributable to Customer B, which was principally due to product delivery of one commercial project in the PRC during FY2015; and (ii) approximately HK\$4.0 million attributable to Ready System Engineering and Ready System (Macau).

(4) *Electrical distribution board and control box*

Our Group’s revenue generated from sales of electrical distribution board and control box recorded an increase of approximately HK\$3.0 million, or approximately 21.3%, from approximately HK\$13.9 million for FY2015 to approximately HK\$16.8 million for FY2016. Such increase was mainly due to the increase in revenue of approximately HK\$4.9 million contributed by one commercial project in PRC awarded by Customer E; and partially offset by the decrease in revenue of (i) approximately HK\$2.8 million attributable to Customer G, and (ii) approximately HK\$3.5 million attributable to Customer D.

(5) *Electrical parts and replacements*

Our Group’s revenue generated from sales of electrical parts and replacements recorded a slightly increase of approximately HK\$0.04 million, or approximately 1.8%, from approximately HK\$2.20 million for FY2015 to approximately HK\$2.24 million for FY2016.

***FY2017 compared to FY2016***

Our Group’s revenue increased by approximately 10.7%, from approximately HK\$179.3 million for FY2016 to approximately HK\$198.5 million for FY2017. It was due to (i) the increase in sales of local motor control panel of approximately HK\$31.4 million; (ii) the increase in sales of motor control centre of approximately HK\$3.0 million; and (iii) the increase in electrical parts and replacements of approximately HK\$0.4 million; and was partially offset by (i) the decrease in sales of the low-voltage switchboard of approximately HK\$13.1 million; and (ii) the decrease in sales of electrical distribution board and control box of approximately HK\$2.4 million.

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(1) *Low-voltage switchboard*

Our Group's revenue generated from sales of low-voltage switchboard recorded a decrease of approximately HK\$13.1 million, or approximately 15.6%, from approximately HK\$84.5 million for FY2016 to approximately HK\$71.3 million for FY2017. Such decrease was mainly due to the decrease of revenue of (i) approximately HK\$15.4 million attributable to Customer B, which was mainly due to one commercial project in Hong Kong of which larger amounts of low-voltage switchboard orders were delivered in FY2016; (ii) approximately HK\$6.2 million attributable to Customer D, which was mainly due to one residential project in Macau and one project in the PRC of which larger amounts of low-voltage switchboard orders were delivered in FY2016; (iii) approximately HK\$3.7 million attributable to Customer G, which was mainly due to product delivery of one commercial project in the PRC in FY2016; and (iv) approximately HK\$2.6 million attributable to Ready System Engineering, Ready System (Macau) and SZ Jianda, which was mainly due to delivery of low-voltage switchboard orders for two commercial projects in FY2016; and partially offset by the increase of revenue of (i) approximately HK\$6.4 million contributed by one commercial project in the PRC awarded by a customer who has operation in PRC; (ii) approximately HK\$4.4 million mainly contributed by one commercial project in Hong Kong awarded by Customer H; and (iii) approximately HK\$4.2 million mainly contributed by one residential project in Hong Kong awarded by Customer F.

(2) *Local motor control panel*

Our Group's revenue generated from sales of local motor control panel recorded an increase of approximately HK\$31.4 million, or approximately 71.5%, from approximately HK\$43.9 million for FY2016 to approximately HK\$75.3 million for FY2017. Such increase was mainly due to the increase of revenue of (i) approximately HK\$9.2 million contributed by three residential projects in Hong Kong and Macau awarded by a customer who has operation in Hong Kong and Macau ("**Customer J**"); (ii) approximately HK\$4.8 million mainly contributed by two residential projects in Hong Kong and Macau awarded by Customer E; (iii) approximately HK\$4.3 million mainly contributed by one commercial project in Macau awarded by Customer I; (iv) approximately HK\$4.3 million mainly contributed by one commercial project in Macau awarded by Customer D; (v) approximately HK\$3.2 million mainly contributed by one commercial project in Macau awarded by a customer who has operation in Macau ("**Customer K**"); and (vi) approximately HK\$13.9 million in aggregate mainly attributable to projects awarded by seven customers in FY2017; and partially offset by the decrease of revenue of approximately HK\$11.6 million mainly attributable to two commercial projects in Hong Kong and one commercial project in Macau awarded by Customer A.

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(3) *Motor control centre*

Our Group's revenue generated from sales of motor control centre recorded an increase of approximately HK\$3.0 million, or approximately 9.4%, from approximately HK\$31.8 million for FY2016 to approximately HK\$34.8 million for FY2017. Such increase was mainly due to the increase of revenue of (i) approximately HK\$6.0 million mainly contributed by one commercial project in Hong Kong awarded by Customer C; and (ii) approximately HK\$4.3 million mainly contributed by one commercial project in Macau awarded by Customer D; and partially offset by decrease of revenue of approximately HK\$6.1 million mainly contributed by product delivery of two commercial projects in Hong Kong awarded by Customer A, in FY2016.

(4) *Electrical distribution board and control box*

Our Group's revenue generated from sales of electrical distribution board and control box recorded a decrease of approximately HK\$2.4 million, or approximately 14.3%, from approximately HK\$16.8 million for FY2016 to approximately HK\$14.4 million for FY2017. Such decrease was mainly due to the decrease of revenue of approximately HK\$6.9 million attributable to Customer E, which was mainly due to product delivery of one commercial project in the PRC in FY2016; and partially offset by the increase of revenue of (i) approximately HK\$4.2 million mainly contributed by one residential project in Hong Kong awarded by Customer F; and (ii) approximately HK\$4.2 million mainly contributed by one commercial project in Hong Kong awarded by Customer B.

(5) *Electrical parts and replacements*

Our Group's revenue generated from sales of electrical parts and replacements recorded an increase of approximately HK\$0.4 million, or approximately 16.7%, from approximately HK\$2.2 million for FY2016 to approximately HK\$2.6 million for FY2017.

***By geographical markets***

During the Track Record Period, we are engaged in the provision of sales of low-voltage switchboard, local motor control panel, motor control centre, electrical distribution board and control box and electrical parts and replacements in Hong Kong, the PRC and Macau. The following table sets forth our revenue by geographical market for the years indicated:

	FY2015	FY2016	FY2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue			
– Hong Kong	110,274	129,583	143,999
– the PRC	41,404	25,633	12,261
– Macau	35,065	24,076	42,247
	<u>186,743</u>	<u>179,292</u>	<u>198,507</u>

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(1) *Hong Kong*

During the Track Record Period, revenue from Hong Kong was the primary source of our revenue, which mainly represented our sales of products to Hong Kong customers. The revenue from Hong Kong contributed to approximately 59.0%, 72.3% and 72.5% of the total revenue for FY2015, FY2016 and FY2017, respectively.

(2) *The PRC*

During the Track Record Period, revenue from the PRC contributed to approximately 22.2%, 14.3% and 6.2% of the total revenue for FY2015, FY2016 and FY2017, respectively.

(3) *Macau*

During the Track Record Period, revenue from Macau contributed to approximately 18.8%, 13.4% and 21.3% of the total revenue for FY2015, FY2016 and FY2017, respectively.

***Period to period comparison of results of operations***

***FY2016 compared to FY2015***

Our Group's revenue decreased by approximately HK\$7.5 million, or by approximately 4.0%, from approximately HK\$186.7 million for FY2015 to approximately HK\$179.3 million for FY2016. It was due to the decrease of sales generated in the PRC and Macau of approximately HK\$26.8 million, and was offset by the increase in sales in Hong Kong of approximately HK\$19.3 million.

GZ Quanda is responsible for manufacturing products for selling products to our customers in the PRC. To prepare for the relocation of our GZ Quanda Factory from Zhong Xin Cun Industrial Zone, Panyu District to Da Long Street, Panyu District since early 2016 and in anticipation of the disruption to our GZ Quanda Factory, our Group was less aggressive in bidding orders for GZ Quanda in 2016. Therefore our revenue in the PRC dropped by 38.1% from approximately HK\$41.4 million in FY2015 to HK\$25.6 million in FY2016.

The decrease in revenue for Macau from approximately HK\$35.1 million to approximately HK\$24.1 million was mainly attributed by a decrease in sales awarded by Ready System (Macau) of approximately HK\$11.4 million, which was mainly due to substantial completion of four commercial and one residential projects in Macau.

The sales in Hong Kong increased by approximately 17.5%, which was mainly derived from (i) two commercial projects awarded by Customer C during FY2016 with an aggregate revenue of approximately HK\$8.4 million; and (ii) one project from Customer C with revenue of approximately HK\$12.2 million recorded in FY2016.



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### *FY2017 compared to FY2016*

Our Group's revenue increased by approximately HK\$19.2 million, or by approximately 10.7%, from approximately HK\$179.3 million for FY2016 to approximately HK\$198.5 million for FY2017. It was due to the increase in sales in Hong Kong and Macau of approximately HK\$32.6 million, and was offset by the decrease in sales in the PRC of approximately HK\$13.4 million.

The revenue in Hong Kong increased by approximately HK\$14.4 million, or approximately 11.1%, from approximately HK\$129.6 million in FY2016 to approximately HK\$144.0 million in FY2017. It was mainly due to (i) approximately HK\$12.0 million attributable to Customer C; (ii) approximately HK\$7.1 million attributable to Customer J; (iii) approximately HK\$8.4 million attributable to Customer F; and (iv) approximately HK\$7.0 million attributable to Customer H; and partially offset by the decrease of revenue of approximately HK\$21.3 million attributable to Customer A.

The revenue in the PRC decreased by approximately HK\$13.4 million, or approximately 52.2%, from approximately HK\$25.6 million in FY2016 to approximately HK\$12.3 million in FY2017 mainly due to relocation of the GZ Quanda Factory which our Group commenced production in May 2017 and only operated seven months in FY2017.

The revenue in Macau increased by approximately HK\$18.2 million, or approximately 75.5%, from approximately HK\$24.1 million in FY2016 to approximately HK\$42.2 million in FY2017. It was mainly due to (i) approximately HK\$6.1 million attributable to Customer D; (ii) approximately HK\$4.6 million attributable to Customer J; (iii) approximately HK\$4.1 million attributable to Customer A; (iv) approximately HK\$3.2 million attributable to Customer K; (v) approximately HK\$2.9 million attributable to Customer I; and (vi) approximately HK\$1.5 million attributable to Customer E; and partially offset by the decrease of revenue of approximately HK\$5.6 million attributable to Ready System Engineering, Ready System (Macau) and SZ Jianda.

### **Cost of sales**

Our Group's cost of sales amounted to approximately HK\$136.5 million, HK\$124.1 million and HK\$141.6 million, respectively for FY2015, FY2016 and FY2017.

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Cost of sales of our Group for the Track Record Period was consisted of (i) raw materials; (ii) staff costs; (iii) depreciation; (iv) rental expenses; (v) subcontracting fee; and (vi) manufacturing costs. The following table sets forth below are the details of our Group's cost of sales during the Track Record Period:

	<b>FY2015</b>	<b>FY2016</b>	<b>FY2017</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Raw materials	112,342	102,669	116,457
Staff costs	16,690	14,478	14,559
Depreciation	626	705	744
Rental expenses	583	567	154
Subcontracting fee	1,561	1,420	4,308
Manufacturing costs	4,695	4,273	5,377
	<u>136,497</u>	<u>124,112</u>	<u>141,599</u>
	<u>136,497</u>	<u>124,112</u>	<u>141,599</u>

Our raw materials generally include copper, steel and electrical components such as air circuit breaker ("ACB") transformer, frequency inverter, mould case circuit breaker ("MCCB"), meter and others. Our staff costs mainly represents the salaries of the workers whom are involved in the production process. Our subcontracting fee mainly represents costs for engaging subcontractors to carry out part of our production process and installation work. Our manufacturing costs mainly include overheads such as costs of consumable supplies and utilities.

### *Period to period comparison of results of operations*

#### *FY2016 compared to FY2015*

Our cost of sales decreased by approximately 9.1% from approximately HK\$136.5 million for FY2015 to approximately HK\$124.1 million for FY2016. Such decrease was primarily represented by the decrease in cost of raw materials, which was in line with the slight decrease in revenue and mainly due to the decrease in average price of major components such as ACB, frequency inverter, MCCB and copper.

#### *FY2017 compared to FY2016*

Our cost of sales increased by approximately 14.1%, from approximately HK\$124.1 million for FY2016 to approximately HK\$141.6 million for FY2017. Such increase was primarily due to (i) the increase in cost of raw materials, which was in line with the increase in revenue; and (ii) the increase in subcontracting fee, which was mainly due to the saturated production capacity of our DG Quanda Factory resulting in we subcontracted more manufacturing procedures and installation work to third parties in FY2017.

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### Gross profit and gross profit margin

Gross profit is equal to revenue less cost of sales. Gross profit margin is calculated as gross profit divided by revenue.

The following table sets forth our gross profit and gross profit margin for the Track Record Period:

	FY2015	FY2016	FY2017
Gross profit (HK\$'000)	50,246	55,180	56,908
Gross profit margin (%)	26.9	30.8	28.7

Our Group's gross profit amounted to approximately HK\$50.2 million, HK\$55.2 million and HK\$56.9 million, respectively for FY2015, FY2016 and FY2017. Our gross margin amounted to approximately 26.9%, 30.8% and 28.7%, respectively for FY2015, FY2016 and FY2017.

During the Track Record Period, our Group's gross profit attributable to the PRC was approximately HK\$5.7 million, HK\$5.7 million and HK\$4.4 million, and our gross profit margin amounted to approximately 13.7%, 22.1% and 35.8% for FY2015, FY2016 and FY2017, respectively.

Our Group's gross profit attributable to Hong Kong and Macau was approximately HK\$44.6 million, HK\$49.5 million and HK\$52.5 million, and our gross profit margin amounted to approximately 30.7%, 32.2% and 28.2% for FY2015, FY2016 and FY2017, respectively.

### *Period to period comparison of results of operations*

#### *FY2016 compared to FY2015*

Despite a decrease in revenue, our gross profit increased by approximately 9.8%, from approximately HK\$50.2 million for FY2015 to approximately HK\$55.2 million for FY2016, while our gross profit margin increased from approximately 26.9% to 30.8%. The increase of gross profit margin was mainly due to our decrease in cost of sales mainly attributable to (i) the decrease in cost of raw materials, which was caused by the further decrease of average prices of our major raw materials, outpacing the decrease in revenue; and (ii) further increase in revenue contribution from Hong Kong and Macau, which have higher gross profit margin than that of the PRC.

#### *FY2017 compared to FY2016*

Our gross profit increased by approximately 3.1%, from approximately HK\$55.2 million for FY2016 to approximately HK\$56.9 million for FY2017, while our gross profit margin decreased from approximately 30.8% to 28.7%. The decrease of gross profit margin was mainly due to our increase in subcontracting fee of approximately HK\$2.9 million as a result of the saturated production capacity of DG Quanda Factory resulting in we subcontracted more manufacturing procedures and installation work to third parties in FY2017.

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The increase in gross profit margin attributable to the PRC in FY2016 is mainly due to a drop in the production capacity of GZ Quanda Factory of which the number of production staff decreased from 31 as at 31 December 2015 to 18 as at 31 December 2016 mainly as a result of transfer of manpower to DG Quanda Factory and voluntary turnover. This prompted our Directors to be more conservative in preparing quotations and therefore giving rise to higher selling prices being quoted for projects in order to avoid excessive workload.

The significant increase in gross profit margin attributable to the PRC in FY2017 is mainly due to a new project awarded by a customer who has operation in the PRC of approximately HK\$6.4 million of which the gross profit margin of such project is over 40%. Such project achieved a high gross profit margin was mainly due to the short period of product delivery within two months requested by the customer. This was also the main reason of the Group's gross profit margin attributable to the PRC to be higher than the industry average in FY2017.

### Other income, gains and losses

Our other income, gains and losses mainly consists of (i) gain/(loss) on foreign exchange; (ii) interest income; (iii) changes in fair value of short-term investments; and (iv) other income, such as storage fee and sales of spare materials. The following table sets forth are the details of our Group's other income, gains and losses during the Track Record Period:

	<b>FY2015</b>	<b>FY2016</b>	<b>FY2017</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Net exchange gain (loss)	531	392	(227)
Interest income	275	82	72
(Decrease) increase in fair value of short-term investments	(14)	14	150
Others ( <i>Note</i> )	817	211	562
	<u>1,609</u>	<u>699</u>	<u>557</u>

*Note:* Our others mainly represents (i) the storage fee charged to our customers for storage of delivered finished goods at our warehouse; and (ii) sales of scrap materials.

Our other income, gains and losses amounted to approximately HK\$1.6 million, HK\$0.7 million and HK\$0.6 million for FY2015, FY2016 and FY2017, respectively.

### *Period to period comparison of results of operations*

#### *FY2016 compared to FY2015*

Our other income, gains and losses decreased by approximately 56.6%, from approximately HK\$1.6 million for FY2015 to approximately HK\$0.7 million for FY2016. The decrease mainly derived from the decrease of others of approximately HK\$0.6 million, which was mainly due to the relatively high level of storage fee, which was a one-off event, recorded for FY2015 as compared to that for FY2016.

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### *FY2017 compared to FY2016*

Our other income, gains and losses decreased by approximately 20.3%, from approximately HK\$0.7 million for FY2016 to approximately HK\$0.6 million for FY2017, mainly due to net exchange loss caused by currency depreciation of US\$ against RMB.

### **Selling and distribution expenses**

Our selling and distribution expenses mainly consisted of (i) transportation expenses; (ii) customs charges; (iii) travelling expenses; (iv) staff costs; and (v) others. The following table sets out the main components of selling and distribution expenses during the Track Record Period:

	FY2015	FY2016	FY2017
	HK\$'000	HK\$'000	HK\$'000
Transportation expenses	4,646	4,899	6,350
Customs charges	219	188	243
Travelling expenses	1,096	650	277
Staff costs	394	447	691
Others	—	4	—
	<u>6,355</u>	<u>6,188</u>	<u>7,561</u>

Our selling and distribution expenses amounted to approximately HK\$6.4 million, HK\$6.2 million and HK\$7.6 million, respectively for FY2015, FY2016 and FY2017.

### *Period to period comparison of results of operations*

#### *FY2016 compared to FY2015*

Our selling and distribution expenses decreased by approximately 2.6% from approximately HK\$6.4 million for FY2015 to approximately HK\$6.2 million for FY2016. Such decrease was primarily represented by the decrease in travelling expenses of approximately HK\$0.4 million.

#### *FY2017 compared to FY2016*

Our selling and distribution expenses increased by approximately 22.2%, from approximately HK\$6.2 million for FY2016 to approximately HK\$7.6 million for FY2017. Such increase was in line with the increase in revenue in FY2017 which was mainly due to increase in transportation fee of approximately HK\$1.5 million.

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### General and administrative and other expenses

Our general and administrative and other expenses mainly consisted of (i) depreciation and amortisation; (ii) entertainment; (iii) insurance expenses; (iv) auditors' remuneration; (v) legal and professional fee; (vi) operating lease charges and building management fee; (vii) staff costs mainly represented by staff salary and staff benefit; (viii) travelling expenses; (ix) listing expenses; and (x) other expenses.

The following table sets out the breakdown of our general and administrative and other expenses during the Track Record Period:

	<b>FY2015</b>	<b>FY2016</b>	<b>FY2017</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Depreciation and amortisation	2,103	2,133	1,617
Entertainment	565	860	782
Insurance expenses	127	415	516
Auditors' remuneration	241	255	232
Legal and professional fee	97	184	537
Operating lease charges and building management fee	903	760	751
Staff costs	8,170	8,149	11,616
Travelling expenses	613	661	713
Listing expenses	–	1,497	11,786
Others	2,001	1,643	3,098
	<u>14,820</u>	<u>16,557</u>	<u>31,648</u>

Our general and administrative and other expenses amounted to approximately HK\$14.8 million, HK\$16.6 million and HK\$31.6 million, respectively for FY2015, FY2016 and FY2017.

### Period to period comparison of results of operations

#### *FY2016 compared to FY2015*

Our general and administrative and other expenses increased by approximately 11.7% from approximately HK\$14.8 million for FY2015 to approximately HK\$16.6 million for FY2016. Such increase was mainly due to the non-recurring listing expense charged to profit or loss of our Group during FY2016 of approximately HK\$1.5 million.

#### *FY2017 compared to FY2016*

Our general and administrative and other expenses increased by approximately 91.1%, from approximately HK\$16.6 million for FY2016 to approximately HK\$31.6 million for FY2017. Such increase was mainly due to (i) the increase in non-recurring listing expenses of approximately HK\$10.3 million from approximately HK\$1.5 million in FY2016 to approximately HK\$11.8 million in FY2017; and (ii) the increase in staff costs of approximately HK\$3.5 million in FY2017.

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### Finance costs

Our finance costs arose from the interests on our bank loans. The following table sets forth are the details of our Group's finance costs during the Track Record Period:

	FY2015 HK\$'000	FY2016 HK\$'000	FY2017 HK\$'000
Interest on bank loans	<u>499</u>	<u>353</u>	<u>274</u>

Our finance costs amounted to approximately HK\$0.5 million, HK\$0.4 million and HK\$0.3 million, respectively for FY2015, FY2016 and FY2017.

### *Period to period comparison of results of operations*

Our finance costs decreased by approximately 29.3% from approximately HK\$0.5 million for FY2015 to approximately HK\$0.4 million for FY2016, and further decreased to approximately HK\$0.3 million for FY2017, represent a decrease of approximately 22.4%. The decrease of our finance costs during the Track Record Period was mainly due to the decrease in our bank loans balances.

### Taxation

The following table sets forth the breakdown of taxation of our Group for the Track Record Period:

	FY2015 HK\$'000	FY2016 HK\$'000	FY2017 HK\$'000
Hong Kong profits tax			
– current year	5,342	5,860	3,971
– overprovision in prior years	(25)	–	–
PRC Enterprise Income Tax (“EIT”)			
– current year	458	359	1,527
Deferred tax	<u>(10)</u>	<u>(25)</u>	<u>36</u>
	<u>5,765</u>	<u>6,194</u>	<u>5,534</u>

Hong Kong profits tax has been provided at the rate of 16.5% for the Track Record Period on the estimated assessable profit for the Track Record Period. Under the EIT Law and Implementation Regulation of the EIT Law, the tax rate of the subsidiaries in the PRC is 25% from 1 January 2008 onwards.

The effective tax rate for each of FY2015, FY2016 and FY2017 are approximately 19.1%, 18.9% and 30.8%, respectively.

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No deferred tax asset has been recognised in respect of the entire amount of tax losses due to uncertain timing to utilise the tax loss against future profit streams. There were no unused tax losses of our Group as at 31 December 2015, 2016 and 2017.

### *Period to period comparison of results of operations*

#### *FY2016 compared to FY2015*

##### *(1) Income tax expense*

Our Group's income tax expenses increased by approximately 7.4%, from approximately HK\$5.8 million for FY2015 to approximately HK\$6.2 million for FY2016. Such increase was mainly due to non-deductible expenses arising from our listing expenses.

##### *(2) Effective tax rate*

Our Group's effective tax rate slightly decreased by 0.2 percentage point from approximately 19.1% for FY2015 to approximately 18.9% for FY2016.

#### *FY2017 compared to FY2016*

##### *(1) Income tax expense*

Our Group's income tax expenses decreased by approximately 10.7%, from approximately HK\$6.2 million for FY2016 to approximately HK\$5.5 million for FY2017. Such decrease was mainly due to the overall decrease in taxable profit in FY2017.

##### *(2) Effective tax rate*

Our Group's effective tax rate increased by 11.9 percentage point from approximately 18.9% for FY2016 to approximately 30.8% for FY2017, which was mainly due to (i) the increase in proportion of taxable profit contributed by DG Quanda, where taxable profit is charged at higher rate in the PRC than Hong Kong; and (ii) the increase in non-deductible listing expenses by HK\$10.3 million in FY2017 as compared to FY2016.

### *Net profit and net profit margin*

The following table sets forth our net profit and net profit margin for the Track Record Period:

	FY2015	FY2016	FY2017
Net profit (HK\$'000)	24,416	26,587	12,448
Net profit margin (%)	13.1	14.8	6.3

Our Group's net profit amounted to approximately HK\$24.4 million, HK\$26.6 million and HK\$12.4 million, respectively for FY2015, FY2016 and FY2017. Our net profit margin amounted to approximately 13.1%, 14.8% and 6.3%, respectively for FY2015, FY2016 and FY2017.



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### *Period to period comparison of results of operations*

#### *FY2016 compared to FY2015*

Our net profit increased by approximately 8.9%, from approximately HK\$24.4 million for FY2015 to approximately HK\$26.6 million for FY2016. Such increase in our net profit was a combined effect of the illustrated above.

#### *FY2017 compared to FY2016*

Our net profit decreased by approximately 53.2%, from approximately HK\$26.6 million for FY2016 to approximately HK\$12.4 million for FY2017, Such decrease in our net profit was mainly due to (i) the lower gross profit margin for FY2017; and (ii) the increase in non-recurring listing expenses of approximately HK\$10.3 million incurred in FY2017 as compared to FY2016.

## LIQUIDITY AND CAPITAL RESOURCES

### Cash flows

The following tables sets forth a summary of our cash flows during Track Record Period:

	<b>FY2015</b> <i>HK\$'000</i>	<b>FY2016</b> <i>HK\$'000</i>	<b>FY2017</b> <i>HK\$'000</i>
Net cash from (used in) operating activities	<u>2,407</u>	<u>(46)</u>	<u>34,203</u>
Net cash from (used in) investing activities	<u>415</u>	<u>9,641</u>	<u>(281)</u>
Net cash used in financing activities	<u>(6,739)</u>	<u>(11,215)</u>	<u>(7,104)</u>
Net (decrease) increase in cash and cash equivalents	(3,917)	(1,620)	26,818
Cash and cash equivalents at the beginning of the year	22,299	17,509	15,506
Effect of foreign exchange rate changes	<u>(873)</u>	<u>(383)</u>	<u>638</u>
Cash and cash equivalents at the end of the year, represented by bank balances and cash	<u><u>17,509</u></u>	<u><u>15,506</u></u>	<u><u>42,962</u></u>

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### **Operating cash flows before movements in working capital**

During the Track Record Period, our operating cash flows before movements in working capital represented profit before taxation, adjustment for (i) depreciation of property, plant and equipment, (ii) loss on disposal of property, plant and equipment; (iii) release of prepaid lease payments; (iv) increase/decrease in fair value of short-term investments; (v) interest income; (vi) finance costs; and (vii) provision/reversal of provision of long service payments.

For FY2017, we had operating cash flows before movements in working capital of approximately HK\$20.1 million. Such amount was mainly derived from our profit before taxation of approximately HK\$18.0 million, positively adjusted for (i) depreciation of property, plant and equipment of approximately HK\$1.8 million; (ii) loss on disposal of property, plant and equipment of approximately HK\$0.02 million; (iii) release of prepaid lease payments of approximately HK\$0.08 million; (iv) provision of long service payments of HK\$0.2 million; and (v) finance costs of approximately HK\$0.3 million; and negatively adjusted for (i) increase in fair value of short-term investments of approximately HK\$0.2 million; and (ii) interest income of approximately HK\$0.07 million.

For FY2016, we had operating cash flows before movements in working capital of approximately HK\$35.0 million. Such amount was mainly derived from our profit before taxation of approximately HK\$32.8 million, positively adjusted for (i) depreciation of approximately HK\$2.0 million; (ii) loss on disposal of property, plant and equipment of approximately HK\$0.02 million; (iii) release of prepaid lease payments of approximately HK\$0.08 million; and (iv) the finance costs of approximately HK\$0.4 million; and negatively adjusted for (i) increase in fair value of short-term investments of approximately HK\$0.01 million; (ii) interest income of approximately HK\$0.08 million; and (iii) reversal of provision of long services payments of approximately HK\$0.05 million.

For FY2015, we had operating cash flows before movements in working capital of approximately HK\$32.6 million. Such amount was mainly derived from our profit before taxation of approximately HK\$30.2 million, positively adjusted for (i) depreciation of approximately HK\$2.0 million; (ii) release of prepaid lease payments of approximately HK\$0.09 million; (iii) the finance costs of approximately HK\$0.5 million; (iv) decrease in fair value of short-term investments of approximately HK\$0.01 million; and (v) provision of long services payments of approximately HK\$0.06 million; and negatively adjusted for interest income of approximately HK\$0.3 million.

### **Net cash from or used in operating activities**

The net cash from operating activities was approximately HK\$34.2 million for FY2017. Such amount was mainly derived from operating cash flows before movements in working capital of approximately HK\$20.1 million, positively adjusted for the decrease in trade and retention and other receivables of approximately HK\$37.3 million; and negatively adjusted for (i) the increase in inventories of approximately HK\$4.6 million; (ii) the decrease in trade and other payables of approximately HK\$11.0 million; and (iii) Hong Kong profits tax paid of approximately HK\$7.3 million.

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The net cash used in operating activities was approximately HK\$0.05 million for FY2016. Such amount was mainly derived from operating cash flows before movements in working capital of approximately HK\$35.0 million, negatively adjusted for (i) the increase in trade and retention and other receivables of approximately HK\$23.3 million; (ii) the increase in inventories of approximately HK\$1.5 million; (iii) the decrease in trade and other payables of approximately HK\$3.2 million; and (iv) Hong Kong profits tax paid of approximately HK\$6.7 million.

The net cash from operating activities was approximately HK\$2.4 million for FY2015. Such amount was mainly derived from operating cash flows before movements in working capital of approximately HK\$32.6 million, negatively adjusted for (i) the increase in trade and retention and other receivables of approximately HK\$17.9 million; (ii) decrease in trade and other payables of approximately HK\$29.2 million; and (iii) the Hong Kong profits tax paid of approximately HK\$3.5 million; and positively adjusted for the decrease in inventories of approximately HK\$21.1 million.

### **Net cash from or used in investing activities**

Net cash used in investing activities were approximately HK\$0.3 million for FY2017, which was mainly due to (i) advance to Directors of approximately HK\$1.0 million; (ii) advance to related parties of HK\$0.3 million; and (iii) purchase of machinery and equipment of approximately HK\$1.5 million; and partially offset by (i) the repayment from Directors of approximately HK\$1.6 million; and (ii) the repayment from related parties of approximately HK\$0.9 million.

Net cash flow from investing activities were approximately HK\$9.6 million for FY2016, which was mainly due to (i) the repayment from directors of approximately HK\$3.1 million; and (ii) the repayment from related parties of approximately HK\$7.9 million; and partially offset by (i) advance to Directors of approximately HK\$0.5 million; and (ii) purchase of machinery and equipment of approximately HK\$1.0 million.

Net cash flow from investing activities were approximately HK\$0.4 million for FY2015, which was mainly due to (i) the repayment from Directors of approximately HK\$1.4 million; and (ii) the interest received of approximately HK\$0.3 million; and partially offset by (i) advance to Directors of approximately HK\$0.4 million; and (ii) purchase of machinery and equipment of approximately HK\$0.8 million.

### **Net cash used in financing activities**

Net cash flow used in financing activities were approximately HK\$7.1 million for FY2017, which was mainly due to (i) the repayment to related parties of approximately HK\$3.9 million; (ii) the repayments of bank loans of approximately HK\$4.1 million; and (iii) issue costs paid of approximately HK\$3.0 million; and partially offset by the advance from related parties of approximately HK\$4.2 million.

Net cash flow used in financing activities were approximately HK\$11.2 million for FY2016, which was mainly due to (i) the repayment to related parties of approximately HK\$4.9 million; (ii) the repayments of bank loans of approximately HK\$4.1 million; and (iii) the payment of dividend of approximately HK\$2.4 million.

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Net cash flow used in financing activities were approximately HK\$6.7 million for FY2015, which was mainly due to (i) the repayments of bank loans of approximately HK\$4.1 million; (ii) the payment of dividend of approximately HK\$2.4 million; and (iii) the repayment to related parties of approximately HK\$1.4 million; and partially offset by approximately HK\$1.6 million of advance from related parties.

### ANALYSIS OF VARIOUS ITEMS FROM THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

#### Property, plant and equipment

During the Track Record Period, our Group's property, plant and equipment mainly consist of (i) leasehold land and buildings; (ii) leasehold improvements; (iii) plant and machinery; (iv) furniture, fixtures and equipment; and (v) motor vehicles. The following table sets out the carrying amounts of each type of property, plant and equipment of our Group as at each reporting date:

	<b>As at 31 December</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Leasehold land and buildings	20,016	18,044	18,095
Leasehold improvements	2	3	717
Plant and machinery	1,938	1,795	1,682
Furniture, fixtures and equipment	690	487	872
Motor vehicles	167	250	204
	<u>22,813</u>	<u>20,579</u>	<u>21,570</u>

As at 31 December 2015, 2016 and 2017, our property, plant and equipment amounted to approximately HK\$22.8 million, HK\$20.6 million and HK\$21.6 million, respectively.

The property, plant and equipment decreased to approximately HK\$20.6 million as at 31 December 2016, representing a decrease of approximately 9.8% as compared to the amount of approximately HK\$22.8 million as at 31 December 2015. Such decrease mainly due to depreciation to our property, plant and equipment.

The property, plant and equipment increased to approximately HK\$21.6 million as at 31 December 2017, representing an increase of approximately 4.8% as compared to the amount of approximately HK\$20.6 million as at 31 December 2016. Such increase mainly attributable to the increase in leasehold improvements and furniture, fixtures and equipment in DG Quanda Factory.

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### Prepaid lease payments

Our Group's prepaid lease payments derived from our leasehold land outside Hong Kong. The following table sets forth our prepaid lease payments as of the dates indicated:

	As at 31 December		
	2015	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Leasehold land outside Hong Kong	<u>3,290</u>	<u>3,002</u>	<u>3,143</u>

As at 31 December 2015, 2016 and 2017, our prepaid lease payments amounted to approximately HK\$3.3 million, HK\$3.0 million and HK\$3.1 million, respectively.

### Inventories

Our inventories consist primarily of raw materials, work in progress and finished goods. The following table sets forth our inventories as of the dates indicated:

	As at 31 December		
	2015	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Raw materials	6,010	8,882	10,018
Work in progress	2,500	3,138	7,644
Finished goods	<u>7,519</u>	<u>6,114</u>	<u>6,378</u>
	<u>16,029</u>	<u>18,134</u>	<u>24,040</u>

As at 31 December 2015, 2016 and 2017, our inventories amounted to approximately HK\$16.0 million, HK\$18.1 million and HK\$24.0 million, respectively.

Our inventories slightly increased by approximately HK\$2.1 million to approximately HK\$18.1 million as at 31 December 2016, which was mainly represented by the increase in quantity of raw materials purchased such as copper and meters of approximately HK\$2.9 million in December 2016 for production in FY2017.

Our inventories increased by approximately HK\$5.9 million from approximately HK\$18.1 million as at 31 December 2016 to approximately HK\$24.0 million as at 31 December 2017, which was mainly represented by the increase in raw materials and work in progress to prepare for product delivery in early 2018.

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The table below sets out the average inventory turnover days for the years indicated:

	<b>FY2015</b>	<b>FY2016</b>	<b>FY2017</b>
	<i>Days</i>	<i>Days</i>	<i>Days</i>
Average inventory turnover days	<u>69.0</u>	<u>50.2</u>	<u>54.4</u>

Average inventory turnover days is calculated as the average of the beginning and ending inventory balances for the year, divided by the cost of sales for that year, multiplied by the number of the days for the years.

Our average inventory turnover days were approximately 69.0 days, 50.2 days and 54.4 days for FY2015, FY2016 and FY2017, respectively.

Our average inventory turnover days decreased from 69.0 days for FY2015 to 50.2 days for FY2016. Such decrease was mainly due to a larger amount of inventories was recorded as at 31 December 2014 of approximately HK\$35.6 million which drove up the average inventories balance for FY2015 and resulted a high inventory turnovers days in FY2015.

The above-mentioned higher inventories ending balance as at 31 December 2017 drove up the average inventories balance for FY2017, resulting in the increase of average inventory turnover days to 54.4 days for FY2017.

As at the Latest Practicable Date, approximately HK\$21.5 million, or 89.3%, of our Group's total inventories balance as at 31 December 2017 were subsequently used for production and/or sold and delivered to customers.

### Trade and retention and other receivables

As at each reporting date, the trade and retention and other receivables comprise:

	<b>As at 31 December</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	47,886	71,575	32,086
Bill receivables	<u>2,814</u>	<u>1,598</u>	<u>294</u>
	50,700	73,173	32,380
Retention receivables	6,813	7,276	11,420
Other receivables, prepayment and deposits	<u>5,325</u>	<u>5,094</u>	<u>7,394</u>
	<u>62,838</u>	<u>85,543</u>	<u>51,194</u>

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### *Trade and bill receivables*

As at 31 December 2015, 2016 and 2017, our trade receivables amounted to approximately HK\$47.9 million, HK\$71.6 million and HK\$32.1 million, respectively. As at 31 December 2015, 2016 and 2017, our bill receivables amounted to approximately HK\$2.8 million, HK\$1.6 million and HK\$0.3 million, respectively.

The trade and bill receivables increased from approximately HK\$50.7 million as at 31 December 2015 to approximately HK\$73.2 million as at 31 December 2016, representing an increase of approximately 44.3%. Such increase was mainly due to the increase in sales of approximately HK\$23.2 million recorded during the last quarter of FY2016 as compared to that of FY2015 despite the total revenue decreased.

The trade and bill receivables decreased from approximately HK\$73.2 million as at 31 December 2016 to approximately HK\$32.4 million as at 31 December 2017, representing a decrease of approximately 55.7%. Such decrease was mainly due to a tighten credit control on the outstanding receivables balance enforced by our Group in FY2017.

The table below sets out the debtors' turnover days for the years indicated:

	<b>FY2015</b>	<b>FY2016</b>	<b>FY2017</b>
	<i>Days</i>	<i>Days</i>	<i>Days</i>
Debtors' turnover days	<u>87.1</u>	<u>126.1</u>	<u>97.0</u>

The debtors' turnover days is calculated as the average of beginning and ending trade and bill receivables balances for the year divided by revenue for the year, multiplied by the number of the days in the year for the years.

On average, we generally grant our customers a credit terms of 30 days to 60 days. We take into consideration a number of factors in determining the credit term of a customer including its previous payment history. We recorded debtors' turnover days of approximately 87.1 days, 126.1 days and 97.0 days for FY2015, FY2016 and FY2017, respectively.

The debtors' turnover days increased from approximately 87.1 days for FY2015 to approximately 126.1 days for FY2016 mainly attributable to the high ending balance of trade and bill receivables as at 31 December 2016 due to the significant sales recorded during the fourth quarter of FY2016 as a result of large delivery of products to our customers in the fourth quarter of FY2016.

The decrease in debtors' turnover days to approximately 97.0 days for FY2017 was mainly due to the decrease of trade and bill receivables from previously mentioned high ending balance as at 31 December 2016 to a relatively lower ending balance as at 31 December 2017 as a result of the adoption of a tighten credit control policy by our Group in FY2017.

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The table below sets out the analysis of trade and bill receivables by age, presented based on the invoice date, which approximates the respective revenue recognition dates.

	<b>As at 31 December</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
0 - 30 days	26,469	36,767	17,371
31 - 60 days	10,927	21,131	8,934
61 - 180 days	8,183	9,640	5,645
181 - 365 days	2,033	1,973	90
Over one year	3,088	3,662	340
	<u>50,700</u>	<u>73,173</u>	<u>32,380</u>

The table below sets out the ageing analysis of these trade and bill receivables based on past due date as at the dates indicated:

	<b>As at 31 December</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b><i>Overdue</i></b>			
1 - 30 days	4,584	9,369	6,909
31 - 60 days	1,397	2,144	2,565
61 - 180 days	5,964	1,403	54
181 - 365 days	1,379	1,168	76
Over one year	2,970	3,513	330
	<u>16,294</u>	<u>17,597</u>	<u>9,934</u>

As at the Latest Practicable Date, approximately HK\$24.2 million, or 74.6%, of our Group's trade and bill receivables as at 31 December 2017 have been subsequently settled.



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### *Retention receivables*

Retention receivables are unsecured, interest-free and recoverable at the end of the defect liability period of individual contracts, ranging from six months to two years from the date of delivery of the finished goods to customers. The following is an aged analysis of retention receivables which are to be settled, based on the expiry of the defect liability period, at the end of each reporting period:

	<b>As at 31 December</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
On demand or within one year	6,813	7,276	11,420
After one year	6,864	8,245	8,868
	<u>13,677</u>	<u>15,521</u>	<u>20,288</u>

Retention receivables represent the retention monies required by our customers to secure our Groups' due performance of the contracts. In general, the amount of retention money represents 5% to 10% of the total contract sum. The terms and conditions in relation to the release of retention money vary from contract to contract and subject to actual circumstances. During the Track Record Period, we only recorded retention receivables for sales in Hong Kong and Macau.

Our retention receivables increase from approximately HK\$13.7 million as at 31 December 2015 to approximately HK\$15.5 million as at 31 December 2016. Such increase was mainly because of approximately HK\$3.4 million increase in retention receivables derived from one project awarded by Customer B during the year.

Our retention receivables increased from approximately HK\$15.5 million as at 31 December 2016 to approximately HK\$20.3 million as at 31 December 2017. Such increase was mainly due to approximately HK\$3.6 million increase in retention receivables derived from projects awarded by Customer C, Customer F and Customer G during the year.

In determining the recoverability of trade and retention receivables, our Group considers any change in credit quality of the customers from the date credit was initially granted up to the end of each reporting period. Based on past experience, our senior management is of the opinion that no provision for impairment is necessary in respect of the trade and retention receivables as there has not been a significant change in credit quality of these customers. The trade and retention receivable balances are therefore considered fully recoverable.

### *Other receivables, deposits and prepayments*

Our other receivables, deposits and prepayments mainly represent (i) prepayments of listing expenses and deferred listing expenses; (ii) the deposits paid to our suppliers; and (iii) prepayment in relation to Association of Short-Circuit Authorities (ASTA) Certificates of Verification Tests. As at 31 December 2015, 2016 and 2017, our other receivables, deposits and prepayments amounted to approximately HK\$5.3 million, HK\$5.1 million and HK\$7.4 million, respectively.

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Our other receivables, deposits and prepayments decreased from approximately HK\$5.3 million as at 31 December 2015 to approximately HK\$5.1 million as at 31 December 2016. Our other receivables, deposits and prepayments increased to approximately HK\$7.4 million as at 31 December 2017 as compared to 31 December 2016, representing an increase of approximately 45.2%, which was mainly due to the increase in prepayment of listing expenses of approximately HK\$4.6 million.

### Short-term investments

Our short-term investments comprise of unlisted investments. The table below sets forth our short-term investments as at the dates indicated:

	<b>As at 31 December</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Unlisted investments:			
Managed fund portfolio	396	384	568

Our fund is stated at fair value with reference to the quoted market prices of the investment portfolio provided by brokers which are financial institutions. As at 31 December 2015, 2016 and 2017, our short-term investment amounted to approximately HK\$0.40 million, HK\$0.38 million and HK\$0.57 million, respectively.

Our short-term investment decreased from approximately HK\$0.40 million as at 31 December 2015 to approximately HK\$0.38 million as at 31 December 2016, representing a decrease of approximately 3.0%. The short-term investments increased from approximately HK\$0.38 million as at 31 December 2016 to approximately HK\$0.57 million as at 31 December 2017, representing an increase of approximately 47.9%. Such fluctuation of our short-term investments during the Track Record Period was due to the changes in fair value of short-term investments.

### Trade and other payables

As at each reporting date, the trade and other payables comprise:

	<b>As at 31 December</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	29,622	32,299	22,273
Bill payables	1,348	2,170	1,695
	30,970	34,469	23,968
Receipts in advance from customers	5,868	2,304	1,364
Accruals and other payables	6,047	3,232	16,321
Total	42,885	40,005	41,653

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### *Trade and bill payables*

As at 31 December 2015, 2016 and 2017, our trade and bill payables amounted to approximately HK\$31.0 million, HK\$34.5 million and HK\$24.0 million, respectively.

Our trade and bill payables increased from approximately HK\$31.0 million as at 31 December 2015 to approximately HK\$34.5 million as at 31 December 2016, representing an increase of approximately 11.3%. Such increase was mainly due to the above-mentioned more purchase of raw materials made at the end of FY2016 for production in FY2017.

The trade and bill payables decreased from approximately HK\$34.5 million as at 31 December 2016 to approximately HK\$24.0 million as at 31 December 2017, representing a decrease of approximately 30.5%. Such decrease was mainly due to a tighten internal control enforced by our Group.

The table below sets out the creditors' turnover days for the years indicated:

	<b>FY2015</b>	<b>FY2016</b>	<b>FY2017</b>
	<i>Days</i>	<i>Days</i>	<i>Days</i>
Creditors' turnover days	<u>101.4</u>	<u>96.2</u>	<u>75.3</u>

The creditors' turnover days is calculated as the average of beginning and ending trade and bill payables for the year divided by cost of sales for the year, multiplied by the number of the days in the year for the years.

In general our suppliers grant a credit terms of 30 to 75 days. During the Track Record Period, we recorded creditors' turnover days of approximately 101.4 days, 96.2 days and 75.3 days for FY2015, FY2016 and FY2017, respectively.

The creditors' turnover days decreased from approximately 101.4 days for FY2015 to approximately 96.2 days for FY2016. Such decrease was attributable to our Group's relatively high ending balance of trade and bill payables of approximately HK\$44.9 million as at 31 December 2014 which drove up the average trade and bill payables for FY2015. Such high ending balance as at 31 December 2014 was mainly due to the increase in purchase of raw materials made near the end of FY2014 as compared to FY2015.

The creditors' turnover days decreased to approximately 75.3 days for FY2017. Such decrease was mainly due to the decrease from higher ending balance of trade and bill payables as at 31 December 2016 to that as at 31 December 2017 as a result of the enforcement of tighten internal control in FY2017.

During the Track Record Period, we usually settle trade and bill payables by batch processing on a monthly basis. Therefore, those trade and bill payables overdue at the beginning of the month were still settled by the end of that month, resulting in higher creditors' turnover days than the credit terms granted by our suppliers.

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The table below sets out the analysis of trade and bill payables by age, presented based on the invoice date:

	<b>As at 31 December</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
1 - 30 days	8,865	12,935	5,491
31 - 60 days	7,562	10,075	8,004
61 - 90 days	3,542	4,346	4,617
Over 90 days	11,001	7,113	5,856
	<u>30,970</u>	<u>34,469</u>	<u>23,968</u>

As at the Latest Practicable Date, approximately HK\$22.8 million, or 95.1%, of our Group's trade and bill payables as at 31 December 2017 has been subsequently settled.

### *Receipts in advance from customers*

During the Trade Record Period, our receipts in advance mainly represents initial deposits received from new customers or certain large purchase orders. The receipts in advance from customers as at 31 December 2015, 2016 and 2017 were approximately HK\$5.9 million, HK\$2.3 million and HK\$1.4 million, respectively.

The decrease in receipts in advance from customers as at 31 December 2016 by HK\$3.6 million from HK\$5.9 million to HK\$2.3 million was mainly caused by the decrease of receipts in advance of approximately HK\$2.2 million attributable to product delivery of one project in the PRC awarded by Customer E.

The receipts in advance from customers further decreased by approximately HK\$0.9 million to approximately HK\$1.4 million as at 31 December 2017, which was mainly due to the decrease of receipts in advance of approximately HK\$0.6 million attributable to the product delivery of one project in the PRC awarded by Customer D.

### *Accruals and other payables*

The accruals and other payables mainly represent obligation to pay for goods or services that have been acquired. As at 31 December 2015, 2016 and 2017, our accruals and other payables were approximately HK\$6.0 million, HK\$3.2 million and HK\$16.3 million, respectively. During FY2016, the decrease in the accruals and other payables period by period was mainly due to the settlement of renovation expenses, accrued staff costs and benefits, respectively.

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Our accruals and other payables increased by approximately HK\$13.1 million to approximately HK\$16.3 million as at 31 December 2017, which was mainly due to (i) the reclassification of an amount due to a related company as other payable amounting to approximately HK\$12.0 million as explained in the paragraph head “Amounts due from (to) related parties and Directors” in this section; and (ii) the accrued listing expenses of approximately HK\$4.8 million.

### Amounts due from (to) related parties and Directors

The table below sets forth the amounts due from related parties as at the dates indicated:

	<b>As at 31 December</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Amounts due from (to) related parties:			
– Ready System (Macau)	3,838	816	287
– Ready I&T	5,000	–	–
– Ready Engineering	(8,687)	(8,987)	(8,987)
– Ready System Engineering	(16,553)	(11,617)	–
	<u>(16,402)</u>	<u>(19,788)</u>	<u>(8,700)</u>

As at each of reporting dates, our Group had the following balances with Directors:

	<b>As at 31 December</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Amounts due (to) from Directors:			
– Mr. CK Wun	4,252	1,894	1,288
– Mr. KW Leung	882	668	744
– Mr. MK Wan	(390)	(988)	(970)
	<u>4,744</u>	<u>1,574</u>	<u>1,062</u>
Net balances with Directors and related parties	<u>(11,658)</u>	<u>(18,214)</u>	<u>(7,638)</u>

The amounts due to related parties mainly arose from payment on behalf. The net amounts due to related parties increased from approximately HK\$16.4 million to approximately HK\$19.8 million from 31 December 2015 to 31 December 2016 mainly because of repayment from Ready I&T, and decrease to approximately HK\$8.7 million as at 31 December 2017 due to the reclassification of an amount due to a related company as other payables. Such reclassification is because Ready Engineering transferred 3,895,000 and 205,000 shares of Ready System Engineering (representing 95% and 5% of the issued share capital of Ready System Engineering), respectively, to an independent third party and Mr. MK Wan, respectively, during FY2017.

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The balances with our Directors mainly arose from cash advances and payment on behalf. The amounts due from Directors decreased from approximately HK\$4.7 million to approximately HK\$1.6 million as at 31 December 2016, which was mainly because of the repayment from Mr. CK Wun. The amounts due from Directors further decreased to HK\$1.1 million as at 31 December 2017.

All balances with Directors and related parties are unsecured, non-interest bearing and have no fixed terms of repayment. All of the above balances will be settled on or before Listing.

### NET CURRENT ASSETS

The following table sets for the breakdown of our current assets, current liabilities and net current assets as at 31 December 2015, 2016 and 2017 and 28 February 2018.

	As at 31 December			As at
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	28 February 2018 HK\$'000 (Unaudited)
<b>Current assets</b>				
Inventories	16,029	18,134	24,040	23,228
Trade and retention and other receivables	62,838	85,543	51,194	53,248
Short-term investments	396	384	568	613
Prepaid lease payments	81	76	81	84
Amounts due from related parties	8,838	894	287	287
Amounts due from Directors	5,134	2,562	2,032	2,760
Tax recoverable	–	–	944	943
Bank balances and cash	17,509	15,506	42,962	28,492
	110,825	123,099	122,108	109,655
<b>Current liabilities</b>				
Trade and other payables	42,885	40,005	41,653	21,490
Amounts due to related parties	25,240	20,682	8,987	2,487
Amount due to a Director	390	988	970	970
Tax payable	3,461	2,549	1,496	–
Bank loans	12,455	8,389	4,267	18,568
	84,431	72,613	57,373	43,515
<b>Net current assets</b>	26,394	50,486	64,735	66,140

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Our current assets consist primarily of inventories, trade and retention and other receivables, short-term investments, prepaid lease payments, amounts due from related parties, amounts due from Directors, tax recoverable and bank balances and cash. Our current liabilities consist primarily of trade and other payables, amounts due to related parties, amounts due to a Director, tax payable and bank loans. Our net current assets, the difference between total current assets and total current liabilities, remained positive during the Track Record Period.

The net current assets of our Group increased by approximately HK\$24.1 million, or by approximately 91.3% from approximately HK\$26.4 million at as 31 December 2015 to approximately HK\$50.5 million at as 31 December 2016. Such increase is mainly attributable to (i) the increase of trade and retention and other receivables of approximately HK\$22.7 million; (ii) the decrease in amount due to related parties of approximately HK\$4.6 million; (iii) the decrease in bank loans of approximately HK\$4.1 million; and (iv) the decrease in trade and other payables of approximately HK\$2.9 million; and partially offset by the decrease of amount due from related parties of approximately HK\$7.9 million.

The net current assets of our Group increased by approximately HK\$14.2 million, or by approximately 28.2% from approximately HK\$50.5 million at as 31 December 2016 to approximately HK\$64.7 million as at 31 December 2017. Such increase is mainly attributable to (i) the increase of inventories of approximately HK\$5.9 million; (ii) the increase of bank balances and cash of approximately HK\$27.5 million; (iii) the decrease in bank loans of approximately HK\$4.1 million; and (iv) the decrease in amounts due to related parties of approximately HK\$11.7 million; and partially offset by (i) the decrease of trade and retention and other receivables of approximately HK\$34.3 million; and (ii) the increase in trade and other payables of approximately HK\$1.6 million.

The net current assets of our Group maintained at similar level at approximately HK\$66.1 million as at 28 February 2018 as compared to the net current assets of our Group of approximately HK\$64.7 million as at 31 December 2017.

### INDEBTEDNESS

The following table sets out our Group's indebtedness as at the respective financial position dates below.

	<b>As at 31 December</b>			<b>As at</b>
	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>28 February</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				(Unaudited)
<b>Unsecured and unguaranteed</b>				
Amounts due to related parties	25,240	20,682	8,987	2,487
Amount due to a Director	390	988	970	970
	<u>25,630</u>	<u>21,670</u>	<u>9,957</u>	<u>3,457</u>

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	As at 31 December			As at 28 February
	2015	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				(Unaudited)
<b>Secured and guaranteed</b>				
Variable-rate bank borrowings				
<i>(Note)</i>	72	–	–	15,000
<b>Unsecured and guaranteed</b>				
Variable-rate bank borrowings				
<i>(Note)</i>	12,383	8,389	4,267	3,568
	12,455	8,389	4,267	18,568

*Note:* All bank borrowings contain a repayment on demand clause and are shown under current liabilities.

### Borrowing

As at 31 December 2015, 2016 and 2017, our bank borrowings amounted to approximately HK\$12.5 million, HK\$8.4 million and HK\$4.3 million, respectively, carrying interest at lower of Prime Rate less 1.5% or one month HIBOR plus 3% per annum. The ranges of effective interest rates on the borrowings as at 31 December 2015, 2016 and 2017 range from approximately 3.19% to 3.26%, 3.21% to 3.48% and 4.02% to 4.19% per annum, respectively.

As at 31 December 2015 and 2016, the banking facilities are secured by (i) personal guarantees provided by Mr. MK Wan, Mr. CW Wun and Mr. CK Wun for unlimited amounts; (ii) legal charges over properties held by Mr. MK Wan and Ms. Lam Yin, the spouse of Mr. MK Wan, properties held by one of our subsidiaries and properties held by related companies; (iii) corporate guarantees provided by subsidiaries and related companies; and (iv) pledged deposits held by a related company.

As at 31 December 2017, the banking facilities are secured by (i) personal guarantees provided by Mr. MK Wan, Mr. CW Wun and Mr. CK Wun for unlimited amounts; (ii) legal charges over properties held by one of our subsidiaries; and (iii) corporate guarantees provided by subsidiaries.

As at 28 February 2018, our bank borrowings amounted to approximately HK\$18.6 million, carrying interest at lower of Prime Rate less 1.5% or one month HIBOR plus 3% per annum. The ranges of effective interest rates on the borrowings range from approximately 3.73% to 3.90% per annum. The bank facilities are secured by (i) personal guarantees provided by Mr. MK Wan, Mr. CW Wun and Mr. CK Wun for unlimited amounts; (ii) legal charges over properties held by one of our subsidiaries; and (iii) corporate guarantees provided by subsidiaries.

These personal guarantees, legal charges over properties of our Controlling Shareholders and related companies and corporate guarantees provided by related companies will be released before/upon Listing.

During the Track Record Period, our Group had the Shared Banking Facility arrangement with Ready System Engineering under which Ready System Engineering undertook to maintain its minimum tangible net worth (*Note*) of not less than HK\$10 million at all times. As at 31 December 2015, Ready System Engineering had tangible net worth (*note*) of less than HK\$10 million and thus failed to fulfill such undertaking requirement. Since the balance of bank borrowing under this Shared Banking Facility of our Group is nil as at 31 December 2015, 2016 and 2017 and 28 February 2018, we do not expect any



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material financial impact on our Group, as a result of the termination of such Share Banking Facility. As a result, the Shared Banking Facility could be terminated by the bank. As the Shared Banking Facility was shared with Ready System Engineering, our Group has terminated such Shared Banking Facility.

*Note:* Tangible net worth is defined as the sum of paid up capital plus retained earnings minus all loans/amounts due from related parties.

As at the Latest Practicable Date, our Group has unutilised bank loan facilities and trade financing facilities of approximately HK\$17.0 million and HK\$6.4 million, respectively.

We confirm that during the Track Record Period and up to the Latest Practicable Date, we have not encountered any material difficulty in raising bank loans or other financing in our business operations.

### Mortgages and charges

During Track Record Period and as at 31 December 2017, our Group secured banking facilities by providing legal charges/mortgages over properties held by one of our subsidiaries and pledged deposits provided by one of our subsidiaries.

### Contingent liabilities

Our Group had the following contingent liabilities not provided for in the consolidated financial statements:

	As at 31 December		
	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000
Amount granted in respect of guarantee given to a bank for facilities granted to a related party	<u>36,940</u>	<u>36,940</u>	<u>–</u>
Amount utilised in respect of guarantee given to a bank for facilities granted to a related party	<u>12,382</u>	<u>10,000</u>	<u>–</u>

### DISCLAIMER

Save as aforesaid or as otherwise disclosed herein and apart from normal trade and other payables and tax payable, our Group did not have any mortgages, charges, debentures, loan capital, bank loans and overdrafts, debt securities or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptances or acceptance credits or any guarantees or other material contingent liabilities outstanding as at the closure of business on 28 February 2018.

### CAPITAL COMMITMENT

Our Group had no material capital commitments outstanding as at 31 December 2015, 2016 and 2017 not provided for in this section.

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### CAPITAL EXPENDITURES

The following table sets out our Group's capital expenditures for the years indicated. The capital expenditures were funded out of our Group's internal resources.

	FY2015 HK\$'000	FY2016 HK\$'000	FY2017 HK\$'000
Leasehold land and buildings	229	244	66
Leasehold improvements	–	4	739
Plant and machinery	297	334	93
Furniture, fixtures and equipment	306	90	592
Motor vehicles	–	285	–
	<u>832</u>	<u>957</u>	<u>1,490</u>
Total	<u>832</u>	<u>957</u>	<u>1,490</u>

### OTHER KEY FINANCIAL RATIOS

	For the year ended/As at 31 December		
	2015	2016	2017
Turnover growth <sup>1</sup>	n/a	(4.0)%	10.7%
Net profit growth <sup>2</sup>	n/a	8.9%	(53.2)%
Gross profit margin <sup>3</sup>	26.9%	30.8%	28.7%
Net profit margin before interest and tax <sup>4</sup>	16.4%	18.5%	9.2%
Net profit margin <sup>5</sup>	13.1%	14.8%	6.3%
Return on equity <sup>6</sup>	42.0%	32.8%	12.8%
Return on assets <sup>7</sup>	17.0%	17.2%	8.0%
Current ratio <sup>8</sup>	1.3 times	1.7 times	2.1 times
Gearing ratio <sup>9</sup>	65.6%	37.1%	14.7%
Debt to equity ratio <sup>10</sup>	35.4%	17.9%	nil
Interest coverage <sup>11</sup>	61.5 times	93.9 times	66.6 times

Notes:

- Turnover growth is calculated as the year-on-year growth rate of revenue.
- Net profit growth is calculated as the year-on-year growth rate of net profit.
- Gross profit margin is calculated as the gross profit divided by revenue.
- Net profit margin before interest and tax is calculated as the profit before interest and tax divided by revenue.
- Net profit margin is calculated as the profit for the year divided by revenue.
- Return on equity is calculated as the profit for the year divided by total equity.
- Return on assets is calculated as the profit for the year divided by total assets.

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8. Current ratio is calculated as the current assets divided by current liabilities.
9. Gearing ratio is calculated as the total debt divided by total equity. For the avoidance of doubt, total debt includes amounts due to related parties and Directors and bank loans.
10. Debt to equity ratio is calculated as the total debt net of bank balances and cash and divided by total equity. For the avoidance of doubt, total debt includes amounts due to related parties and Directors and bank loans.
11. Interest coverage is calculated as the profit before interest and tax divided by finance costs.

### ***Turnover growth***

Our Group has recorded turnover decline of approximately 4.0% as compared between the turnover in FY2015 and FY2016, and turnover growth of approximately 10.7% as compared between FY2016 and FY2017.

Please refer to the paragraph headed “Revenue – Period to period comparison of results of operations” in this section for the reasons for the growth/decline in our revenue.

### ***Net profit growth***

Our Group has recorded a net profit growth of approximately 8.9% as compared between the turnover in FY2015 and FY2016, and net profit decline of approximately 53.2% as compared between FY2016 and FY2017.

Please refer to the paragraph headed “Net profit and net profit margin – Period to period comparison of results of operations” in this section for the reasons for the growth/decline in our net profit.

### ***Gross profit margin***

Our Group has recorded gross profit margin of approximately 26.9%, 30.8% and 28.7% for FY2015, FY2016 and FY2017, respectively.

Please refer to the paragraph headed “Gross profit and gross profit margin – Period to period comparison of results of operations” in this section for the reasons for the growth in our gross profit.

### ***Net profit margin before interest and tax and net profit margin***

Our Group’s net profit margin before interest and tax and net profit margin increased from approximately 16.4% and 13.1% for FY2015 to approximately 18.5% and 14.8% for FY2016, respectively which was mainly due to the higher gross profit margin for FY2016.

Our Group’s net profit margin before interest and tax and net profit margin decreased from approximately 18.5% and 14.8% for FY2016 to approximately 9.2% and 6.3% for FY2017, respectively which was mainly due to (i) the lower gross profit margin for FY2017; and (ii) the increase in non-recurring listing expenses by approximately HK\$10.3 million in FY2017 as compared to FY2016.

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### *Return on equity*

For FY2015, FY2016 and FY2017, our Group's return on equity were approximately 42.0%, 32.8% and 12.8%, respectively. The decrease from approximately 42.0% for FY2015 to approximately 32.8% for FY2016 was mainly represented by the combined effect of the increase in equity of approximately 39.7% outpacing the increase in profit during the year of approximately 8.9%. The further decrease to approximately 12.8% for FY2017 was mainly due to the increase in non-recurring listing expenses by approximately HK\$10.3 million which adversely affecting our net profit in FY2017 as compared to FY2016.

### *Return on assets*

For FY2015, FY2016 and FY2017, our Group's return on assets were approximately 17.0%, 17.2% and 8.0%, respectively. The return on assets slightly increased by approximately 0.2 percentage point for FY2016. The return on assets decreased from approximately 17.2% for FY2016 to approximately 8.0% for FY2017, which was mainly due to the increase in non-recurring listing expenses by approximately HK\$10.3 million which adversely affecting our net profit in FY2017 as compared to FY2016.

### *Current ratio*

Our Group's current ratio increased during the Track Record Period, which was approximately 1.3 times, 1.7 times and 2.1 times as at 31 December 2015, 2016 and 2017, respectively. Such increase was mainly due to the fact that our current liabilities decreased during the Track Record Period, which was mainly caused by the decrease in amounts due to related parties and bank loans over the Track Record Period.

### *Gearing ratio*

Our Group's gearing ratio decreased during the Track Record Period, which was approximately 65.6%, 37.1% and 14.7% as at 31 December 2015, 2016 and 2017, respectively. Such decrease was mainly represented by the combined effect of the decrease in amounts due to related parties and bank loans and the increase in equity over the Track Record Period.

### *Debt to equity ratio*

Our Group's debt to equity ratio decreased during the Track Record Period, which was approximately 35.4%, 17.9% and nil as at 31 December 2015, 2016 and 2017, respectively. Such decrease was mainly represented by the combined effect of the decrease in amounts due to related parties and bank loans and the increase in equity over the Track Record Period. As at 31 December 2017, the bank balances and cash were larger than the debts involved, as such, our Group's debt to equity ratio was nil.

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## FINANCIAL INFORMATION

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### *Interest coverage*

For FY2015, FY2016 and FY2017, our Group's interest coverage were approximately 61.5 times, 93.9 times and 66.6 times, respectively. The increase from approximately 61.5 times for FY2015 to approximately 93.9 times for FY2016 was mainly attributable to the increase in profit before interest and tax and the decrease in finance costs due to the decreased bank loans. The decrease to approximately 66.6 times for FY2017 was mainly due to the increase in non-recurring listing expenses by approximately HK\$10.3 million which adversely affecting the profit before interest and tax in FY2017.

### **DIVIDEND**

Our Group currently does not have a dividend policy and may distribute dividends by way of cash or by other means that our Directors consider appropriate.

During the Track Record Period, a subsidiary of the Company distributed interim dividends of HK\$2.4 million, HK\$2.4 million and nil for FY2015, FY2016 and FY2017, respectively, to its then shareholders prior to the Reorganisation. Other than the above, no dividend has been paid or declared by other companies comprising our Group during the Track Record Period or our Company since its incorporation. The dividends of our Company's subsidiary had been paid as at the Latest Practicable Date.

### **QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS**

The market risks that our Group is associated with include currency risk, interest rate risks, credit risk and liquidity risk.

#### **Currency risk**

Our Group has limited currency exposure as majority of the revenue were denominated in functional currency of the relevant group entities. The carrying amounts of our Group's foreign currency denominated monetary assets and liabilities at the end of the reporting date are as follows:

	<b>As at 31 December</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Assets</b>			
MOP	4,601	1,552	911
RMB	17	26	8
US\$	55	55	55
Australian Dollar ("AUD")	35	35	35
	<hr/>	<hr/>	<hr/>
<b>Liabilities</b>			
US\$	1,348	2,170	1,695
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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## FINANCIAL INFORMATION

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Our Group mainly exposes to foreign currency of US\$, which is arising from relevant group entities' foreign currency denominated monetary assets for our Group's operating activities. US\$, however, is pegged to the functional currency of respective group entities, hence our Group's exposure to currency risk is not significant and no sensitivity analysis has been presented. No sensitivity analysis for the currency risk of MOP, RMB and AUD are prepared as the Directors consider the impact of such foreign currency risk are insignificant.

### **Interest rate risk**

Our Group is exposed to cash flow interest rate risk through the impact of rate changes on interest bearing financial assets and liabilities, mainly interest-bearing bank balances and bank loans at variable interest rates. Our Group currently does not have an interest rate hedging policy. However, the management of our Group will consider hedging significant interest rate risk should the need arise.

Our Group's cash flow interest rate risk is mainly concentrated on the fluctuation of Hong Kong Dollar Prime Rate and HIBOR arising from our Group's Hong Kong dollar denominated borrowings.

### **Credit risk**

As at 31 December 2015, 2016 and 2017, our Group's maximum exposure to credit risk which will cause a financial loss to our Group due to failure to discharge an obligation by the counterparties and financial guarantees provided by our Group is arising from: (i) the carrying amount of the respective financial assets as stated in the combined statement of financial position; and (ii) the amount of contingent liabilities in relation to financial guarantees issued by our Group as disclosed in the accountants' report set out in Appendix I to this prospectus.

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

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings.

The credit risk on amounts due from directors and related parties are limited because the management of our Group have a good understanding on their financial background and abilities to repay the debts.

Our Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

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## FINANCIAL INFORMATION

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### Liquidity risk

The management of our Group has built a liquidity risk management framework for managing our Group's short and medium-term funding and liquidity management requirements. Our Group manages liquidity risk by maintaining banking facilities and by continuously monitoring forecasted and actual cash flows and the maturity profiles of its financial liabilities.

### Sensitivity analysis of cost of sales

The following table illustrates the sensitivity of our Group's gross profit and net profit to the average cost of sales for the Track Record Period. The change in income tax is calculated by using the effective interest rate for the Track Record Period. It is assumed that all income and expenses other than cost of sales and income tax expenses, remain unchanged.

	<b>FY2015</b>	<b>FY2016</b>	<b>FY2017</b>
<b>Percentage change in cost of sales</b>	+/-5%	+/-5%	+/-5%
Impact on gross profit (HK\$'000)	-/+6,825	-/+6,206	-/+7,080
Percentage change in gross profit (%)	-/+13.6	-/+11.2	-/+12.4
Impact on net profit (HK\$'000)	-/+5,521	-/+5,033	-/+4,899
Percentage change in net profit (%)	-/+22.6	-/+18.9	-/+39.2

If the cost of sales increased by 5%, assuming all other costs, expenses and income remain unchanged, our Group's gross profit for FY2015, FY2016 and FY2017 would have been approximately HK\$43.4 million, HK\$49.0 million and HK\$49.8 million, respectively, and the net profit for FY2015, FY2016 and FY2017 would have been approximately HK\$18.9 million, HK\$21.6 million and HK\$7.5 million, respectively.

If the cost of sales decreased by 5%, assuming all other costs, expenses and income remain unchanged, our Group's gross profit for FY2015, FY2016 and FY2017 would have been approximately HK\$57.1 million, HK\$61.4 million and HK\$64.0 million, respectively, the net profit for FY2015, FY2016 and FY2017 would have been approximately HK\$29.9 million, HK\$31.6 million and HK\$17.3 million, respectively.

### Breakeven analysis

For FY2015, FY2016 and FY2017, if the cost of sales increased by approximately 22.1%, 26.4% and 12.7%, respectively, assuming all other costs, expenses and income remain unchanged, our Group's gross profit would have dropped to approximately HK\$20.1 million, HK\$22.4 million and HK\$38.9 million, respectively, and the net profit would have dropped to nil, nil and nil for FY2015, FY2016 and FY2017, respectively.

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## FINANCIAL INFORMATION

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### Sensitivity analysis of revenue

The following table illustrates the sensitivity of our Group's gross profit and net profit to the revenue for the Track Record Period. The change in income tax is calculated by using the effective rate for the Track Record Period. It is assumed that all income and expenses other than revenue and income tax expenses, remain unchanged.

	<b>FY2015</b>	<b>FY2016</b>	<b>FY2017</b>
<b>Percentage change in revenue</b>	+/-5%	+/-5%	+/-5%
Impact on gross profit ( <i>HK\$'000</i> )	+/-9,337	+/-8,965	+/-9,925
Percentage change in gross profit (%)	+/-18.6	+/-16.2	+/-17.4
Impact on net profit ( <i>HK\$'000</i> )	+/-7,554	+/-7,271	+/-6,868
Percentage change in net profit (%)	+/-30.9	+/-27.3	+/-55.2

If the revenue increased by 5%, assuming all other costs, expenses and income remain unchanged, our Group's gross profit for FY2015, FY2016 and FY2017 would have been approximately HK\$59.6 million, HK\$64.1 million and HK\$66.8 million, respectively, the net profit for FY2015, FY2016 and FY2017 would have been approximately HK\$32.0 million, HK\$33.9 million and HK\$19.3 million, respectively.

If the revenue decreased by 5%, assuming all other costs, expenses and income remain unchanged, our Group's gross profit for FY2015, FY2016 and FY2017 would have been approximately HK\$40.9 million, HK\$46.2 million and HK\$47.0 million, respectively, and the net profit for FY2015, FY2016 and FY2017 would have been approximately HK\$16.9 million, HK\$19.3 million and HK\$5.6 million, respectively.

### Breakeven analysis

For FY2015, FY2016 and FY2017, if the revenue decreased by approximately 16.2%, 18.3% and 9.1%, respectively, assuming all income and expenses other than revenue and income tax expenses remain unchanged, our Group's gross profit would have dropped to approximately HK\$20.1 million, HK\$22.4 million and HK\$38.9 million, respectively, and the net profit would have dropped to nil, nil and nil for FY2015, FY2016 and FY2017, respectively.

### WORKING CAPITAL CONFIRMATION

Taking into account the financial resources available to our Group, including the internally generated funds, the available banking facilities and the estimated proceeds from the Share Offer, our Directors are of the opinion that our Group has sufficient funds to meet the working capital and financial requirements for at least the next 12 months from the date of this prospectus.



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## FINANCIAL INFORMATION

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### RELATED PARTY TRANSACTIONS

With respect to the related party transactions set out in note 32 to the accountants' report contained in Appendix I to this prospectus, our Directors confirm that these transactions were conducted on terms no less favourable to our Group than terms available from Independent Third Parties and in the ordinary course of business which are fair and reasonable and in the interest of the Shareholders as a whole.

### PROPERTY INTEREST AND PROPERTY VALUATION

Roma Appraisals Limited, our Independent Valuer, has valued certain interests of our properties in Hong Kong and the PRC as at 20 February 2018 and is of the opinion that the value was, in aggregate, approximately HK\$25.7 million (*Note*), with the entire value attributable to us. Please refer to Appendix III to this prospectus for the full text of the letter, summary of valuations and valuation certificates with regard to such property interests.

The statement below shows the reconciliation of aggregate amounts of certain properties as selected in our audited consolidated financial information as at 31 December 2017 as set forth in Appendix I to this prospectus, with the valuation of these properties as at 20 February 2018 as set forth in Appendix III to this prospectus.

	<i>HK\$'000</i>
Net book value of the properties as at 31 December 2017, represented by leasehold land and buildings and leasehold improvements as set out in the accountants' report in Appendix I to this prospectus	18,812
Additions during the period from 1 January 2018 to 20 February 2018	–
Depreciation during the period from 1 January 2018 to 20 February 2018	(168)
	<hr/>
Net book value of the properties as at 20 February 2018	18,644
Net valuation surplus	7,043
	<hr/>
Valuation of the properties as at 20 February 2018 as set out in the property valuation report in Appendix III to this prospectus	25,687
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*Note:* Our properties represented (i) a property held by our Group for owner-occupation purpose in the PRC amounted to RMB16.5 million, i.e. approximately HK\$19.6 million by adopting exchange rate RMB1 to HK\$1.187; and (ii) a property held by our Group for owner-occupation purpose in Hong Kong amounted to HK\$6.1 million.

### OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As at the Latest Practicable Date, our Directors confirm that we had not entered any off-balance sheet arrangements.

### DISTRIBUTABLE RESERVES

As at the Latest Practicable Date, our Company had no distributable reserves available for distribution to our Shareholders.

### DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors have confirmed that as at the Latest Practicable Date, there were no circumstances which, had our Group been required to comply with Rules 13.13 to 13.19 of the Listing Rules, would have given rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

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## **FINANCIAL INFORMATION**

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### **LISTING EXPENSES**

Our Group expects the listing expenses to be approximately HK\$36.3 million (based on the Offer Price of HK\$0.34 per Share, being the mid-point of the Offer Price range between HK\$0.30 and HK\$0.38 per Share). Of the aggregate listing expenses of approximately HK\$36.3 million, approximately HK\$3.6 million of the listing expenses is expected to be borne by the Selling Shareholder and approximately HK\$14.7 million will be accounted for as a deduction from our equity upon Listing. The remaining amount of approximately HK\$18.0 million is expected to be charged to our profit and loss accounts, of which approximately HK\$1.5 million and HK\$11.8 million were charged for the two years ended 31 December 2017, respectively, the remaining approximately HK\$4.7 million is expected to be charged during the year ending 31 December 2018.

### **RECENT DEVELOPMENTS SUBSEQUENT TO THE TRACK RECORD PERIOD**

Our business model and cost structure remain largely unchanged subsequent to the Track Record Period. Subsequent to the Track Record Period and up to the Latest Practicable Date, we continued to be a manufacturer and supplier of low-voltage electrical power distribution and control devices. Our operating performance remain stable subsequent to 31 December 2017. According to the unaudited financial statements of our Group for the two months ended 28 February 2018, the average monthly revenue for the two months ended 28 February 2018 has increased by approximately 3.5% as compared to the average monthly revenue for the two months ended 28 February 2017.

Further, our existing GZ Quanda Factory is much smaller than our previous GZ Quanda Factory and does not have staff dormitory, we shrink our production capacity in order to fit in our existing GZ Quanda Factory. Our Directors consider that there is no assurance our results of operation regarding our sales to our PRC customers will improve in subsequent financial years after 2017 unless and until we have acquired the New Factory to improve our production capacity of our GZ Quanda Factory.

For further discussion about our necessity to acquire the New Factory to improve our sales in the PRC, please refer to the paragraph headed “Business – Business strategies – To acquire a factory in the Guangdong Province, the PRC” and the paragraph headed “Business – Business model and our operation – Quotation/tender submission and acceptance” in this prospectus.

### **NO MATERIAL ADVERSE CHANGE**

Our Directors confirm that, save for the listing expenses as set out in the paragraph headed “Listing expenses” and the recent development of our Group as set out in the paragraph headed “Recent developments subsequent to the Track Record Period” in this section, there has been no material adverse change in the financial or trading position or prospects of our Group since 31 December 2017 (being the date to which the latest audited consolidated financial statements of our Group were made up) and up to the date of this prospectus.

### **UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS**

Please see the section headed “Unaudited Pro Forma Financial Information” in Appendix II to this prospectus.

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## FUTURE PLANS AND USE OF PROCEEDS

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### FUTURE PLANS

For a detailed description of our future plans, please refer to the paragraph headed “Business – Business strategies” in this prospectus.

### IMPLEMENTATION PLANS

In light of our future plans, we will seek to attain the milestones contained in this paragraph from the Latest Practicable Date to 30 June 2020. Prospective investors should note that the milestones and their scheduled times for attainment are formulated on the bases and assumptions referred to in the paragraph headed “Bases and assumptions” in this section. These bases and assumptions are inherently subject to many uncertainties, variables and unpredictable factors, in particular the risk factors set out in the section headed “Risk Factors” in this prospectus. Our Group’s actual course of business may vary from the future plans set out in this prospectus. There can be no assurance that the plans of our Group will materialise in accordance with the expected timeframe or that the future plans of our Group will be accomplished at all. Based on the current status of the industry, our Directors intend to carry out the following implementation plans:

<b>1. For the period from the Latest Practicable Date to 30 June 2018</b>		
To acquire a factory in the Guangdong Province, the PRC	– To search the suitable site for the New Factory	–
To acquire and replace our machines and equipment in our DG Quanda Factory	– To seek quotations of the machines and equipment to be acquired	–
<b>2. For the six months ending 31 December 2018</b>		
To acquire a factory in the Guangdong Province, the PRC	– If applicable, to confirm the acquisition of the New Factory and commence the refurbishment	HK\$40.1 million
To acquire and replace our machines and equipment in our DG Quanda Factory	– To acquire and install the machines and equipment	HK\$15.9 million

## FUTURE PLANS AND USE OF PROCEEDS

<b>3. For the six months ending 30 June 2019</b>		
To acquire a factory in the Guangdong Province, the PRC	<ul style="list-style-type: none"> <li>– To complete the refurbishment</li> <li>– To acquire, install and perform testing of the first lot of machines and equipment</li> <li>– To commence the relocation of the existing GZ Quanda Factory to the New Factory</li> </ul>	HK\$25.7 million
To acquire and replace our machines and equipment in our DG Quanda Factory	<ul style="list-style-type: none"> <li>– To complete the installation, perform testing of the machines and equipment and commence production using the new machines and equipment</li> </ul>	–
<b>4. For the six months ending 31 December 2019</b>		
To acquire a factory in the Guangdong Province, the PRC	<ul style="list-style-type: none"> <li>– To fully commence production operations</li> <li>– To complete the inspection in relation to the relevant standards and safety regulations such as fire safety and environmental protection</li> <li>– To evaluate the performance of the newly acquired machines and equipment</li> </ul>	–
To acquire and replace our machines and equipment in our DG Quanda Factory	<ul style="list-style-type: none"> <li>– To evaluate the performance of the newly acquired machines and equipment</li> </ul>	–
<b>5. For the six months ending 30 June 2020</b>		
To acquire a factory in the Guangdong Province, the PRC	<ul style="list-style-type: none"> <li>– To acquire, install and perform testing of the second lot of machines and equipment</li> <li>– To evaluate the performance of the newly acquired machines and equipment</li> </ul>	HK\$4.3 million
To acquire and replace our machines and equipment in our DG Quanda Factory	<ul style="list-style-type: none"> <li>– To evaluate the performance of the newly acquired machines and equipment</li> </ul>	–

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## FUTURE PLANS AND USE OF PROCEEDS

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### BASES AND ASSUMPTIONS

The future plans set out by our Directors are based on the following bases and assumptions:

- we will have sufficient financial resources to meet the planned capital expenditure and business development requirements during the period to which the future plans relate;
- there will be no material changes in existing laws, rules and regulations, or other governmental policies relating to our Group, or in the political, economic or market conditions in which our Group operates;
- there will be no change in the funding requirement for each of the near term future plans described in this prospectus from the amount as estimated by our Directors;
- there will be no material changes in the bases or rates of taxation applicable to the activities of our Group;
- there will be no disasters, natural, political or otherwise, which would materially disrupt the business or operations of our Group;
- there will be no change in the effectiveness of the qualifications and licences obtained by our Group; and
- we will not be materially affected by the risk factors as set out in the section headed “Risk Factors” in this prospectus.

### USE OF PROCEEDS

We estimate that the aggregate net proceeds from the Share Offer, after deducting underwriting commissions and estimated expenses paid and payable by us in connection with the Share Offer and assuming that the Over-allotment Option is not exercised at all, to be approximately HK\$89.7 million, assuming an Offer Price of HK\$0.34 per Share, being the mid-point of the proposed Offer Price range of HK\$0.30 to HK\$0.38 per Offer Share. We intend to apply the net proceeds from the Share Offer as follows:

- approximately HK\$70.1 million or approximately 78.2% of the net proceeds to acquire a factory in the Guangdong Province, the PRC, which comprises of:
  - approximately HK\$38.5 million as our payment of the consideration for the New Factory. Our Directors have consulted Independent Valuer and understand that the average price of the factory nearby the New Factory is approximately HK\$3,500 per sq. m. of gross floor area as at the Latest Practicable Date;

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## FUTURE PLANS AND USE OF PROCEEDS

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- approximately HK\$25.4 million for the acquisition of machines and equipment for the New Factory which include one punching and shearing machine, one laser punching machine, two steel bending machines, one automatic powder coating production line, six automatic welding machines, two copper bar punching machines and two copper bar bending machines;
- approximately HK\$1.6 million as commission, deed tax, stamp duty and professional fees payable in relation to the acquisition;
- approximately HK\$0.5 million as the logistic expenses for the relocation of our GZ Quanda Factory to the New Factory; and
- approximately HK\$4.1 million as the capital expenditure for refurbishing the New Factory;
- approximately HK\$15.9 million or approximately 17.7% of the net proceeds to acquire and replace our machines and equipment in our DG Quanda Factory. In particular, we plan to purchase one punching and shearing machine and one automatic powder coating production line (which will replace our current one punching machine and one dusting machine, respectively, all of which aged more than five years), and one steel bending machine, six automatic welding machines, one copper bar punching machine and one copper bar bending machine (all of which will be our additional machines); and
- approximately HK\$3.7 million or approximately 4.1% of the net proceed for general working capital of our Group.

We plan to spend such capital expenditure by stages within three years after the Listing. We plan to finance such expenditure from the proceeds of the Share Offer. If there is a shortfall in funding, such expenditure will be financed by our internal resources.

As at the Latest Practicable Date, we have not identified any potential acquisition target nor entered into any contracts giving rise to any capital commitment.

Assuming the Over-allotment Option is not exercised at all, and in the event that the Offer Price is set at the low-end of the proposed Offer Price range, our Company will receive net proceeds of approximately HK\$76.4 million. In the event that the Offer Price is set at the high-end of the proposed Offer Price range and the Over-allotment Option is not exercised at all, our Company will receive net proceeds of approximately HK\$103.1 million. If the Offer Price is set at either the high-end or low-end of the proposed Offer Price range, the allocation of the net proceeds will be used in the same proportions as set out above.

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## FUTURE PLANS AND USE OF PROCEEDS

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In the event that the Over-allotment Option is exercised in full, we estimate that we will receive additional net proceeds from the sales of these additional Offer Shares of approximately HK\$21.2 million, after deducting the underwriting commissions and other estimated offering expenses payable by us and assuming an Offer Price of HK\$0.34 per Share, being the mid-point of the proposed Offer Price range of HK\$0.30 to HK\$0.38. In the event that the Offer Price is set at the low-end of the proposed Offer Price range and the Over-allotment Option is exercised in full, our Company will receive additional net proceeds of approximately HK\$5.4 million. In the event that the Offer Price is set at the high-end of the proposed Offer Price range and the Over-allotment Option is exercised in full, our Company will receive additional net proceeds of approximately HK\$37.1 million. The allocation of the additional net proceeds will be used in the same proportions as set out above.

To the extent that the net proceeds of the Share Offer which are not immediately applied for the above purposes, we currently intend to deposit such net proceeds into interest-bearing bank accounts with licensed banks and/or financial institutions in Hong Kong.

Assuming the Offer Price is fixed at HK\$0.34 per Share (being the mid-point of the indicative range of the Offer Price) and that the Over-allotment Option is not exercised at all, we estimate that the Selling Shareholder will receive net proceeds of approximately HK\$27.0 million, after deducting the underwriting commissions, estimated expenses paid and payable by the Selling Shareholder in connection with the Share Offer and fees payable by the Selling Shareholder in respect of the Sale Shares. We will not receive the net proceeds from the sales of the Sale Shares by the Selling Shareholder in the Share Offer.

We will issue an announcement in the event that there is any material change in the use of proceeds of the Share Offer as set out above.

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## UNDERWRITING

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### UNDERWRITERS

#### Public Offer Underwriters

Alpha Financial Group Limited  
Wealth Link Securities Limited  
AFG Securities Limited  
Astrum Capital Management Limited  
ChaoShang Securities Limited  
Grand Partners Securities Limited  
Head & Shoulders Securities Limited  
Long Asia Securities Limited  
Pacific Foundation Securities Limited

### UNDERWRITING ARRANGEMENTS AND EXPENSES

#### Public Offer

##### *Public Offer Underwriting Agreement*

Pursuant to the Public Offer Underwriting Agreement, our Company is initially offering for subscription of 45,000,000 Public Offer Shares at the Offer Price under the Public Offer, on and subject to the terms and conditions set forth in this prospectus and the Application Forms. The Public Offer Underwriters have agreed on and subject to the terms and conditions in the Public Offer Underwriting Agreement, to procure subscribers for, or failing which they shall subscribe for, the Public Offer Shares.

The Public Offer Underwriting Agreement is subject to various conditions, which include, but without limitation, the Listing Committee granting Listing of, and permission to deal in, our Shares in issue and to be issued as mentioned in this prospectus. In addition, the Public Offer Underwriting Agreement is conditional on and subject to the Placing Underwriting Agreement having been executed, becoming unconditional and not having been terminated.

##### *Grounds for termination*

The respective obligations of the Public Offer Underwriters to subscribe for, or procure subscribers for, the Public Offer Shares under the Public Offer Underwriting Agreement are subject to termination. The Sole Global Coordinator (for itself and on behalf of the Public Offer Underwriters) may in its absolute discretion terminate the Public Offer Underwriting Agreement with immediate effect by written notice to our Company (for ourselves and on behalf of the Selling Shareholder) at any time at or before 8:00 a.m. (Hong Kong time) on the Listing Date (the “**Termination Time**”) if:

- (i) there shall develop, occur, exist or come into effect:
  - (a) any change or prospective change (whether or not permanent) in the business or in the financial or trading position of our Group; or



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## UNDERWRITING

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- (b) any change or development involving a prospective change or development, or any event or series of event resulting or representing or likely to result in any change or development involving a prospective change or deterioration (whether or not permanent) in local, national, regional or international financial, political, military, industrial, economic, legal framework, regulatory, fiscal, currency, credit or market conditions (including, without limitation, conditions in stock and bond markets, money and foreign exchange markets and inter-bank markets) in or affecting any of Hong Kong, BVI, Cayman Islands or any other jurisdictions where any member of our Group is incorporated or operates (collectively, the “Relevant Jurisdictions”); or
- (c) any deterioration of any pre-existing local, national, regional or international financial, economic, political, military, industrial, fiscal, regulatory, currency, credit or market conditions in or affecting any of the Relevant Jurisdictions; or
- (d) any new laws or any change or development involving a prospective change in existing laws or any change or development involving a prospective change in the interpretation or application thereof by any court or governmental authority in or affecting any of the Relevant Jurisdictions; or
- (e) a change or development or event involving a prospective change in taxation or exchange control (or in the implementation of any exchange control) or foreign investment regulations in or affecting any of the Relevant Jurisdictions adversely affecting an investment in shares; or
- (f) any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other state of emergency or crisis involving or affecting any of the Relevant Jurisdictions; or
- (g) any event, act or omission which gives rise or is likely to give rise to any liability of any of our Company, Controlling Shareholders and executive Directors under the Public Offer Underwriting Agreement pursuant to the indemnities contained therein; or
- (h) (i) any suspension or restriction on dealings in shares or securities generally on the Stock Exchange or (ii) any moratorium on commercial banking activities or disruption in commercial banking activities or foreign exchange trading or securities settlement or clearance services in or affecting any of the Relevant Jurisdictions; or
- (i) the imposition of economic or other sanctions, in whatever form, directly or indirectly, in or affecting any of the Relevant Jurisdictions; or

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## UNDERWRITING

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- (j) any event, or series of events, in the nature of force majeure (including without limitation, any acts of God, acts of government, declaration of a national or international emergency or war, acts or threat of war, calamity, crisis, economic sanction, riot, public disorder, civil commotion, fire, flooding, explosion, epidemic (including but not limited to severe acute respiratory syndrome or avian flu), pandemic, outbreak of disease, terrorism, strike or lockout) in or affecting any of the Relevant Jurisdictions; or
- (k) any change or development involving a prospective change, or a materialisation of any of the risks set out in the section headed “Risk Factors” in this prospectus; or
- (l) any change in the system under which the value of the Hong Kong dollar is linked to that of the U.S. dollar or a material devaluation of Hong Kong dollar against any foreign currency; or
- (m) any demand by any creditor for repayment or payment of any indebtedness of any member of our Group or in respect of which any member of our Group is liable prior to its stated maturity; or
- (n) save as disclosed in this prospectus, a contravention by any member of our Group of the Listing Rules or applicable laws; or
- (o) a prohibition on our Company for whatever reason from allotting the Shares pursuant to the terms of the Share Offer; or
- (p) non-compliance of any of this prospectus or any aspect of the Share Offer with the Listing Rules or any other applicable laws; or
- (q) an order or a petition is presented for the winding-up or liquidation of any member of our Group or any member of our Group making any composition or arrangement with its creditors or entering into a scheme of arrangement or any resolution being passed for the winding-up of any member of our Group or a provisional liquidator, receiver or manager being appointed over all or part of the assets or undertaking of any member of our Group or anything analogous thereto in respect of any member of our Group; or
- (r) any loss or damage sustained by any member of our Group; or
- (s) save as disclosed in this prospectus, any litigation or claim of material importance of any third party being threatened or instigated against any member of our Group; or
- (t) a Director being charged with an indictable offence or prohibited by the operation of law or is otherwise disqualified from taking part in the management of a company; or
- (u) the chairman or president of our Company vacating his office; or

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## UNDERWRITING

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- (v) the commencement by any governmental, regulatory or judicial body or organisation of any action against a Director or an announcement by any governmental, regulatory or judicial body or organisation that it intends to take any such action; or
- (w) any matter or event resulting in a breach of any of the warranties, representations or undertakings contained in the Public Offer Underwriting Agreement or there has been a material breach of any other provisions thereof;

which in the sole and absolute opinion of the Sole Global Coordinator (for itself and on behalf of the Public Offer Underwriters):

- (a) is or will or may individually or in the aggregate have a material adverse effect on the business, financial, trading or other condition or prospects of our Group taken as a whole; or
  - (b) has or will or may have a material adverse effect on the success of the Public Offer, the Placing and/or the Share Offer or the level of Offer Shares being applied for or accepted or the distribution of Offer Shares; or
  - (c) is or will or may make it impracticable, inadvisable, inexpedient or not commercially viable (i) for any material part of the Public Offer Underwriting Agreement, the Placing Underwriting Agreement, the Public Offer, the Placing and/or the Share Offer to be performed or implemented in accordance with its terms or (ii) to proceed with or to market the Public Offer, the Placing and/or the Share Offer on the terms and in the manner contemplated in this prospectus; or
- (ii) the Public Offer Underwriters shall become aware of the fact that, or have cause to believe that:
- (a) any of the warranties given by our Company, the Selling Shareholder, Controlling Shareholders and executive Directors under the Public Offer Underwriting Agreement or pursuant to the Placing Underwriting Agreement is untrue, inaccurate, misleading or breached in any material respect when given or as repeated as determined by the Sole Global Coordinator (in its sole and absolute discretion), or has been declared or determined by any court or governmental authorities to be illegal, invalid or unenforceable in any material respect;
  - (b) any statement contained in this prospectus or the Application Forms was or is untrue, incorrect or misleading in any material respect, or any matter arises or is discovered which would, if this prospectus were to be issued at that time, constitute a material omission therefrom as determined by the Sponsor (in its sole and absolute discretion), or that any forecasts, expressions of opinion, intention or expectation expressed in this prospectus and/or any announcements issued by our Company in connection with the Public Offer (including any supplemental or amendment thereto) are not, in all material aspects, fair and honest and based on reasonable assumptions, when taken as a whole; or

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## UNDERWRITING

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- (c) there has been a material breach on the part of any of our Company, the Selling Shareholder, Controlling Shareholders and executive Directors of any of the provisions of the Public Offer Underwriting Agreement or the Placing Underwriting Agreement as determined by the Sole Global Coordinator (in its sole and absolute discretion).

### *Lock-up undertakings to the Public Offer Underwriters*

#### *Undertakings by our Company*

Our Company has undertaken to the Sponsor, the Sole Global Coordinator and the Public Offer Underwriters that our Company shall, and each of our Controlling Shareholders has undertaken to the Sponsor, the Sole Global Coordinator and the Public Offer Underwriters to procure our Company that:

- (a) except pursuant to the Share Offer, the Capitalisation Issue, the exercise of the subscription rights attaching to the Over-allotment Option or share options to be granted under the Share Option Scheme or under the circumstances provided under Rules 10.08(1) to 10.08(4) of the Listing Rules, not without the prior written consent of the Sponsor and the Sole Global Coordinator (for itself and on behalf of the Public Offer Underwriters), and subject always to the provisions of the Listing Rules, offer, allot, issue or sell, or agree to allot, issue or sell, grant or agree to grant any option, right or warrant over, or otherwise dispose of (or enter into any transaction which is designed to, or might reasonably be expected to, result in the disposition (whether by actual disposition or effective economic disposition due to cash settlement or otherwise) by our Company or any of its affiliates (as defined in the Public Offer Underwriting Agreement)), either directly or indirectly, conditionally or unconditionally, any Shares or any securities convertible into or exchangeable for such Shares or any voting right or any other right attaching thereto or enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of subscription or ownership of Shares or such securities or any voting right or any other right attaching thereto, whether any of the foregoing transactions is to be settled by delivery of Shares or such securities, in cash or otherwise or announce any intention to effect any such transaction during the period commencing from the date of the Public Offer Underwriting Agreement up to and including the date falling six months after the Listing Date (the “**First Six-month Period**”);
- (b) not at any time during the First Six-month Period, issue or create any mortgage, pledge, charge or other security interest or any rights in favour of any other person over, directly or indirectly, conditionally or unconditionally, any Shares or other securities of our Company or any interest therein (including but not limited to any securities that are convertible into or exchangeable for, or that represent the right to receive, any Shares or securities of our Company) or repurchase any Shares or securities of our Company or grant any options, warrants or other rights to subscribe for any Shares or other securities of our Company or agree to do any of the foregoing, except pursuant to the Share Offer, the Capitalisation Issue or the exercise of the subscription rights attaching to the Over-allotment Option or share options to be granted under the Share Option Scheme or under the circumstances provided under Rules 10.08(1) to 10.08(4) of the Listing Rules or under Note (2) to Rule 10.07 of the Listing Rules;

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## UNDERWRITING

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- (c) not at any time within the period of six months immediately following the expiry of the First Six-month Period (the “**Second Six-month Period**”) do any of the acts set out in (a) and (b) above such that any of our Controlling Shareholders, directly or indirectly, would cease to be a controlling shareholder of our Company (within the meaning defined in the Listing Rules); and
- (d) in the event that our Company does any of the acts set out in clause (a) or (b) after the expiry of the First Six-month Period or the Second Six-month Period, as the case may be, take all steps to ensure that any such act, if done, shall not create a disorderly or false market for any Shares or other securities of our Company or any interest therein.

Provided that none of the above undertakings shall (a) restrict our Company’s ability to sell, pledge, mortgage or charge any share capital or other securities of or any other interest in any of the subsidiaries provided that such sale or any enforcement of such pledge, mortgage or charge will not result in such subsidiaries ceasing to be a subsidiary of our Company; or (b) restrict any of the subsidiaries from issuing any share capital or other securities thereof or any other interests therein provided that any such issue will not result in that subsidiary ceasing to be a subsidiary of our Company.

### *Undertakings by our Controlling Shareholders*

Each of our Controlling Shareholders has represented, warranted and undertaken to the Sponsor, the Sole Global Coordinator, the Public Offer Underwriters and our Company that (except as pursuant to the Capitalisation Issue, the Share Offer (including pursuant to the exercise of the Over-allotment Option), the Shares to be issued pursuant to the Stock Borrowing Agreement):

- (a) he or it shall comply with all the applicable restrictions and requirements under the Listing Rules on the disposal by him or it or by any registered holder on his or its behalf, of any Shares or other securities of the Company in respect of which he or it is shown in this prospectus to be the beneficial owner (directly or indirectly);
- (b) neither him or it nor any of their respective close associates or companies controlled by him or it has any present intention of disposing of any Shares or other securities of the Company in respect of which he or it is shown in this prospectus to be the beneficial owner (directly or indirectly) (or any beneficial interest therein); and
- (c) he or it shall not, without the prior written consent of the Sponsor and the Sole Global Coordinator (for itself and on behalf of the Public Offer Underwriters), directly or indirectly, and shall procure that none of his or its close associates or companies controlled by him or it or any nominee or trustee holding in trust for him or it shall, during the First Six month Period, offer for sale, sell, transfer, contract to sell, or otherwise dispose of (including without limitation by the creation of any option, right, warrant to purchase or otherwise transfer or dispose of, or any lending, charges, pledges or encumbrances over, or by entering into any transaction which is designed to, or might reasonably be expected to, result in the disposition (whether by actual disposition or effective economic disposition due to cash settlement or otherwise)) any of the Shares (or any interest therein or any of the voting or other rights attaching thereto) in respect of which he or it is shown in this

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## UNDERWRITING

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prospectus to be the beneficial owner (directly or indirectly) or any other securities convertible into or exchangeable for or which carry a right to subscribe, purchase or acquire any such Shares (or any interest therein or any of the voting or other rights attaching thereto) or enter into any swap, derivative or other arrangement that transfers to another, in whole or in part, any of the economic consequences of the acquisition or ownership of any such Shares (or any interest therein or any of the voting or other rights attaching thereto) or such securities, at any time during the First Six-month Period, save as provided under notes (2) to Rule 10.07(2) of the Listing Rules and subject always to compliance with the provisions of the Listing Rules, and in the event of a disposal of any Shares (or any interest therein or any of the voting or other rights attaching thereto) or such securities at any time during the Second Six-month period, (1) such disposal shall not result in any of our Controlling Shareholders ceasing to be our controlling shareholder (as defined in the Listing Rules) of our Company at any time during the Second Six-month Period; and (2) he or it shall take all steps to ensure that any such act, if done, shall not create a disorderly or false market for any Shares or other securities of our Company or any interest therein.

Without prejudice to our Controlling Shareholders' undertaking above, each of the Controlling Shareholders undertakes to the Sponsor, the Sole Global Coordinator, the Public Offer Underwriters and our Company that within the First Six-month Period and the Second Six-month Period he or it shall:

- (a) if and when he or it pledges or charges, directly or indirectly, any Shares (or any interest therein or any of the voting or other rights attaching thereto) or other securities of our Company beneficially owned by him or it (or any beneficial interest therein), immediately inform our Company, the Sponsor, the Sole Global Coordinator and the Joint Lead Managers in writing of such pledge or charge together with the number of such Shares or other securities so pledged or charged; and
- (b) if and when he or it receives indications, either verbal or written, from any pledgee or chargee that any Shares (or any interest therein or any of the voting or other rights attaching thereto) or other securities in our Company (or any beneficial interest therein) pledged or charged by him or it will be disposed of, immediately inform our Company, the Sponsor, the Sole Global Coordinator and the Joint Lead Managers in writing of such indications.

Our Company shall notify the Stock Exchange as soon as our Company has been informed of such event and shall make a public disclosure by way of announcement in accordance with the Listing Rules.

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## UNDERWRITING

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### *Lock-up undertakings to the Stock Exchange pursuant to the Listing Rules*

#### *Undertakings by our Controlling Shareholders*

In accordance with Rule 10.07(1) of the Listing Rules, each of our Controlling Shareholders has undertaken to the Stock Exchange and our Company that except pursuant to the Share Offer and the Over-allotment Option and the lending of any Shares pursuant to the Stock Borrowing Agreement or unless in compliance with the requirements of the Listing Rules, it or he shall not, and shall procure that the relevant registered holder(s) shall not, (i) at any time during the period commencing on the date by reference to which disclosure of its or his shareholding in our Company is made in the prospectus and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares or other securities of our Company in respect of which it or he is shown by this prospectus to be the beneficial owner; and (ii) at any time during the period of six months from the date on which the period referred to in paragraph (i) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares referred to in paragraph (i) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it or he would cease to be our Controlling Shareholder.

Each of our Controlling Shareholders has further undertaken to us and the Stock Exchange that it or he will, within a period of commencing on the date by reference to which disclosure of its or his shareholding is made in this prospectus and ending on the date which is 12 months from the Listing Date, immediately inform us of:

- (a) any pledges or charges of any Shares or other securities of our Company beneficially owned by any of our Controlling Shareholders in favour of any authorised institution pursuant to Note (2) to Rule 10.07(2) of the Listing Rules, and the number of such Shares or other securities of our Company so pledged or charged; and
- (b) when it or he or the relevant requested holders receive indication, either verbal or written, from any pledgee or chargee of any Shares or other securities of our Company pledged or charged that any of such securities will be disposed of.

#### *Undertaking by our Company*

Pursuant to Rule 10.08 of the Listing Rules, our Company has undertaken to the Stock Exchange that no further Shares or securities convertible into equity securities of our Company (whether or not of a class already listed) may be issued or form the subject of any agreement or arrangement to such an issue within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the Listing Date), except pursuant to the Share Offer (including the exercise of the Over-allotment Option) and the Capitalisation Issue or in certain circumstances prescribed by Rule 10.08 of the Listing Rules which includes the grant of options and the issue of Shares pursuant to the Share Option Scheme.



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## UNDERWRITING

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### **Placing**

#### ***Placing Underwriting Agreement***

In connection with the Placing, it is expected that our Company, the Selling Shareholder and Controlling Shareholders will enter into the Placing Underwriting Agreement with the Sponsor, the Sole Global Coordinator, the Placing Underwriters and other parties (if any) on terms and conditions that are substantially similar to the Public Offer Underwriting Agreement as described above and on the additional terms described below.

Under the Placing Underwriting Agreement, subject to the conditions set forth therein, the Placing Underwriters are expected to severally, but not jointly, agree to procure subscribers and purchasers to subscribe for or purchase, or failing which they shall subscribe for or purchase, the 405,000,000 Placing Shares initially being offered pursuant to the Placing. It is expected that the Placing Underwriting Agreement may be terminated on similar grounds as the Public Offer Underwriting Agreement. Potential investors shall be reminded that in the event that the Placing Underwriting Agreement is not entered into, the Share Offer will not proceed. The Placing Underwriting Agreement is conditional on and subject to the Public Offer Underwriting Agreement having been executed, becoming unconditional and not having been terminated. It is expected that pursuant to the Placing Underwriting Agreement, our Company and Controlling Shareholders will make similar undertakings as those given pursuant to the Public Offer Underwriting Agreement as described in the paragraph headed “Lock-up undertakings to the Public Offer Underwriters” above in this section.

Our Company is expected to grant to the Placing Underwriters the Over-allotment Option exercisable by the Sole Global Coordinator, for itself and on behalf of the Placing Underwriters, from the Listing Date until 30 days after the last day for lodging applications under the Public Offer, to require our Company to allot and issue up to an aggregate of 67,500,000 additional Shares, representing 15% of the initial Offer Shares, at the Offer Price under the Placing, to cover over-allocations in the Placing and/or the obligation of the Stabilising Manager to return securities borrowed under the Stock Borrowing Agreement.

#### **Commission and expenses**

The Public Offer Underwriters will receive underwriting commission of 3% of the aggregate Offer Price payable for the Public Offer Shares in accordance with the terms of the Public Offer Underwriting Agreement, out of which the Public Offer Underwriters may pay any subunderwriting commission in connection with the Share Offer. The Placing Underwriters are expected to receive an underwriting commission on the aggregate Offer Price payable for the Placing Shares.

Based on the Offer Price of HK\$0.34 per Offer Share (being the mid-point of the indicative range of the Offer Price), the aggregate commissions and fees payable to the Underwriters, together with Stock Exchange Listing fees, SFC transaction levy, Stock Exchange trading fees, legal and other professional fees and printing and other expenses relating to the Share Offer, are estimated to amount to approximately HK\$36.3 million in total (assuming the Over-allotment Option is not exercised). Of the aggregate listing expenses of approximately HK\$36.3 million, approximately HK\$3.6 million of the listing expenses is expected to be borne by the Selling Shareholder while the rest is expected to be borne by our Company.



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## **UNDERWRITING**

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### **SPONSOR'S AND UNDERWRITERS' INTEREST IN OUR COMPANY**

The Sponsor will receive a documentation fee. The Sole Global Coordinator and the Underwriters will receive an underwriting commission. Particulars of these underwriting commission and expenses are set forth under the paragraph headed "Commission and expenses" above in this section.

We have appointed Ample Capital Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules for the period commencing on the Listing Date and ending on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the full financial year commencing after the Listing Date.

Save as disclosed above, none of the Sponsor and the Underwriters is interested legally or beneficially in shares of any members of our Group or has any right or option (whether legally enforceable or not) to subscribe for or purchase or to nominate persons to subscribe for or purchase securities in any members of our Group or has any interest in the Share Offer.

The Sponsor satisfies the independence criteria applicable to sponsor set out in Rule 3A.07 of the Listing Rules.

### **MINIMUM PUBLIC FLOAT**

Our Directors and the Sole Global Coordinator will ensure that there will be a minimum 25% of the total issued Shares held in public hands in accordance with Rule 8.08 of the Listing Rules after completion of the Share Offer.

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## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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### DETERMINING THE OFFER PRICE

The Offer Price is expected to be fixed by the Price Determination Agreement to be entered into between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company (for ourselves and on behalf of the Selling Shareholder) on or before the Price Determination Date, when the market demand for the Offer Shares will be ascertained. The Price Determination Date is currently expected to be on or around Friday, 4 May 2018 and in any event, no later than 5:00 p.m. on Tuesday, 8 May 2018.

**Prospective investors should be aware that the Offer Price to be determined on or before the Price Determination Date may be, but not expected to be, lowered than the indicative Offer Price range as stated in this prospectus.** The Offer Price will not be more than HK\$0.38 per Offer Share and is expected to be not less than HK\$0.30 per Offer Share. The Offer Price will fall within the Offer Price range as stated in this prospectus unless otherwise announced, not later than the morning of the last day for lodging applications under the Public Offer.

The Sole Global Coordinator (for itself and on behalf of the Underwriters) may, where they consider appropriate, based on the level of interest expressed by prospective professional, institutional and private investors during a book-building process, and with the consent of our Company (for ourselves and on behalf of the Selling Shareholder), reduce the number of the Offer Shares and/or the indicative Offer Price range below that stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Public Offer. In such a case, our Company will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day lodging applications under the Public Offer, cause there to be published on the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk) and our Company's website at [www.rem-group.com.hk](http://www.rem-group.com.hk) notices of reduction in the number of the Offer Shares and/or the indicative Offer Price range.

In addition, we will:

- (a) issue a supplemental prospectus updating investors of the reduction in the indicative offer price together with an update of all financial and other information in connection with such change;
- (b) extend the period under which the offer was open for acceptance to allow potential investors sufficient time to consider their subscriptions or reconsider their existing subscriptions; and
- (c) give potential investors who had applied for the Offer Shares the right to withdraw their applications given the change in circumstances.

Upon issue of such a notice and supplemental prospectus, the revised number of the Offer Shares and/or Offer Price range will be final and conclusive and the Offer Price, if agreed upon with our Company (for ourselves and on behalf of the Selling Shareholder), will be fixed within such revised number of the Offer Shares and/or Offer Price range. Such notice and supplemental prospectus will also include confirmation or revision, as appropriate, of the working capital statement, the Share Offer statistics as currently set out in this prospectus, and any other financial information which may materially change as a result of such reduction.

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## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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Applicants who have submitted their applications for Public Offer Shares before such notice and supplemental prospectus are made may subsequently withdraw their applications in the event that such notice and supplemental prospectus are subsequently made. In the absence of any such notice and supplemental prospectus being published on the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk) and our Company's website at [www.rem-group.com.hk](http://www.rem-group.com.hk) of a reduction in the number of the Offer Shares and/or the indicative Offer Price range as stated in this prospectus on or before the morning of the last day for lodging applications under the Public Offer, the Offer Price, if agreed upon by the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company (for ourselves and on behalf of the Selling Shareholder), will under no circumstances be set outside the Offer Price range as stated in this prospectus.

**If, for any reason, the Offer Price is not agreed between us (for ourselves and on behalf of the Selling Shareholder) and the Sole Global Coordinator (for itself and on behalf of the Underwriters) on or around Friday, 4 May 2018 and in any event, no later than 5:00 p.m. on Tuesday, 8 May 2018, the Share Offer will not proceed and will lapse.**

Announcement of the final Offer Price, together with the level of indication of interests in the Placing and the level of applications in the Public Offer and the basis of allocation of the Public Offer Shares is expected to be published on Thursday, 10 May 2018.

### PRICE PAYABLE ON APPLICATION

The Offer Price will not be more than HK\$0.38 per Offer Share and is expected to be not less than HK\$0.30 per Offer Share. Applicants under the Public Offer should pay, on application, the maximum Offer Price of HK\$0.38 per Offer Share plus 1% brokerage, 0.005% Stock Exchange trading fee and 0.0027% SFC transaction levy, amounting to a total of HK\$3,838.29 per board lot of 10,000 Offer Shares.

If the Offer Price, as finally determined in the manner described above, is lower than the maximum Offer Price of HK\$0.38 per Offer Share, appropriate refund payments (including the related brokerage, the Stock Exchange trading fee and the SFC transaction levy attributable to the excess application monies) will be made to applicants, without interest.

Further details are set out in the section headed "How to Apply for Public Offer Shares" in this prospectus.

### CONDITIONS OF THE SHARE OFFER

Acceptance of all applications for the Offer Shares is conditional upon, among others, the satisfaction of all of the following conditions:

#### 1. Listing

The Listing Committee granting the approval of the Listing of, and permission to deal in, the Shares in issue and the Shares to be issued pursuant to the Share Offer and Shares which fall to be allotted and issued upon the exercise of the Over-allotment Option and upon the exercise of any options

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## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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which may be granted under the Share Option Scheme (and such Listing and permission not subsequently being revoked prior to the commencement of dealings in the Shares on the Stock Exchange).

### **2. Underwriting Agreements**

The obligations of the Underwriters under the Underwriting Agreements becoming and remaining unconditional (including, if relevant, as a result of a waiver of any condition(s)) and such obligations not being terminated in accordance with the terms of the Underwriting Agreements.

### **3. Price determination**

The Offer Price having been determined and the execution of the Price Determination Agreement on or before the Price Determination Date.

If any of the conditions is not fulfilled or waived on or before the times specified above, the Share Offer will lapse and the application money will be returned to the applicants, without interest. The terms on which the application money will be returned to the applicants are set out in the section headed “How to Apply for Public Offer Shares – 14. Despatch/Collection of Share certificates and refund monies” in this prospectus.

## **DEALING ARRANGEMENTS**

Assuming that the Share Offer becomes unconditional at or before 8:00 a.m. in Hong Kong on Friday, 11 May 2018, it is expected that dealing in the Shares on the Stock Exchange will commence at 9:00 a.m. on Friday, 11 May 2018.

The Shares will be traded in board lots of 10,000 Shares each and the stock code of the Shares will be 1750.

## **THE SHARE OFFER**

The Share Offer comprises the Placing and the Public Offer. A total of initially 450,000,000 Offer Shares (subject to Over-allotment Option) will be made available under the Share Offer, of which 405,000,000 Placing Shares (subject to reallocation and the Over-allotment Option), representing 90% of the Offer Shares, will initially be conditionally placed with selected professional, institutional and private investors under the Placing. The remaining 45,000,000 Public Offer Shares (subject to reallocation), representing 10% of the Offer Shares, will initially be offered to members of the public in Hong Kong under the Public Offer. The Public Offer is open to all members of the public in Hong Kong as well as to institutional and professional investors. The Public Offer Underwriters has agreed to underwrite the Public Offer Shares under the terms of the Public Offer Underwriting Agreement. The Placing Underwriters will underwrite the Placing Shares pursuant to the terms of the Placing Underwriting Agreement. Further details of the underwriting are set out in the section headed “Underwriting” in this prospectus.

Investors may apply for Offer Shares under the Public Offer or indicate an interest for Offer Shares under the Placing, but may not do both.

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## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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### **The Placing**

Our Company is expected to offer initially 405,000,000 Placing Shares comprising 315,000,000 New Shares and 90,000,000 Sale Shares (subject to reallocation and the Over-allotment Option) at the Offer Price under the Placing. The number of Placing Shares expected to be initially available for application under the Placing represents 90% of the total number of Offer Shares being initially offered under the Share Offer. The Placing is expected to be fully underwritten by the Placing Underwriters subject to the Offer Price being agreed on or before the Price Determination Date.

It is expected that the Placing Underwriters or selling agents nominated by them, on behalf of our Company, will conditionally place the Placing Shares at the Offer Price with selected professional, institutional and private investors. Professional and institutional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Private investors applying through banks or other institutions who sought the Placing Shares in the Placing may also be allocated the Placing Shares.

Allocation of the Placing Shares will be based on a number of factors, including the level and timing of demand and whether or not it is expected that the relevant investor is likely to acquire further Shares and/or hold or sell its Shares after the Listing. Such allocation is intended to result in a distribution of the Placing Shares on a basis which would lead to the establishment of a solid shareholder base to the benefit of our Company and its shareholders as a whole. Investors to whom Placing Shares are offered will be required to undertake not to apply for Shares under the Public Offer.

Our Company, our Directors, the Sponsor and the Sole Global Coordinator (for itself and on behalf of the Underwriters) are required to take reasonable steps to identify and reject applications under the Public Offer from investors who receive Shares under the Placing, and to identify and reject indications of interest in the Placing from investors who receive Shares under the Public Offer.

The Placing is expected to be subject to the conditions as stated in the paragraph headed “Conditions of the Share Offer” of this section.

### **The Public Offer**

Our Company is initially offering 45,000,000 Public Offer Shares for subscription (subject to reallocation) by members of the public in Hong Kong as well as institutional and professional investors under the Public Offer, representing 10% of the total number of Offer Shares offered under the Share Offer. The Public Offer is fully underwritten by the Public Offer Underwriters subject to the Offer Price being agreed on or before the Price Determination Date. Applicants for the Public Offer Shares are required on application to pay the maximum Offer Price of HK\$0.38 per Share plus 1% brokerage, 0.005% Stock Exchange trading fee and 0.0027% SFC transaction levy.

The Public Offer is open to all members of the public in Hong Kong as well as to institutional and professional investor. An applicant for Shares under the Public Offer will be required to give an undertaking and confirmation in the application submitted by him/her/it that he/she/it has not applied for

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## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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nor taken up any Shares under the Placing nor otherwise participated in the Placing. Applicants should note that if such undertaking and/or confirmation given by an applicant is breached and/or is untrue (as the case may be), such applicant's application under the Public Offer is liable to be rejected.

For allocation purposes only, the number of the Public Offer Shares will be divided equally into two pools: 22,500,000 Shares in pool A and 22,500,000 Shares in pool B. The Public Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for the Public Offer Shares in the value of HK\$5 million (excluding the brokerage, the Stock Exchange trading fee and the SFC transaction levy thereon) or less. The Public Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for the Public Offer Shares in the value of more than HK\$5 million (excluding the brokerage, the Stock Exchange trading fee and the SFC transaction levy thereon) and up to the value of pool B.

Investors should be aware that the allocation ratios for applications in the two pools, as well as the allocation ratios for applications in the same pool, are likely to be different. Where one of the pool is under-subscribed, the surplus Public Offer Shares will be transferred to satisfy demand in the other pool and be allocated accordingly. Applicants can only receive an allocation of Public Offer Shares from any one pool but not from both pools and can only make applications to either pool A or pool B. Any application made for more than 100% of the Public Offer Shares initially available under pool A or pool B will be rejected.

Multiple applications or suspected multiple application and any application made for more than 50% of Shares initially comprised in the Public Offer (i.e. 22,500,000 Public Offer Shares) are liable to be rejected.

Allocation of the Public Offer Shares to investors under the Public Offer will be based solely on the level of valid applications received under the Public Offer. When there is over-subscription under the Public Offer, allocation of the Public Offer Shares may involve balloting, which would mean that some applicants may be allotted more Public Offer Shares than others who have applied for the same number of the Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Public Offer Shares.

### **BASIS OF ALLOCATION OF THE OFFER SHARES**

The allocation of the Offer Shares between the Placing and the Public Offer is subject to reallocation on the following basis:

- (I) Where the Placing Shares are fully subscribed or oversubscribed:
  - (a) if the Public Offer Shares are undersubscribed, the Sole Global Coordinator has the authority to reallocate all or any unsubscribed Public Offer Shares to the Placing, in such proportions as the Sole Global Coordinator deems appropriate;

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## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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- (b) if the Public Offer Shares are not undersubscribed but the number of Offer Shares validly applied for under the Public Offer represents less than 15 times the number of the Offer Shares initially available for subscription under the Public Offer, then up to 45,000,000 Offer Shares may be reallocated to the Public Offer from the Placing (as the Sole Global Coordinator deems appropriate), so that the total number of the Offer Shares available under the Public Offer will be increased up to 90,000,000 Offer Shares, representing 20% of the number of the Offer Shares initially available under the Share Offer (before any exercise of the Over-allotment Option);
  - (c) if the number of Offer Shares validly applied for under the Public Offer represents 15 times or more but less than 50 times the number of Offer Shares initially available for subscription under the Public Offer, then 90,000,000 Offer Shares will be reallocated to the Public Offer from the Placing, so that the total number of Offer Shares available for subscription under the Public Offer will be increased to 135,000,000 Offer Shares, representing 30% of the number of the Offer Shares initially available for subscription under the Share Offer (before any exercise of the Over-allotment Option);
  - (d) if the number of Offer Shares validly applied for under the Public Offer represents 50 times or more but less than 100 times the number of Offer Shares initially available for subscription under the Public Offer, then 135,000,000 Shares will be reallocated to the Public Offer from the Placing, so that the number of Offer Shares available for subscription under the Public Offer will be increased to 180,000,000 Offer Shares, representing 40% of the number of the Offer Shares initially available for subscription under the Share Offer (before any exercise of the Over-allotment Option); and
  - (e) if the number of Offer Shares validly applied for under the Public Offer represents 100 times or more the number of Offer Shares initially available for subscription under the Public Offer, then 180,000,000 Shares will be reallocated to the Public Offer from the Placing, so that the number of Offer Shares available for subscription under the Public Offer will be increased to 225,000,000 Offer Shares, representing 50% of the number of the Offer Shares initially available for subscription under the Share Offer (before any exercise of the Over-allotment Option).
- (II) Where the Placing Shares are undersubscribed:
- (a) if the Public Offer Shares are undersubscribed, the Share Offer will not proceed unless the Underwriters would subscribe or procure subscribers for their respective applicable proportions of the Offer Shares being offered which are not taken up under the Share Offer on the terms and conditions of this prospectus, the Application Forms and the Underwriting Agreements; and



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## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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- (b) if the Public Offer Shares are fully subscribed or oversubscribed irrespective of the number of times the number of Offer Shares initially available for subscription under the Public Offer, then up to 45,000,000 Offer Shares may be reallocated to the Public Offer from the Placing (as the Sole Global Coordinator deems appropriate), so that the total number of the Offer Shares available under the Public Offer will be increased up to 90,000,000 Offer Shares, representing 20% of the number of the Offer Shares initially available under the Share Offer (before any exercise of the Over-allotment Option).

In the event of reallocation of Offer Shares between the Public Offer and the Placing in the circumstances where (i) the Placing Shares are fully subscribed or oversubscribed and the Public Offer Shares are fully subscribed or oversubscribed by less than 15 times under paragraph (I)(b) above; or (ii) the Placing Shares are undersubscribed and the Public Offer Shares are fully subscribed or oversubscribed under paragraph (II)(b) above, the final Offer Price shall be fixed at the low-end of the indicative Offer Price range (i.e. HK\$0.30 per Offer Share) stated in this prospectus.

In the event of a reallocation of Offer Shares from the Placing to the Public Offer in circumstances under paragraph (I)(b), (I)(c), (I)(d), (I)(e) and (II)(b) above, the number of Offer Shares allocated to the Placing will be correspondingly reduced.

### OVER-ALLOTMENT OPTION

Our Company is expected to grant to the Placing Underwriters the Over-allotment Option, exercisable by the Sole Global Coordinator at any time from the Listing Date until 30 days after the last day for lodging applications under the Public Offer to cover over-allocations in the Placing and/or the obligation of the Stabilising Manager to return securities borrowed under the Stock Borrowing Agreement. Pursuant to the Over-allotment Option, our Company may be required to allot and issue up to 67,500,000 additional new Shares, representing 15% of the number of Offer Shares initially available under the Share Offer, at the Offer Price.

If the Over-allotment Option is exercised in full, the additional 67,500,000 Shares will represent approximately 3.61% of our Company's enlarged share capital immediately after completion of the Share Offer and the exercise in full of the Over-allotment Option.

### STABILISATION

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the newly issued securities in the secondary market, during a specified period of time, to retard and, if possible, prevent a decline in the initial offer prices of the securities. In Hong Kong and certain other jurisdictions, activity aimed at reducing the market price is prohibited, and the price at which stabilisation is effected is not permitted to exceed the offer price.

In connection with the Share Offer, Alpha Financial Group Limited, as Stabilising Manager or its authorised agents, may, but are not obliged to, over-allocate Shares and/or effect any other transactions with a view to stabilising or supporting the market price of our Shares at a level higher than which



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## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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might otherwise prevail in the open market, for a limited period. Such stabilising activity may include stock borrowing, making market purchases of Shares in the secondary market or selling Shares to liquidate a position held as a result of those purchases, as well as exercising the Over-allotment Option. Any such stabilising activity will be effected in compliance with all applicable laws, rules and regulatory requirements in Hong Kong on stabilisation including the Securities and Futures (Price Stabilising) Rules made under the SFO.

However, there is no obligation on the Stabilising Manager or its authorised agents to conduct any such stabilising activity, which if commenced, will be done at the absolute discretion of the Stabilising Manager or its authorised agents and may be discontinued at any time. The number of Shares that may be over-allocated will not exceed the number of Shares that may be issued under the Over-allotment Option, namely 67,500,000 Shares, which is 15% of the number of Shares initially available under the Share Offer.

As a result of effecting transactions to stabilise or maintain the market price of our Shares, the Stabilising Manager or its authorised agents may maintain a long position in our Shares. The size of the long position, and the period for which the Stabilising Manager or its authorised agents will maintain the long position is at the discretion of the Stabilising Manager or its authorised agents and is uncertain. In the event that the Stabilising Manager or its authorised agents liquidate this long position by making sales in the open market, this may lead to a decline in the market price of our Shares.

Stabilising activity by the Stabilising Manager or its authorised agents is not permitted to support the price of our Shares for longer than the stabilising period, which begins on the day on which trading of our Shares commences on the Stock Exchange and ends on the 30th day from the last day for lodging applications under the Share Offer. The stabilising period is expected to end on Saturday, 2 June 2018.

Any stabilising activity taken by the Stabilising Manager or its authorised agents may not necessarily result in the market price of our Shares staying at or above the Offer Price either during or after the stabilising period. Bids for or market purchases of our Shares by the Stabilising Manager or its authorised agents may be made at a price at or below the Offer Price and therefore at or below the price paid for our Shares by investors.

In order to facilitate the settlement of over-allocations, the Stabilising Manager or its authorised agents may, among other means, purchase Shares in the secondary market, enter into stock borrowing arrangements with holders of Shares, exercise the Over-allotment Option, engage a combination of these means or otherwise as may be permitted under applicable laws. Any such secondary market purchases will be made in compliance with all applicable laws, rules and regulations.

### **STOCK BORROWING AGREEMENT**

The Stabilising Manager, as stabilising manager or its authorised agents may borrow up to 67,500,000 Shares from Unique Best equivalent to the maximum number of additional Shares to offered upon full exercise of the Over-allotment Option, under the Stock Borrowing Agreement. The Stock Borrowing Agreement will not be subject to the restrictions of Rule 10.07(1)(a) of the Listing Rules provided that the requirements set forth in Rule 10.07(3) of the Listing Rules are to be complied with.

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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### 1. HOW TO APPLY

If you apply for Public Offer Shares, then you may not apply for or indicate an interest for Placing Shares.

To apply for Public Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **HK eIPO White Form** service at [www.hkeipo.hk](http://www.hkeipo.hk); or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application. Our Company, the Sole Global Coordinator, the **HK eIPO White Form** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

### 2. WHO CAN APPLY

You can apply for Public Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under U.S. Securities Act); and
- are not a legal or natural person of the PRC.

If you apply online through the **HK eIPO White Form** service, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Sole Global Coordinator may accept it at its discretion and on any conditions it thinks fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of **HK eIPO White Form** service for the Public Offer Shares.

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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Unless permitted by the Listing Rules, you cannot apply for any Public Offer Shares if you are:

- an existing beneficial owner of shares in our Company and/or any our subsidiaries;
- a Director or chief executive officer of our Company and/or any of our subsidiaries;
- an associate of any of the above;
- a connected person of our Company or will become a connected person of our Company immediately upon completion of the Share Offer; and
- have been allocated or have applied for any Placing Shares or otherwise participate in the Placing.

### 3. APPLYING FOR PUBLIC OFFER SHARES

#### Which Application Channel to Use

For Public Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through [www.hkeipo.hk](http://www.hkeipo.hk).

For Public Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

#### Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Friday, 27 April 2018 to 12:00 noon on Thursday, 3 May 2018 from:

- (i) the office of the following party:

**Alpha Financial Group Limited**

Room A, 17/F  
Fortune House  
61 Connaught Road Central  
Central  
Hong Kong

**Wealth Link Securities Limited**

Unit B1, 5/F  
Guangdong Investment Tower  
148 Connaught Road Central  
Hong Kong

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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**AFG Securities Limited**

Room B, 17/F  
Fortune House  
61 Connaught Road Central  
Central  
Hong Kong

**Astrum Capital Management Limited**

Room 2704, Tower 1  
Admiralty Centre  
18 Harcourt Road  
Admiralty  
Hong Kong

**ChaoShang Securities Limited**

Rooms 4001-4002, 40/F  
China Resources Building  
26 Harbour Road  
Wanchai  
Hong Kong

**Grand Partners Securities Limited**

9/F, Connaught Harbourfront House  
35-36 Connaught Road West  
Hong Kong

**Head & Shoulders Securities Limited**

Room 2511, 25/F  
Cosco Tower  
183 Queen's Road Central  
Hong Kong

**Long Asia Securities Limited**

Unit A, 23/F  
The Wellington  
198 Wellington Street  
Sheung Wan  
Hong Kong

**Pacific Foundation Securities Limited**

11/F, New World Tower II  
16-18 Queen's Road Central  
Hong Kong

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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- (ii) any of the following designated branches of Bank of China (Hong Kong) Limited, the receiving bank for the Public Offer:

District	Branch name	Address
Hong Kong Island	United Centre Branch	Shop 1021, United Centre, 95 Queensway
Kowloon	Hoi Yuen Road Branch	55 Hoi Yuen Road, Kwun Tong
	Yau Ma Tei Branch	471 Nathan Road, Yau Ma Tei
New Territories	City One Sha Tin Branch	Shop Nos.24-25, G/F, Fortune City One Plus, No.2 Ngan Shing Street, ShaTin

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Friday, 27 April 2018 until 12:00 noon on Thursday, 3 May 2018 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

### Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "BANK OF CHINA (HONG KONG) NOMINEES LIMITED – REM PUBLIC OFFER" for the payment, should be deposited in the special collection boxes provided at any of the designated branches of the receiving bank listed above, at the following times:

Friday, 27 April 2018	– 9:00 a.m. to 5:00 p.m.
Saturday, 28 April 2018	– 9:00 a.m. to 1:00 p.m.
Monday, 30 April 2018	– 9:00 a.m. to 5:00 p.m.
Wednesday, 2 May 2018	– 9:00 a.m. to 5:00 p.m.
Thursday, 3 May 2018	– 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Thursday, 3 May 2018, the last application day or such later time as described in "Effect of Bad Weather on the Opening of the Applications Lists" in this section.

## 4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **HK eIPO White Form** service, among other things, you (and if you are joint applicants, each of you jointly and severally) for yourself or as an agent or a nominee on behalf of each person for whom you act:

- (i) undertake to execute all relevant documents and instruct and authorise our Company and/or the Sole Global Coordinator (or their agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Public Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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- (ii) agree to comply with the Companies Law, Cap. 22 (Law 3 of 1961 as consolidated and revised) of the Cayman Islands, the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), the Memorandum and the Articles of Association;
- (iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;
- (iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;
- (v) confirm that you are aware of the restrictions on the Share Offer in this prospectus;
- (vi) agree that none of our Company, the Selling Shareholder, the Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- (vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Placing Shares under the Placing nor participated in the Placing;
- (viii) agree to disclose to our Company, our Hong Kong Branch Share Registrar, receiving bank, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;
- (ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Selling Shareholder, the Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;
- (x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (xi) agree that your application will be governed by the laws of Hong Kong;
- (xii) represent, warrant and undertake that (i) you understand that the Public Offer Shares have not been and will not be registered under U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Public Offer Shares are outside United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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- (xiii) warrant that the information you have provided is true and accurate;
- (xiv) agree to accept the Public Offer Shares applied for, or any lesser number allocated to you under the application;
- (xv) authorise our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Public Offer Shares allocated to you, and our Company and/or its agents to send any share certificate(s) and/or any e-Auto Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have chosen to collect the share certificate(s) and/or refund cheque(s) in person;
- (xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (xvii) understand that our Company, the Sponsor and the Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted for making a false declaration;
- (xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC or to the **HK eIPO White Form** Service Provider by you or by any one as your agent or by any other person; and
- (xix) (if you are making the application as an agent for the benefit of another person) warrant that
  - (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC or to the **HK eIPO White Form** Service Provider; and
  - (ii) you have due authority to sign the Application Form or give electronic application instructions on behalf of that other person as their agent.

### **Additional Instructions for Yellow Application Form**

You may refer to the **Yellow** Application Form for details.

## **5. APPLYING THROUGH HK EIPO WHITE FORM SERVICE**

### **General**

Individuals who meet the criteria in "Who can apply" section, may apply through the **HK eIPO White Form** service for the Public Offer Shares to be allotted and registered in their own names through the designated website at [www.hkeipo.hk](http://www.hkeipo.hk).

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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Detailed instructions for application through the **HK eIPO White Form** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the designated website, you authorise the **HK eIPO White Form** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form** service.

### **Time for Submitting Applications under the HK eIPO White Form**

You may submit your application to the **HK eIPO White Form** Service Provider at [www.hkeipo.hk](http://www.hkeipo.hk) (24 hours daily, except on the last application day) from 9:00 a.m. on Friday, 27 April 2018 until 11:30 a.m. on Thursday, 3 May 2018 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Thursday, 3 May 2018 or such later time under the “Effects of Bad Weather on the Opening of the Applications Lists” in this section.

### **No Multiple Applications**

If you apply by means of **HK eIPO White Form**, once you complete payment in respect of any electronic application instruction given by you or for your benefit through the **HK eIPO White Form** service to make an application for Public Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an electronic application instruction under **HK eIPO White Form** more than once and obtaining different payment reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **HK eIPO White Form** service or by any other means, all of your applications are liable to be rejected.

### **Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance**

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give electronic application instructions is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

## **6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS**

### **General**

CCASS Participants may give electronic application instructions to apply for the Public Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.



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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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If you are a CCASS Investor Participant, you may give these electronic application instructions through the CCASS Phone System by calling +852 2979 7888 or through the CCASS Internet System (<https://ip.ccass.com>) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC can also input electronic application instructions for you if you go to:

**Hong Kong Securities Clearing Company Limited**

Customer Service Center  
1/F, One & Two Exchange Square  
8 Connaught Place, Central  
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions via CCASS terminals to apply for the Public Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Sole Global Coordinator and our Hong Kong Branch Share Registrar.

### **Giving Electronic Application Instructions to HKSCC via CCASS**

Where you have given electronic application instructions to apply for the Public Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;
- (ii) HKSCC Nominees will do the following things on your behalf:
  - agree that the Public Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
  - agree to accept the Public Offer Shares applied for or any lesser number allocated;
  - undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Placing Shares under the Placing;
  - (if the electronic application instructions are given for your benefit) declare that only one set of electronic application instructions has been given for your benefit;

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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- (if you are an agent for another person) declare that you have only given one set of electronic application instructions for the other person's benefit and are duly authorised to give those instructions as their agent;
- confirm that you understand that our Company, our Directors and the Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted if you make a false declaration;
- authorise our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Public Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
- agree that none of our Company, the Selling Shareholder, the Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- agree to disclose your personal data to our Company, our Hong Kong Branch Share Registrar, receiving bank, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or their respective advisers and agents;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Public Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;

- agree that once HKSCC Nominees' application is accepted, neither that application nor your electronic application instructions can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Public Offer results;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving electronic application instructions to apply for Public Offer Shares;
- agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving electronic application instructions) to observe and comply with the Companies Law, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Memorandum and Articles of Association of our Company; and
- agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

### **Effect of Giving Electronic Application Instructions to HKSCC via CCASS**

By giving electronic application instructions to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Public Offer Shares on your behalf;
- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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### Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions for a minimum of 10,000 Public Offer Shares. Instructions for more than 10,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Public Offer Shares will be considered and any such application is liable to be rejected.

### Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input electronic application instructions at the following times on the following dates:

Friday, 27 April 2018	–	9:00 a.m. to 8:30 p.m.	<sup>(1)</sup>
Saturday, 28 April 2018	–	8:00 a.m. to 1:00 p.m.	<sup>(1)</sup>
Monday, 30 April 2018	–	8:00 a.m. to 8:30 p.m.	<sup>(1)</sup>
Wednesday, 2 May 2018	–	8:00 a.m. to 8:30 p.m.	<sup>(1)</sup>
Thursday, 3 May 2018	–	8:00 a.m. <sup>(1)</sup> to 12:00 noon	

*Note:*

- (1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input electronic application instructions from 9:00 a.m. on Friday, 27 April 2018 until 12:00 noon on Thursday, 3 May 2018 (24 hours daily, except on the last application day).

The latest time for inputting your electronic application instructions will be 12:00 noon on Thursday, 3 May 2018, the last application day or such later time as described in “Effect of Bad Weather on the Opening of the Application Lists” in this section.

### No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Public Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any electronic application instructions to make an application for the Public Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

### Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give electronic application instructions is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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### Personal Data

The section of the Application Form headed “Personal data” applies to any personal data held by our Company, the Hong Kong Branch Share Registrar, the receiving bankers, the Sole Global Coordinator, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

### 7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Public Offer Shares by giving electronic application instructions to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Public Offer Shares through the **HK eIPO White Form** service is also only a facility provided by the **HK eIPO White Form** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Selling Shareholder, the Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **HK eIPO White Form** service will be allotted any Public Offer Shares.

To ensure that CCASS Investor Participants can give their electronic application instructions, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of electronic application instructions, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC’s Customer Service Centre to complete an input request form for electronic application instructions before 12:00 noon on Thursday, 3 May 2018.

### 8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Public Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked “For nominees” you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC or through the **HK eIPO White Form** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on electronic application instructions). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

“Unlisted company” means a company with no equity securities listed on the Stock Exchange.

“Statutory control” means you:

- control the composition of the board of directors of a company;
- control more than half of the voting power of a company; or
- hold more than half of the issued share capital of a company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

### 9. HOW MUCH ARE THE PUBLIC OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **HK eIPO White Form** service in respect of a minimum of 10,000 Public Offer Shares. Each application or electronic application instruction in respect of more than 10,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at [www.hkeipo.hk](http://www.hkeipo.hk).

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see the paragraph headed “Structure and Conditions of the Share Offer – Determining the Offer Price” in this prospectus.

### 10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number eight or above; or
- a “black” rainstorm warning,

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, 3 May 2018. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Thursday, 3 May 2018 or if there is a tropical cyclone warning signal number eight or above or a “black” rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed “Expected Timetable” in this prospectus, an announcement will be made in such event.

### 11. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indication of interest in the Placing, the level of applications in the Public Offer and the basis of allocation of the Public Offer Shares on Thursday, 10 May 2018 (i) on our Company’s website at [www.rem-group.com.hk](http://www.rem-group.com.hk); and (ii) the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk).

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Public Offer will be available at the times and date and in the manner specified below:

- in the announcement to be posted on our Company’s website at [www.rem-group.com.hk](http://www.rem-group.com.hk) and the Stock Exchange’s website at [www.hkexnews.hk](http://www.hkexnews.hk) by no later than 9:00 a.m. on Thursday, 10 May 2018;
- from the designated results of allocations website at [www.tricor.com.hk/ipo/result](http://www.tricor.com.hk/ipo/result) with a “search by ID” function on a 24-hour basis from 8:00 a.m. on Thursday, 10 May 2018 to 12:00 mid-night on Wednesday, 16 May 2018;
- by telephone enquiry line by calling (852) 3691 8488 between 9:00 a.m. and 6:00 p.m. from Thursday, 10 May 2018 to Tuesday, 15 May 2018 on a business day;
- in the special allocation results booklets which will be available for inspection during opening hours from Thursday, 10 May 2018 to Saturday, 12 May 2018 at all the receiving bank’s designated branches.

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Public Offer Shares if the conditions of the Share Offer are satisfied and the Share Offer is not otherwise terminated. Further details are contained in the section headed “Structure and Conditions of the Share Offer” in this prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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### 12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Public Offer shares will not be allotted to you:

**(i) If your application is revoked:**

By completing and submitting an Application Form or giving electronic application instructions to HKSCC or to the **HK eIPO White Form** Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot, respectively.

**(ii) If our Company or its agents exercise their discretion to reject your application:**

Our Company, the Sole Global Coordinator, the **HK eIPO White Form** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

**(iii) If the allotment of Public Offer Shares is void:**

The allotment of Public Offer Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies our Company of that longer period within three weeks of the closing date of the application lists.



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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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**(iv) If:**

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Public Offer Shares and Placing Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your electronic application instructions through the **HK eIPO White Form** service are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- our Company or the Sole Global Coordinator believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 22,500,000 Public Offer Shares (being 50% of 45,000,000 Public Offer Shares) initially offered under the Public Offer.

### **13. REFUND OF APPLICATION MONIES**

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum Offer Price of HK\$0.38 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Public Offer are not fulfilled in accordance with "Structure and Conditions of the Share Offer – Conditions of the Share Offer" in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on Thursday, 10 May 2018.

### **14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES**

You will receive one share certificate for all Public Offer Shares allotted to you under the Public Offer (except pursuant to applications made on **YELLOW** Application Forms or by electronic application instructions to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Public Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and
- refund cheque(s) crossed “Account Payee Only” in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Public Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on dispatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or around Thursday, 10 May 2018. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker’s cashier’s order(s).

Share certificates will only become valid at 8:00 a.m. on Friday, 11 May 2018 provided that the Share Offer has become unconditional and the right of termination described in the “Underwriting” section in this prospectus has not been exercised. Investors who trade shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

### **Personal Collection**

#### *(i) If you apply using a WHITE Application Form*

If you apply for 1,000,000 or more Public Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or Share certificate(s) from the Hong Kong Branch Share Registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, 10 May 2018 or such other date as notified by us on the website of our Company at [www.rem-group.com.hk](http://www.rem-group.com.hk) or on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk).

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Branch Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Public Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on Thursday, 10 May 2018, by ordinary post and at your own risk.

*(ii) If you apply using a YELLOW Application Form*

If you apply for 1,000,000 Public Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Public Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on Thursday, 10 May 2018, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Thursday, 10 May 2018, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- *If you apply through a designated CCASS participant (other than a CCASS investor participant)*

For Public Offer Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Public Offer Shares allotted to you with that CCASS participant.

- *If you are applying as a CCASS investor participant*

Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Public Offer in the manner described in "Publication of Results" above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 10 May 2018 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Public Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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*(iii) If you apply through the HK eIPO White Form service*

If you apply for 1,000,000 Public Offer Shares or more and your application is wholly or partially successful, you may collect your Share certificate(s) from the Hong Kong Branch Share Registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, 10 May 2018, or such other date as notified by our Company on the website of our Company at [www.rem-group.com.hk](http://www.rem-group.com.hk) or on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) as the date of despatch/collection of Share certificates/e-Auto Refund payment instructions/refund cheques.

If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Public Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on Thursday, 10 May 2018 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Auto Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

*(iv) If you apply via Electronic Application Instructions to HKSCC*

*Allocation of Public Offer Shares*

For the purposes of allocating Public Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives electronic application instructions or each person for whose benefit instructions are given will be treated as an applicant.

*Deposit of Share Certificates into CCASS and Refund of Application Monies*

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Thursday, 10 May 2018, or, on any other date determined by HKSCC or HKSCC Nominees.
- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Public Offer in the manner specified in "Publication of Results" above on Thursday, 10 May 2018. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 10 May 2018 or such other date as determined by HKSCC or HKSCC Nominees.

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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- If you have instructed your broker or custodian to give electronic application instructions on your behalf, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Thursday, 10 May 2018. Immediately following the credit of the Public Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Public Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Thursday, 10 May 2018.

### 15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the Listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.



**ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF REM GROUP (HOLDINGS) LIMITED AND AMPLE CAPITAL LIMITED**

**INTRODUCTION**

We report on the historical financial information of REM Group (Holdings) Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-45, which comprises the consolidated statements of financial position of the Group as at 31 December 2015, 2016 and 2017, the statement of financial position of the Company as at 31 December 2017, and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for each of the periods then ended (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-45 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 27 April 2018 (the "Prospectus") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

**DIRECTORS' RESPONSIBILITY FOR THE HISTORICAL FINANCIAL INFORMATION**

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

**REPORTING ACCOUNTANTS' RESPONSIBILITY**

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the

Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Company, as well as evaluating the overall presentation of the Historical Financial Information.

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

### **OPINION**

In our opinion the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Group's financial position as at 31 December 2015, 2016 and 2017, of the Company's financial position as at 31 December 2017, and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

### **REPORT ON MATTERS UNDER THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE AND THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE**

#### **Adjustments**

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

#### **Dividends**

We refer to Note 11 to the Historical Financial Information which contains information about the dividends paid by a subsidiary of the Company and states that no dividend have been paid by the Company in respect of the Track Record Period.

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

Hong Kong  
27 April 2018

**REM GROUP (HOLDINGS) LIMITED****HISTORICAL FINANCIAL INFORMATION OF THE GROUP****Preparation of Historical Financial Information**

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, have been prepared in accordance with the accounting policies which conform with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA and were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("Underlying Financial Statements").

The Historical Financial Information is presented in Hong Kong dollar ("HK\$") and all values are rounded to the nearest thousand (HK\$'000) except when otherwise indicated.



## CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Year ended 31 December		
		2015 HK\$'000	2016 HK\$'000	2017 HK\$'000
Revenue	6	186,743	179,292	198,507
Cost of sales		<u>(136,497)</u>	<u>(124,112)</u>	<u>(141,599)</u>
Gross profit		50,246	55,180	56,908
Other income, gains and losses	7	1,609	699	557
Selling and distribution expenses		(6,355)	(6,188)	(7,561)
General and administrative and other expenses		(14,820)	(16,557)	(31,648)
Finance costs	8	<u>(499)</u>	<u>(353)</u>	<u>(274)</u>
Profit before taxation	9	30,181	32,781	17,982
Taxation	10	<u>(5,765)</u>	<u>(6,194)</u>	<u>(5,534)</u>
Profit for the year		24,416	26,587	12,448
Other comprehensive (expense) income for the year:				
<i>Item that may be reclassified subsequently to profit or loss:</i>				
Exchange differences arising on translation of foreign operations		<u>(2,071)</u>	<u>(1,123)</u>	<u>3,352</u>
Total comprehensive income for the year		<u><u>22,345</u></u>	<u><u>25,464</u></u>	<u><u>15,800</u></u>
Profit for the year attributable to:				
Owners of the Company		23,747	26,285	12,431
Non-controlling interests		<u>669</u>	<u>302</u>	<u>17</u>
		<u><u>24,416</u></u>	<u><u>26,587</u></u>	<u><u>12,448</u></u>
Total comprehensive income attributable to:				
Owners of the Company		21,732	25,175	15,717
Non-controlling interests		<u>613</u>	<u>289</u>	<u>83</u>
		<u><u>22,345</u></u>	<u><u>25,464</u></u>	<u><u>15,800</u></u>
Earnings per share (HK cents) – basic	13	<u><u>1.70 HK cents</u></u>	<u><u>1.85 HK cents</u></u>	<u><u>0.87 HK cents</u></u>

## REM GROUP (HOLDINGS) LIMITED

## STATEMENTS OF FINANCIAL POSITION

		The Group			The Company
		At 31 December			At
		2015	2016	2017	31 December
	Notes	HK\$'000	HK\$'000	HK\$'000	2017
					HK\$'000
Non-current assets					
Property, plant and equipment	14	22,813	20,579	21,570	–
Prepaid lease payments	15	3,209	2,926	3,062	–
Rental deposits		60	95	83	–
Investment in a subsidiary	35a	–	–	–	81,578
Retention receivables	17	6,864	8,245	8,868	–
		<u>32,946</u>	<u>31,845</u>	<u>33,583</u>	<u>81,578</u>
Current assets					
Inventories	16	16,029	18,134	24,040	–
Trade and retention and other receivables	17	62,838	85,543	51,194	4,648
Short-term investments	18	396	384	568	–
Prepaid lease payments	15	81	76	81	–
Amounts due from related parties	19	8,838	894	287	–
Amounts due from directors	19	5,134	2,562	2,032	–
Tax recoverable		–	–	944	–
Bank balances and cash	20	17,509	15,506	42,962	–
		<u>110,825</u>	<u>123,099</u>	<u>122,108</u>	<u>4,648</u>
Current liabilities					
Trade and other payables	21	42,885	40,005	41,653	4,762
Amounts due to related parties	19	25,240	20,682	8,987	–
Amount due to a director	19	390	988	970	–
Amounts due to subsidiaries	35b	–	–	–	9,448
Tax payable		3,461	2,549	1,496	–
Bank loans	22	12,455	8,389	4,267	–
		<u>84,431</u>	<u>72,613</u>	<u>57,373</u>	<u>14,210</u>
Net current assets (liabilities)		<u>26,394</u>	<u>50,486</u>	<u>64,735</u>	<u>(9,562)</u>
Total assets less current liabilities		<u>59,340</u>	<u>82,331</u>	<u>98,318</u>	<u>72,016</u>

	<i>Notes</i>	<b>The Group</b>			<b>The</b>
		<b>At 31 December</b>			<b>Company</b>
		<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>At</b>
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<b>31 December</b>
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<b>2017</b>
					<i>HK\$'000</i>
Non-current liabilities					
Provision for long service payments	23	844	796	947	–
Deferred tax liabilities	24	431	406	442	–
		<u>1,275</u>	<u>1,202</u>	<u>1,389</u>	<u>–</u>
Net assets		<u>58,065</u>	<u>81,129</u>	<u>96,929</u>	<u>72,016</u>
Capital and reserves					
Share capital	25	–	–	–	–
Reserves		<u>57,239</u>	<u>80,014</u>	<u>96,929</u>	<u>72,016</u>
Equity attributable to owners of the Company		57,239	80,014	96,929	72,016
Non-controlling interests		<u>826</u>	<u>1,115</u>	<u>–</u>	<u>–</u>
Total equity		<u>58,065</u>	<u>81,129</u>	<u>96,929</u>	<u>72,016</u>

## REM GROUP (HOLDINGS) LIMITED

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company					Sub-total HK\$'000	Non- controlling interests HK\$'000	Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Translation reserve HK\$'000	Retained profits HK\$'000			
At 1 January 2015	–	–	1,560	6,881	28,640	37,081	1,039	38,120
Profit for the year	–	–	–	–	23,747	23,747	669	24,416
Other comprehensive expense		–						
– Exchange differences arising on translation of foreign operations	–	–	–	(2,015)	–	(2,015)	(56)	(2,071)
Total comprehensive (expense) income for the year	–	–	–	(2,015)	23,747	21,732	613	22,345
Dividend paid ( <i>note 11</i> )	–	–	–	–	(2,400)	(2,400)	–	(2,400)
Acquisition of further interests in subsidiaries	–	–	–	77	749	826	(826)	–
At 31 December 2015	–	–	1,560	4,943	50,736	57,239	826	58,065
Profit for the year	–	–	–	–	26,285	26,285	302	26,587
Other comprehensive expense		–						
– Exchange differences arising on translation of foreign operations	–	–	–	(1,110)	–	(1,110)	(13)	(1,123)
Total comprehensive (expense) income for the year	–	–	–	(1,110)	26,285	25,175	289	25,464
Dividend paid ( <i>note 11</i> )	–	–	–	–	(2,400)	(2,400)	–	(2,400)
At 31 December 2016	–	–	1,560	3,833	74,621	80,014	1,115	81,129
Profit for the year	–	–	–	–	12,431	12,431	17	12,448
Other comprehensive income								
– Exchange differences arising on translation of foreign operations	–	–	–	3,286	–	3,286	66	3,352
Total comprehensive income for the year	–	–	–	3,286	12,431	15,717	83	15,800
Acquisition of further interests in subsidiaries	–	–	–	130	1,068	1,198	(1,198)	–
Effect of group reorganisation	–	81,578	(81,578)	–	–	–	–	–
At 31 December 2017	–	81,578	(80,018)	7,249	88,120	96,929	–	96,929

## REM GROUP (HOLDINGS) LIMITED

## CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 December		
	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000
Operating activities			
Profit before taxation	30,181	32,781	17,982
Adjustments for:			
Depreciation of property, plant and equipment	2,030	1,960	1,790
Loss on disposal of property, plant and equipment	–	16	19
Release of prepaid lease payments	85	81	80
Provision (reversal of provision) of long service payments	60	(48)	151
Decrease (increase) in fair value of short-term investments	14	(14)	(150)
Interest income	(275)	(82)	(72)
Finance costs	499	353	274
	<u>32,594</u>	<u>35,047</u>	<u>20,074</u>
Operating cash flows before movements in working capital	32,594	35,047	20,074
Decrease (increase) in rental deposits	3	(35)	12
(Increase) decrease in trade and retention and other receivables	(17,908)	(23,287)	37,322
Decrease (increase) in inventories	21,086	(1,482)	(4,627)
Decrease in trade and other payables	(29,191)	(3,158)	(11,027)
	<u>6,584</u>	<u>7,085</u>	<u>41,754</u>
Cash generated from operations	6,584	7,085	41,754
Hong Kong Profits Tax paid	(3,532)	(6,710)	(7,348)
Enterprise Income Tax (“EIT”) paid in the Mainland China	(645)	(421)	(203)
	<u>2,407</u>	<u>(46)</u>	<u>34,203</u>
Net cash from (used in) operating activities	2,407	(46)	34,203
Investing activities			
Advance to directors	(449)	(531)	(1,030)
Advance to related parties	–	–	(287)
Purchase of property, plant and equipment	(832)	(957)	(1,490)
Interest received	275	82	72
Repayment from directors	1,411	3,103	1,560
Repayment from related parties	10	7,944	894
	<u>415</u>	<u>9,641</u>	<u>(281)</u>
Net cash from (used in) investing activities	415	9,641	(281)

	Year ended 31 December		
	2015 <i>HK\$'000</i>	2016 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Financing activities			
Repayment to related parties	(1,385)	(4,936)	(3,942)
Repayments of bank loans	(4,080)	(4,066)	(4,122)
Dividend paid	(2,400)	(2,400)	–
Issue costs paid	–	(436)	(2,986)
Interest paid	(499)	(353)	(274)
Repayment to a director	–	–	(54)
Advance from related parties	1,578	378	4,238
Advance from a director	47	598	36
	<u>          </u>	<u>          </u>	<u>          </u>
Net cash used in financing activities	(6,739)	(11,215)	(7,104)
	<u>          </u>	<u>          </u>	<u>          </u>
Net (decrease) increase in cash and cash equivalents	(3,917)	(1,620)	26,818
Cash and cash equivalents at the beginning of the year	22,299	17,509	15,506
Effect of foreign exchange rate changes	(873)	(383)	638
	<u>          </u>	<u>          </u>	<u>          </u>
Cash and cash equivalents at the end of the year, represented by bank balances and cash	<u>17,509</u>	<u>15,506</u>	<u>42,962</u>

**REM GROUP (HOLDINGS) LIMITED****NOTES TO THE HISTORICAL FINANCIAL INFORMATION****1. GENERAL**

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 15 March 2017 under the Companies Law of the Cayman Islands. The address of the Company's registered office and the principal place of business is disclosed in the section headed "Corporate Information" in the Prospectus.

The Company is an investment holding company. The principal activities of the Group are sales and manufacturing of low-voltage electrical power distribution and control devices.

The Historical Financial Information is presented in Hong Kong dollars ("HK\$"), which is also the functional currency of the Company.

**2. GROUP REORGANISATION AND BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION**

The Historical Financial Information has been prepared based on the accounting policies set out in note 4 which conform to HKFRSs issued by the HKICPA and the principle of merger accounting under Accounting Guideline 5 "Merger Accounting for Common control Combinations" for Group Reorganisation (details are set out below).

In the preparation for the proposed listing of the Company's shares on the Stock Exchange (the "Listing"), the companies now comprising the Group underwent a reorganisation (the "Group Reorganisation") which principally involves the following steps:

- (i) Prior to the Group Reorganisation, Ready Electrical Metal Work Limited ("Ready Electrical Metal") and Ready Enterprise (China) Limited ("Ready Enterprise (China)"), the operating subsidiaries of the Group, are substantially owned by Mr. Wan Man Keung, Mr. Wun Chi Keung, Mr. Wun Chi Wai and Mr. Leung Ka Wai (together referred to as the "Controlling Shareholders"), who have been the controlling shareholders of the companies comprising the Group throughout the Track Record Period. Ready Electrical Metal is collectively controlled by Mr. Wun Chi Keung, Mr. Leung Ka Wai and Ready Engineering Limited ("Ready Engineering"), which Ready Engineering is controlled by Mr. Wan Man Keung and Mr. Wun Chi Wai. Ready Enterprise (China) is collectively controlled by Ready Engineering and Ready Electrical Metal. The Controlling Shareholders are acting in concert, throughout the Track Record Period on their ownerships and exercise their control collectively over Ready Electrical Metal and Ready Enterprise (China) in respect of all the relevant business activities.
- (ii) On 7 November 2016, REM Capital Limited ("REM Capital") was incorporated with authorised share capital of US\$50,000 divided into 50,000 shares of US\$1 each, of which 1 share was allotted and issued fully paid at par to Mr. Wan Man Keung upon incorporation.
- (iii) On 7 November 2016, REM Enterprises Limited ("REM Enterprises") was incorporated with authorised share capital of US\$50,000 divided into 50,000 shares of US\$1 each, of which 1 share was allotted and issued fully paid to Mr. Leung Ka Wai upon incorporation.
- (iv) On 18 January 2017, REM Limited was incorporated with authorised share capital of US\$50,000 divided into 50,000 shares of US\$1 each, of which 1 share was allotted and issued fully paid to Mr. Yu Chi Kwan, a non-controlling shareholder of the Group, upon incorporation.
- (v) On 7 February 2017, WANs Limited was incorporated with authorised share capital of US\$50,000 divided into 50,000 shares of US\$1 each, of which 4,385 shares, 1,441 shares and 4,174 shares are allotted and issued fully paid at par to Mr. Wan Man Keung, Mr. Wun Chi Wai and Mr. Wun Chi Keung, respectively upon incorporation. As a result, Mr. Wan Man Keung, Mr. Wun Chi Wai and Mr. Wun Chi Keung were the shareholders of WANs Limited, holding 43.85%, 14.41% and 41.74% of the shares in WANs Limited, respectively. WANs Limited acquired the 1 share of REM Capital from Mr. Wan Man Keung at par on 14 February 2017.
- (vi) On 14 February 2017, REM Capital acquired the entire issued share capital of 15,000 shares of Ready Electrical Metal from Ready Engineering, Mr. Wun Chi Keung and Mr. Leung Ka Wai at consideration by allotment and issue of an aggregate of 8,142 shares in REM Capital as to 3,554 shares to WANs Limited (at the direction of Ready Engineering), 3,257 shares to WANs Limited (at the direction of Mr. Wun Chi Keung), 1,221 shares to REM Enterprises (at the direction of Mr. Leung Ka Wai) and 110 shares to REM Limited (at the direction of Ready Engineering) all credited as fully paid. Ready Engineering is substantially controlled by Mr. Wan Man Keung and Mr. Wun Chi Wai.

- (vii) On 14 February 2017, REM Capital acquired the entire issued share capital of 100,000 shares of Ready Enterprise (China) from Ready Engineering and Ready Electrical Metal at consideration by allotment and issue of an aggregate of 1,857 shares in REM Capital, as to 1,405 shares to WANs Limited (at the direction of Ready Engineering), 297 shares to WANs Limited (at the discretion of Ready Electrical Metal), 112 shares to REM Enterprises (at the direction of Ready Electrical Metal) and 43 shares to REM Limited (at the direction of Ready Engineering), all credited as fully paid.
- (viii) On 15 March 2017, the Company was incorporated in the Cayman Islands with authorised share capital of HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each, of which 1 share was allotted and issued as fully paid to the first subscriber, an independent third party, which was subsequently transferred to WANs Limited on the same date at par.
- (ix) On 26 May 2017, the Company acquired the entire share capital of 10,000 shares of REM Capital from WANs Limited, REM Enterprises Limited and REM Limited, with consideration by the allotment and issue 8,513 Shares to WANs Limited, 1,333 Shares to REM Enterprises Limited and 153 Shares to REM Limited.
- (x) On 14 June 2017, Unique Best Limited was incorporated with authorised share capital of US\$50,000 divided into 50,000 shares of US\$1 each, of which 8,514 shares, 1,333 shares and 153 shares of Unique Best Limited were allotted and issued fully paid at par to WANs Limited, REM Enterprises Limited and REM Limited, respectively on 27 June 2017. On 28 June 2017, Unique Best Limited acquired 8,514 shares, 1,333 shares and 153 shares of the Company from WANs Limited, REM Enterprises Limited and REM Limited at consideration by allotment and issue of 8,514 shares, 1,333 shares and 153 shares to WANs Limited, REM Enterprises Limited and REM Limited, respectively.
- (xi) On 29 December 2017, WAN Union Limited was incorporated as a company limited by guarantee and not authorised to issue shares. On 6 January 2018, Mr. Wan Man Keung, Mr. Wun Chi Wai and Mr. Wun Chi Keung, as settlors, established the WAN Union Trust with WAN Union Limited as the trustee (the "Trustee"). On 10 February 2018, Mr. Wan Man Keung, Mr. Wun Chi Wai and Mr. Wun Chi Keung transferred 4,385 shares, 1,441 shares and 4,174 shares in WANs Limited, respectively (in aggregate 10,000 shares), to the Trustee of the WAN Union Trust for nil consideration. Ultimately, the Trustee holds the entire interest in WANs Limited on trust for Mr. Wan Man Keung, Mr. Wun Chi Wai and Mr. Wun Chi Keung, and their immediate family members.

The Group resulting from the Group Reorganisation continued to be controlled by the Controlling Shareholders is regarded as a continuing entity. Equity interests in entities comprising the Group held by parties other than the Controlling Shareholders, and changes therein, prior to the Group Reorganisation are presented as non-controlling interests in equity in applying the principles of merger accounting. Mr. Yu Chi Kwan and Mr. Ko Chi Chung are non-controlling shareholders of Ready Electrical Metal and Ready Enterprises (China). Accordingly, the consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years ended 31 December 2015, 2016 and 2017 have been prepared to present the financial performance and cash flows of the companies now comprising the Group, as if the group structure upon the completion of the Group Reorganisation had been in existence throughout the years ended 31 December 2015, 2016 and 2017 or since the respective dates of establishment/incorporation, which is a shorter period.

The consolidated statements of financial position of the Group as at 31 December 2015 and 2016 have been prepared to present the assets and liabilities of the companies now comprising the Group as if the current group structure had been in existence at those dates, taken into account the respective dates of establishment/incorporation.

### 3. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS

For the purpose of preparing and presenting the Historical Financial Information for the Track Record Period, the Group has consistently applied all the new and revised HKFRSs, Hong Kong Accounting Standards ("HKASs") and amendments to HKFRSs and interpretation issued by the HKICPA which are effective for the accounting periods beginning on 1 January 2017 throughout the Track Record Period.



At the date of this report, HKICPA has issued the following new and amendments to HKFRSs and interpretation that are not yet effective. The Group has not early adopted these new and amendments to HKFRSs.

HKFRS 9	Financial Instruments <sup>1</sup>
HKFRS 15	Revenue from Contracts with Customers and the related Amendments <sup>1</sup>
HKFRS 16	Leases <sup>2</sup>
HKFRS 17	Insurance Contract <sup>4</sup>
HK(IFRIC) - INT 22	Foreign Currency Transactions and Advance Consideration <sup>1</sup>
HK(IFRIC) - INT 23	Uncertainty over Income Tax Treatments <sup>2</sup>
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions <sup>1</sup>
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts <sup>1</sup>
Amendments to HKFRS 9	Prepayment Features with Negative Compensation <sup>2</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures <sup>2</sup>
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle <sup>1</sup>
Amendments to HKAS 40	Transfers of Investment Property <sup>1</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle <sup>2</sup>

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

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2019.

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

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2021.

### HKFRS 9 Financial instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9 relevant to the Group are described as follows:

- all recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income ("FVTOCI"). All other financial assets are measured at their fair value at subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- in relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Based on the Group's financial instruments and risk management policies as at 31 December 2017, the directors of the Company anticipate the following potential impact on initial application of HKFRS 9:

#### Classification and measurement:

Debt instruments classified as loan receivables carried at amortised cost as disclosed in notes 27: these are held within a business model whose objective is to collect the contractual cash flows that are solely payments of principal and interest on the principal outstanding. Accordingly, these financial assets will continue to be subsequently measured at amortised cost upon the application of HKFRS 9.

Short-term investments carried at fair value as disclosed in note 18: these financial assets will continue to be measured at fair value with subsequent fair value gains or losses to be recognised in profit or loss upon the application of HKFRS 9.

All other financial assets and financial liabilities will continue to be measured on the same bases as are currently measured under HKAS 39.

Impairment:

In general, the directors of the Company anticipate that the application of the expected credit loss model of HKFRS 9 will result in earlier provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised costs and other items that subject to the impairment provisions upon application of HKFRS 9 by the Group.

The directors of the Company has applied the simplified approach to measure the loss allowance based on the life time expected losses for certain classes of instruments. Based on the assessment by the directors of the Company, if the expected credit loss model were to be applied by the Group, the application of the expected credit loss model will not have a material impact on impairment of the financial assets measured at amortised cost upon the application of HKFRS 9.

**HKFRS 15 Revenue from contracts with customers**

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity 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. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued Clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors of the Company anticipate that the application of HKFRS 15 in the future may result in more disclosures based on the existing business model of the Group as at 31 December 2017. However, the directors of the Company do not anticipate that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.

**HKFRS 16 Leases**

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 "Leases" and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at costs and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use while other operating lease payments are presented as operating cash flows. Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows by the Group.

Under HKAS 17, the Group has already recognised prepaid lease payments for leasehold lands where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2017, the Group has non-cancellable operating lease commitments of approximately HK\$901,000 as disclosed in note 29. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

In addition, the Group currently considers refundable rental deposits paid of approximately HK\$83,000 as rights and obligations under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost and such adjustments are considered as additional lease payments. Adjustments to refundable rental deposits paid would be included in the carrying amount of right-of-use assets.

The combination of straight-line depreciation of the right-to-use asset and the effective interest rate method applied to the lease liability will result in a higher total charge to the profit or loss in the initial years of the lease, and decreasing expenses during the latter part of the lease term, but there is no impact on the total expenses recognised over the lease term. The directors of the Company anticipate that the application of HKFRS 16 would not have significant impact on the financial position and performance of the Group comparing with HKAS 17 currently adopted by the Group.

Furthermore, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above.

The directors of the Company anticipate that the application of other new and amendments to HKFRSs and interpretations will have no material impact on the results and the consolidated financial statements of the Group.

#### 4. SIGNIFICANT ACCOUNTING POLICIES

The Historical Financial Information has been prepared in accordance with accounting policies which conform to HKFRSs issued by the HKICPA. In addition, the Historical Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The Historical Financial Information has been prepared on the historical cost basis, except for certain financial assets that are measured at fair values at the end of each reporting period as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the Historical Financial Information 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 within the scope of HKAS 17 "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 are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

**Basis of consolidation**

The Historical Financial Information incorporates the financial statements of the Company and entities controlled by the Company (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 Track Record Period are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

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

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

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities comprising the Group are eliminated in full on consolidation.

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

The Historical Financial Information incorporates the financial statements items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or bargain purchase gain at the time of common control combination.

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

**Investment in a subsidiary**

Investment in a subsidiary is included in the Company's statement of financial position at cost less any identified impairment losses.

**Revenue recognition**

Revenue is measured at fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business and net of discounts and returns.

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

Revenue from the sales of goods is recognised when goods are delivered and title has passed.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

**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.

**Leasing**

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

*The Group as lessee*

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

***Leasehold land and building***

When the Group makes payments for a property interest which includes both leasehold land and building elements, the Group assesses the classification of each element separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire property is accounted as operating leases. Specifically, the entire consideration (including any lump-sum upfront payments) are allocated between the leasehold land and building elements in proportion to the relative fair values of the leasehold interests in the land element and building element at initial recognition.

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is released over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the leasehold land and building elements, the entire property is generally classified as if the leasehold land is under finance lease.

**Retirement benefit costs**

Payments to state-managed retirement benefit schemes and the Mandatory Provident Fund Scheme 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.

**Long service payments**

The Group's net obligations in respect of long service payments under the Employment Ordinance are the amounts of future benefits that employees have earned in return for their services in the current and prior periods. The obligations are calculated by attributing the benefits to periods of services in accordance with the Employment Ordinance and discounted to their present value and after deducting the fair value of any related assets, including retirement scheme benefits.

**Taxation**

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before taxation as reported in the consolidated statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's 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 temporary differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax base 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 difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference 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 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 the 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 in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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

Current and deferred tax are recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity, respectively.

**Financial instruments**

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

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

***Financial assets***

The Group's financial assets are mainly loans and receivables and financial assets at fair value through profit or loss ("FVTPL"). The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

***Effective interest method***

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

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets classified as FVTPL, of which interest income is included in net gains or losses.

#### *Loans and receivables*

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

#### *Financial assets FVTPL*

Financial assets at fair value through profit or loss

Financial assets are classified as at FVTPL when the financial assets is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire consolidated contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets and is included in the 'other income, gains and losses' line item.

#### *Impairment of financial assets*

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

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty;
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

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

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

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

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

#### ***Financial liabilities and equity instruments***

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into 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 a group entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognised at the proceeds received, net of direct issue costs.

#### ***Financial liabilities at amortised cost***

Financial liabilities (including trade and other payables, amounts due to related parties, amount due to a director, amounts due to subsidiaries and bank loans) are subsequently measured at amortised cost using the effective interest method.

#### ***Effective interest method***

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

Interest expense is recognised on an effective interest basis.

#### ***Derecognition***

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

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

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



**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 at 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.

For the purposes of presenting the Historical Financial Information, the assets and liabilities of the foreign operations are translated into the presentation currency of the Group (i.e. HK\$) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

**Property, plant and equipment**

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

Depreciation is recognised to write off the cost of items of property, plant and equipment 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 the 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 profit or loss.

**Impairment on tangible assets**

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

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

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest 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. An impairment loss is recognised immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) 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) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

**Inventories**

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined using weighted average method. Net realisable value is the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

**Provisions**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

**5. KEY SOURCES OF ESTIMATION UNCERTAINTY**

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

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

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

**Valuation of trade and retention receivables**

The Group makes allowance for doubtful debts based on an assessment on the recoverability of trade and retention receivables. In determining whether an allowance for doubtful debts is required, the Group takes into consideration of the customers' credit history, settlement patterns, subsequent settlements and aging analysis of the trade and retention receivables. Where the expectation of the recoverability of trade and retention receivables is different from the original estimate, such difference will impact the carrying value of trade and retention receivables and allowance for doubtful debts in the period in which such estimate has changed. As at 31 December 2015, 2016 and 2017, the carrying amount of trade and retention receivables of the Group are HK\$61,563,000, HK\$87,096,000 and HK\$52,374,000, respectively.

**Valuation of inventories**

Inventories are stated at the lower of cost and net realisable value. Net realisable value of inventories is based on estimated selling prices less any estimation costs to be incurred to completion and disposal. These estimates are based on the current market conditions, estimated selling prices, movements and subsequent transaction prices of the finished goods. It could change significantly as a result of changes in these factors. The Group will reassess the estimation at the end of each year. As at 31 December 2015, 2016 and 2017, the carrying amount of inventories are HK\$16,029,000, HK\$18,134,000 and HK\$24,040,000, respectively.

## 6. REVENUE AND SEGMENT INFORMATION

Revenue represents amounts received and receivable for the sales of low-voltage electrical power distribution and control devices, less discounts, if any, during the Track Record Period.

For the years ended 31 December 2015, 2016 and 2017, the executive directors of the Company, being the chief operating decision maker (the "CODM"), regularly review revenue analysis by product types, including primarily low-voltage switchboard, local motor control panel, motor control centre, electrical distribution board and control box and electrical parts and replacements by location of delivery to customers. The executive directors of the Company considered the operating activities of sales of low-voltage electrical power distribution and control devices as a single operating segment. Other than revenue analysis, the CODM reviews the profit or loss for the year of the Group as a whole to make decisions about performance assessment and resource allocation. The operation of the Group constitutes one single operating segment under HKFRS 8 "Operating segments" and accordingly, no separate segment information is prepared. No segment assets and liabilities are presented as the CODM does not regularly review segment assets and liabilities.

**Entity-wide information**

An analysis of the Group's revenue by products for the year is as follows:

	Year ended 31 December		
	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000
Low-voltage switchboard	84,379	84,469	71,322
Local motor control panel	61,431	43,912	75,308
Motor control centre	24,859	31,847	34,839
Electrical distribution board and control box	13,875	16,826	14,427
Electrical parts and replacements	2,199	2,238	2,611
	<u>186,743</u>	<u>179,292</u>	<u>198,507</u>

Revenue from customers individually contributing over 10% of the total revenue of the Group of the corresponding years are as follows:

	Year ended 31 December		
	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000
Customer A	36,662	29,695	21,408
Customer B	41,300	33,372	N/A*
Customer C	18,709	N/A*	N/A*
Customer D	N/A*	22,498	34,370
	<u>N/A*</u>	<u>22,498</u>	<u>34,370</u>

\* No revenue contributed from such customers or the corresponding revenue did not contribute over 10% of the total revenue of the Group for the relevant year.

Revenue from external customers, based on location of delivery to customers is as follows:

	Year ended 31 December		
	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000
Revenue			
– Hong Kong	110,274	129,583	143,999
– People's Republic of China ("PRC")	41,404	25,633	12,261
– Macau	35,065	24,076	42,247
	<u>186,743</u>	<u>179,292</u>	<u>198,507</u>

An analysis of the Group's non-current assets other than rental deposits and retention receivables is presented below based on by their physical geographical location:

	At 31 December		
	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000
Hong Kong	3,210	2,971	3,137
PRC	22,812	20,534	21,495
	<u>26,022</u>	<u>23,505</u>	<u>24,632</u>

#### 7. OTHER INCOME, GAINS AND LOSSES

	Year ended 31 December		
	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000
Net exchange gain (loss)	531	392	(227)
Interest income	275	82	72
(Decrease) increase in fair value of short-term investments	(14)	14	150
Others	817	211	562
	<u>1,609</u>	<u>699</u>	<u>557</u>

#### 8. FINANCE COSTS

	Year ended 31 December		
	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000
Interest on bank loans	499	353	274

## 9. PROFIT BEFORE TAXATION

	Year ended 31 December		
	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000
Profit before taxation has been arrived at after charging:			
Depreciation			
– cost of sales	626	705	744
– general and administrative and other expense	1,404	1,255	1,046
Total depreciation	<u>2,030</u>	<u>1,960</u>	<u>1,790</u>
Directors' emoluments ( <i>note 12</i> )			
– fees	–	–	–
– salaries and other allowance	883	905	875
– retirement benefit scheme contributions	30	31	32
	913	936	907
– Other staff's salaries and other allowance	22,626	20,338	23,075
– Other staff's retirement benefits scheme contributions	1,715	1,800	2,885
Total staff costs	<u>25,254</u>	<u>23,074</u>	<u>26,867</u>
Auditor's remuneration	241	255	232
Release of prepaid lease payments	85	81	80
Cost of inventories recognised as expenses	128,255	116,940	131,017
Loss on disposal of property, plant and equipment	–	16	19
Listing expenses (included in general and administrative and other expenses)	–	1,497	11,786
Operating lease rentals in respect of rent premises	<u>1,079</u>	<u>1,072</u>	<u>547</u>

## 10. TAXATION

	Year ended 31 December		
	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000
The taxation charge comprises:			
Hong Kong Profits Tax			
– current year	5,342	5,860	3,971
– overprovision in prior years	(25)	–	–
PRC EIT			
– current year	458	359	1,527
Deferred tax ( <i>note 24</i> )	(10)	(25)	36
	<u>5,765</u>	<u>6,194</u>	<u>5,534</u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the Track Record Period.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the subsidiaries in Mainland China is 25% from 1 January 2008 onwards.

Taxation charge for the year can be reconciled to the profit before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	Year ended 31 December		
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000
Profit before taxation	30,181	32,781	17,982
Tax at the applicable income tax rate at 16.5%	4,980	5,409	2,967
Tax effect of expenses not deductible for tax purpose	462	683	2,050
Tax effect of income not taxable for tax purpose	(91)	(90)	(63)
Overprovision of Hong Kong Profits Tax in prior year	(25)	–	–
Effect of different tax rates of subsidiaries operating in PRC	147	80	519
Others	292	112	61
Taxation charge for the year	5,765	6,194	5,534

Deferred taxation has not been recognised in respect of certain undistributed retained profits earned by the subsidiaries in the PRC amounting of HK\$1,420,000, HK\$2,128,000 and HK\$3,371,000 for the reporting periods ended 31 December 2015, 2016 and 2017, respectively, as the management of the Group are of the opinion that the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

## 11. DIVIDEND

During each of the years ended 31 December 2015, 2016 and 2017, Ready Electrical Metal, a subsidiary of the Company declared and paid interim dividends of HK\$2,400,000, HK\$2,400,000 and nil, respectively, to its then shareholders prior to the Group Reorganisation. Other than the above, no dividend has been paid or declared by other companies comprising the Group during the Track Record Period or the Company since its incorporation.

The rates of dividend declared and the numbers of shares ranking for distribution are not presented as such information is not meaningful having regard to the purpose of this report.

## 12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

### Directors and chief executive's emoluments

Details of the emoluments paid or payable by the Group to the directors and the chief executive of the Company, including emoluments paid to them by the Group prior to becoming directors of the Company, during the Track Record Period are as follows:

#### Year ended 31 December 2015

Name of directors	Fee HK\$'000	Salaries and other allowance HK\$'000	Retirement	Total HK\$'000
			benefit scheme contributions HK\$'000	
Mr. Wan Man Keung (note i)	–	–	–	–
Mr. Wun Chi Keung (note ii)	–	526	13	539
Mr. Leung Ka Wai (note iii)	–	357	17	374
	–	883	30	913

## Year ended 31 December 2016

Name of directors	Fee HK\$'000	Salaries and other allowance HK\$'000	Retirement benefit scheme contributions HK\$'000	Total HK\$'000
Mr. Wan Man Keung (note i)	-	-	-	-
Mr. Wun Chi Keung (note ii)	-	530	14	544
Mr. Leung Ka Wai (note iii)	-	375	17	392
	-	905	31	936

## Year ended 31 December 2017

Name of directors	Fee HK\$'000	Salaries and other allowance HK\$'000	Retirement benefit scheme contributions HK\$'000	Total HK\$'000
Mr. Wan Man Keung (note i)	-	-	-	-
Mr. Wun Chi Keung (note ii)	-	517	14	531
Mr. Leung Ka Wai (note iii)	-	358	18	376
Mrs. Kan Wan Wai Yee Mavis (note iv)	-	-	-	-
	-	875	32	907

## Notes:

- (i) Mr. Wan Man Keung was appointed as the chairman and a non-executive director of the Company on 15 March 2017. Mr. Wan Man Keung has waived his director's emoluments during the Track Record Period which are not significant. Mr. Wan Man Keung was appointed as an executive director of the Company on 12 January 2018.
- (ii) Mr. Wun Chi Keung was appointed as the chief executive officer and an executive director of the Company on 9 May 2017. Mr. Wun Chi Keung resigned as the chief executive officer and an executive director of the Company on 12 January 2018.
- (iii) Mr. Leung Ka Wai was appointed as an executive director of the Company on 9 May 2017. Mr. Leung Ka Wai was appointed as the chief executive officer of the Company on 12 January 2018.
- (iv) Mrs. Kan Wan Wai Yee Mavis, a cousin of Mr. Wan Man Keung, Mr. Wun Chi Keung and Mr. Wun Chi Wai, was appointed as a non-executive director of the Company on 9 May 2017.

The emoluments of the above executive directors include those services rendered by them to the Group in connection with the management of affairs of the Group during the Track Record Period. Except for Mr. Wan Man Keung, none of the executive directors have waived any emolument during the Track Record Period.

**Independent non-executive directors**

No independent non-executive directors were appointed by the Company during the Track Record Period. Mr. Ng Chi Keung Alex, Mr. Cheng Sum Hing and Ms. Ng Ching Ying were appointed as independent non-executive directors of the Company on 23 April 2018.

**Employees' emoluments**

The five highest paid individuals of the Group during the years ended 31 December 2015, 2016 and 2017 include 1, 1 and 1 executive director, respectively, details of whose emoluments are included above. Details of the emoluments of the remaining 4, 4, and 4 individuals for the years ended 31 December 2015, 2016 and 2017, respectively, are as follows:

	Year ended 31 December		
	2015	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Salaries and other allowance	1,401	1,616	1,608
Discretionary bonus	1,330	55	270
Retirement benefit scheme contributions	65	66	66
	<u>2,796</u>	<u>1,737</u>	<u>1,944</u>

The emoluments of the remaining highest paid employees were within the following bands:

	Year ended 31 December		
	2015	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Nil to HK\$1,000,000	<u>4</u>	<u>4</u>	<u>4</u>

During the Track Record Period, no emoluments were paid by the Group to the directors of the Company or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office.

**13. EARNINGS PER SHARE**

The calculation of the basic earnings per share for the Track Record Period is based on the following date:

	Year ended 31 December		
	2015	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Earning			
Profit for the year attributable to owners of the Company for the purpose of basic earnings per share	<u>23,747</u>	<u>26,285</u>	<u>12,431</u>

	Year ended 31 December		
	2015	2016	2017
	<i>'000</i>	<i>'000</i>	<i>'000</i>
Weighted average number of shares			
Weighted average number of ordinary shares for the purpose of basic earnings per share	<u>1,399,608</u>	<u>1,417,968</u>	<u>1,430,784</u>

The weighted average number of ordinary shares for the purpose of calculating basic earnings per share has been determined on the assumption that the Company had been the holding company of the subsidiaries with shares issued and outstanding consistent with the basis of consolidation throughout the Track Record Period and the Capitalisation Issue as detailed in the section headed "History, Reorganisation and Group Structure" in this Prospectus had been effective on 1 January 2015.

No diluted earnings per share is presented as there were no potential ordinary shares in issue during the Track Record Period.



## 14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings <i>HK\$'000</i>	Leasehold improvements <i>HK\$'000</i>	Plant and machinery <i>HK\$'000</i>	Furniture, fixtures and equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>COST</b>						
At 1 January 2015	26,092	742	4,477	6,534	901	38,746
Additions	229	–	297	306	–	832
Exchange adjustment	(1,196)	–	(231)	(90)	(17)	(1,534)
At 31 December 2015	25,125	742	4,543	6,750	884	38,044
Additions	244	4	334	90	285	957
Disposals	–	–	(85)	(109)	–	(194)
Exchange adjustment	(1,403)	–	(288)	(112)	(21)	(1,824)
At 31 December 2016	23,966	746	4,504	6,619	1,148	36,983
Additions	66	739	93	592	–	1,490
Disposals	–	–	–	(244)	–	(244)
Exchange adjustment	1,520	27	326	116	42	2,031
At 31 December 2017	25,552	1,512	4,923	7,083	1,190	40,260
<b>ACCUMULATED DEPRECIATION</b>						
At 1 January 2015	4,138	722	2,399	5,833	539	13,631
Provided for the year	1,194	18	337	291	190	2,030
Exchange adjustment	(223)	–	(131)	(64)	(12)	(430)
At 31 December 2015	5,109	740	2,605	6,060	717	15,231
Provided for the year	1,142	3	352	264	199	1,960
Eliminated on disposals	–	–	(73)	(105)	–	(178)
Exchange adjustment	(329)	–	(175)	(87)	(18)	(609)
At 31 December 2016	5,922	743	2,709	6,132	898	16,404
Provided for the year	1,136	50	326	216	62	1,790
Eliminated on disposals	–	–	–	(225)	–	(225)
Exchange adjustment	399	2	206	88	26	721
At 31 December 2017	7,457	795	3,241	6,211	986	18,690
<b>NET BOOK</b>						
At 31 December 2015	<u>20,016</u>	<u>2</u>	<u>1,938</u>	<u>690</u>	<u>167</u>	<u>22,813</u>
At 31 December 2016	<u>18,044</u>	<u>3</u>	<u>1,795</u>	<u>487</u>	<u>250</u>	<u>20,579</u>
At 31 December 2017	<u>18,095</u>	<u>717</u>	<u>1,682</u>	<u>872</u>	<u>204</u>	<u>21,570</u>

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives and after taking into account of their estimated residual values, using the straight-line method, at the following rates per annum:

Leasehold land and buildings	over the shorter of the remaining term of the lease or 4%
Leasehold improvements	20%
Plant and machinery	10% – 20%
Furniture, fixtures and equipment	20% – 33.3%
Motor vehicles	20% – 25%

The leasehold land and building situated in Hong Kong with carrying amount of HK\$2,896,000 and HK\$2,797,000 at 31 December 2015 and 2016, respectively was secured for banking facilities granted to the Group and a related party. On 10 March 2017, the Group have renewed the banking facilities with the bank, and the Group's leasehold land and buildings situation in Hong Kong with carrying amount of HK\$2,698,000 at 31 December 2017 are only secured for the bank borrowings utilised by the Group.

#### 15. PREPAID LEASE PAYMENTS

	At 31 December		
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000
The Group's prepaid lease payments comprise:			
Leasehold land outside Hong Kong	3,290	3,002	3,143
Analysed for reporting purposes as:			
Non-current assets	3,209	2,926	3,062
Current assets	81	76	81
	<u>3,290</u>	<u>3,002</u>	<u>3,143</u>

#### 16. INVENTORIES

	At 31 December		
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000
Raw materials	6,010	8,882	10,018
Work in progress	2,500	3,138	7,644
Finished goods	7,519	6,114	6,378
	<u>16,029</u>	<u>18,134</u>	<u>24,040</u>

## 17. TRADE AND RETENTION AND OTHER RECEIVABLES

	The Group At 31 December		The Company At 31 December	
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2017 HK\$'000
Trade receivables	47,886	71,575	32,086	–
Bill receivables	2,814	1,598	294	–
	<u>50,700</u>	<u>73,173</u>	<u>32,380</u>	<u>–</u>
Retention receivables	6,813	7,276	11,420	–
Other receivables, prepayment and deposits	5,325	5,094	7,394	4,648
	<u>62,838</u>	<u>85,543</u>	<u>51,194</u>	<u>4,648</u>

**Trade and bill receivables**

The Group's trade and bill receivables are arisen from revenue generated from manufacturing and sales of low-voltage electrical power distribution and control devices. As at 31 December 2015, 2016 and 2017, included in the trade and bill receivables are receivables from related parties, namely Ready System Engineering Limited incorporated in Hong Kong ("Ready System Engineering") and Ready System Engineering Limited incorporated in Macau ("Ready System (Macau)"), amounting in aggregate of approximately HK\$9,653,000, HK\$5,066,000 and HK\$158,000, respectively. Ready System Engineering was legally held by Ready Engineering and Mr. Wan Man Keung (as trustee for Ready Engineering) as to 4,099,999 shares and 1 share, respectively. During the year ended 31 December 2017, Ready Engineering transferred its 3,895,000 and 205,000 shares in Ready System Engineering (representing 95% and 5% of the issued share capital of Ready System Engineering), respectively, to an independent third party and Mr. Wan Man Keung, respectively. Mr. Wan Man Keung and Mr. Wun Chi Wai resigned as directors of Ready System Engineering on 14 February 2017.

Ready System (Macau) was a non-wholly owned subsidiary of SEM Enterprises Limited ("SEM Enterprises"), which was controlled by Mr. Wan Man Keung and Mr. Wun Chi Wai.

Payment terms with customers are mainly on credit together with deposits received in advance for new customers. The Group allows credit period with a range from 30 to 75 days to its trade customers. The extension of credit period to the customers may be granted on a discretionary basis by considering the creditworthiness, the customers' financial condition and payment history with the Group. The following is an analysis of trade and bill receivables by age, presented based on the invoice date, which approximates the respective revenue recognition dates.

	At 31 December		
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000
0 – 30 days	26,469	36,767	17,371
31 – 60 days	10,927	21,131	8,934
61 – 180 days	8,183	9,640	5,645
181 – 365 days	2,033	1,973	90
Over 1 year	3,088	3,662	340
	<u>50,700</u>	<u>73,173</u>	<u>32,380</u>

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customers. Recoverability of the existing customers is reviewed by management of the Group regularly.

As at 31 December 2015, 2016 and 2017 included in the Group's trade receivable balances were receivables with aggregate carrying amount of HK\$16,294,000, HK\$17,597,000 and HK\$9,934,000, respectively, which were past due at the end of each reporting period for which the Group had not provided for impairment loss as these balances were either subsequently settled or there has not been a significant change in credit quality and the amounts were still considered recoverable. Accordingly, the directors of the Company believe that no impairment loss was required. The Group does not hold any collateral over these balances.

Aging of trade receivables which are past due but not impaired:

	At 31 December		
	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000
<b>Overdue</b>			
1 – 30 days	4,584	9,369	6,909
31 – 60 days	1,397	2,144	2,565
61 – 180 days	5,964	1,403	54
181 – 365 days	1,379	1,168	76
Over 1 year	2,970	3,513	330
	<u>16,294</u>	<u>17,597</u>	<u>9,934</u>

#### Retention receivables

Retention receivables are unsecured, interest-free and recoverable at the end of the defect liability period of individual contracts, ranging from 6 months to 2 years from the date of delivery of finished goods to customers.

The following is an aged analysis of retention receivables, which are to be transferred to trade receivables based on the expiry of the defect liability period, at the end of each reporting period.

	At 31 December		
	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000
Within one year	6,813	7,276	11,420
After one year	6,864	8,245	8,868
	<u>13,677</u>	<u>15,521</u>	<u>20,288</u>

In determining the recoverability of trade and retention receivables, the Group considers any change in credit quality of the customers from the date credit was initially granted up to the end of each reporting period.

The Group's trade and retention receivables denominated in currencies other than the functional currency of the relevant group entities are set out below:

	At 31 December		
	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000
Macau Pataca ("MOP")	<u>4,409</u>	<u>1,385</u>	<u>475</u>

## 18. SHORT-TERM INVESTMENTS

	At 31 December		
	2015	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Unlisted investments			
Managed fund	396	384	568

The managed fund as at 31 December 2015, 2016 and 2017 comprise of unlisted investments. The fund is stated at fair value with reference to the quoted market price of the managed fund provided by a broker which is a financial institution.

## 19. AMOUNTS DUE FROM (TO) RELATED PARTIES/DIRECTORS

	At	At 31 December		
	1 January	2015	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Amounts due from (to) related parties:				
– Ready System (Macau)	3,848	3,838	816	287
– Ready I&T Limited (“Ready I&T”) ( <i>note a</i> )	5,000	5,000	–	–
– Ready Engineering	(8,687)	(8,687)	(8,987)	(8,987)
– Ready System Engineering ( <i>note b</i> )	(15,998)	(16,553)	(11,617)	–
– 深圳建達機電設備有限公司 (“深圳建達”) ( <i>note c</i> )	(362)	–	–	–
	<u>(16,199)</u>	<u>(16,402)</u>	<u>(19,788)</u>	<u>(8,700)</u>
Analysed for reporting purposes as:				
Amounts due from related parties		8,838	894	287
Amounts due to related parties		(25,240)	(20,682)	(8,987)
		<u>(16,402)</u>	<u>(19,788)</u>	<u>(8,700)</u>
Maximum amount outstanding during the year:				
– Ready System (Macau)		3,848	3,838	894
– Ready I&T		5,000	5,000	–

	<b>At 1 January 2015 HK\$'000</b>	<b>2015 HK\$'000</b>	<b>At 31 December 2016 HK\$'000</b>	<b>2017 HK\$'000</b>
Amounts due from (to) directors:				
– Mr. Wun Chi Keung (note d)	5,361	4,252	1,894	1,288
– Mr. Leung Ka Wai	735	882	668	744
– Mr. Wan Man Keung	(343)	(390)	(988)	(970)
	<u>5,753</u>	<u>4,744</u>	<u>1,574</u>	<u>1,062</u>
Analysed for reporting purposes as:				
Amounts due from directors		5,134	2,562	2,032
Amount due to a director		(390)	(988)	(970)
		<u>4,744</u>	<u>1,574</u>	<u>1,062</u>
Maximum amount outstanding during the year:				
– Mr. Wun Chi Keung (note d)		5,361	4,252	2,824
– Mr. Leung Ka Wai		882	882	744
		<u>6,243</u>	<u>5,134</u>	<u>3,568</u>

*Notes:*

- (a) Ready I&T was an indirect non-wholly owned subsidiary of Ready Engineering.
- (b) During the year ended 31 December 2017, Ready Engineering transferred its beneficial interest of 3,895,000 and 205,000 shares in Ready System Engineering (representing 95% and 5% of the issued share capital of Ready System Engineering) to an independent third party and Mr. Wan Man Keung. The amount due to Ready System Engineering amounting to HK\$8,127,000 was included in other payables as at 31 December 2017.
- (c) 深圳建達 was a direct non-wholly owned subsidiary of Ready System Engineering.
- (d) Mr. Wun Chi Keung resigned as an executive director of the Company on 12 January 2018.

All the balances are unsecured, interest-free, non-trade nature and repayable on demand as at 31 December 2015, 2016 and 2017. The directors of the Company represent that the outstanding amounts due from (to) related parties and directors as at 31 December 2017 will be fully settled prior to the Listing.

**20. BANK BALANCES AND CASH**

Bank balances and cash comprise cash on hand and bank balances. Bank balances carry interest at prevailing market interest rates which were ranging from 0.001% to 0.8% per annum as at 31 December 2015, 2016 and 2017.

The Group's bank balances and cash that are denominated in currencies other than the functional currency of the relevant group entities are set out below:

	<b>At 31 December</b>		
	<b>2015 HK\$'000</b>	<b>2016 HK\$'000</b>	<b>2017 HK\$'000</b>
Renminbi ("RMB")	17	26	8
MOP	192	167	436
Australian Dollar ("AUD")	35	35	35
United States Dollar ("USD")	<u>55</u>	<u>55</u>	<u>55</u>

## 21. TRADE AND OTHER PAYABLES

	The Group At 31 December			The Company At 31 December
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2017 HK\$'000
Trade payables	29,622	32,299	22,273	–
Bill payables	1,348	2,170	1,695	–
	<u>30,970</u>	<u>34,469</u>	<u>23,968</u>	<u>–</u>
Receipts in advance from customers	5,868	2,304	1,364	–
Accruals and other payables	6,047	3,232	16,321	4,762
	<u>42,885</u>	<u>40,005</u>	<u>41,653</u>	<u>4,762</u>

As at 31 December 2015, included in the trade payables were payables to related parties, namely Ready System Engineering and 深圳建達, amounting in aggregate of HK\$1,407,000.

The credit period granted by suppliers to the Group ranged from 30 to 75 days. The following is an aged analysis of trade and bill payables presented based on the invoice dates at the end of each reporting period:

	At 31 December		
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000
1 – 30 days	8,865	12,935	5,491
31 – 60 days	7,562	10,075	8,004
61 – 90 days	3,542	4,346	4,617
Over 90 days	11,001	7,113	5,856
	<u>30,970</u>	<u>34,469</u>	<u>23,968</u>

The Group's bill payables are denominated in USD.

## 22. BANK LOANS

	At 31 December		
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000
The carrying amounts of bank borrowings are repayable:			
Within one year	4,066	4,121	3,996
Within a period of more than one year but not exceeding two years	4,121	3,998	271
Within a period of more than two years but not exceeding five years	4,268	270	–
	<u>12,455</u>	<u>8,389</u>	<u>4,267</u>

Note: All bank borrowings contain a repayment on demand clause and are shown under current liabilities.

The bank borrowings as at 31 December 2015 and 2016 carried interest at lower of Prime Rate less 1.5% or 1 month Hong Kong Interbank Offered Rate ("HIBOR") plus 3% per annum. The bank borrowings as at 31 December 2017 carry interest at 1 month HIBOR plus 3% per annum. The ranges of effective interest rates on the borrowings as at 31 December 2015, 2016 and 2017 (which are also equal to contracted interest rate) range from 3.19% to 3.26%, 3.21% to 3.48% and 4.02% to 4.19% per annum, respectively.

As at 31 December 2015 and 31 December 2016, the Group's borrowings are denominated in HK\$. The banking facilities are secured collectively by pledged deposits held by Ready Engineering, legal charge over properties held by Mr. Wan Man Keung and his family member, a property owned by Ready Electrical Metal, corporate guarantee by Ready System Engineering and personal guarantees provided by Mr. Wan Man Keung, Mr. Wun Chi Keung and Mr. Wun Chi Wai for unlimited amounts.

On 10 March 2017, the Group have renewed the banking facilities with the bank, and the borrowings are secured by the legal charge over the property owned by Ready Electrical Metal and the personal guarantees provided by Mr. Wan Man Keung, Mr. Wun Chi Keung and Mr. Wun Chi Wai with unlimited amounts.

### 23. PROVISION FOR LONG SERVICE PAYMENTS

The provision for long service payments is determined with reference to the employees' remuneration and their years of services.

	At 31 December		
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000
At beginning of the year	784	844	796
Provision (reversal of provision) for the year	60	(48)	151
At end of the year	<u>844</u>	<u>796</u>	<u>947</u>

### 24. DEFERRED TAX LIABILITIES

The movements in deferred tax liabilities during the years ended 31 December 2015, 2016 and 2017 are as follows:

	Accelerated tax depreciation HK\$'000
At 1 January 2015	(441)
Credit to profit or loss	<u>10</u>
At 31 December 2015	(431)
Credit to profit or loss	<u>25</u>
At 31 December 2016	(406)
Charge to profit or loss	<u>(36)</u>
At 31 December 2017	<u>(442)</u>



## 25. SHARE CAPITAL

## The Company

	Number of shares	Amount HK\$
<b>Ordinary shares of HK\$0.01 each</b>		
Authorised:		
At date of incorporation and 31 December 2017	38,000,000	380,000
Issued and fully paid:		
At date of incorporation	1	–
Issue of shares	9,999	100
At 31 December 2017	10,000	100

There was no share capital as at 1 January 2015, 31 December 2015 and 31 December 2016 since the Company was not yet set up by then.

The Company was incorporated and registered as an exempted company in Cayman Islands on 15 March 2017 with an authorised share capital of HK\$380,000 divided into 38,000,000 shares of nominal value of HK\$0.01 each. As at 31 December 2017, the share capital represents the issued share capital of the Company of HK\$100.

## 26. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of net debt, which includes bank loans and amounts due to related parties and directors, net of cash and cash equivalents and equity attributable to the owners of the Group, comprising issued share capital and retained profits.

The management of the Group reviews the capital structure on a continuous basis. As part of this review, the management of the Group considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the management, the Group will balance its overall capital structure.

## 27. FINANCIAL INSTRUMENTS

## Categories of financial instruments

	The Group At 31 December			The Company At 31 December
	2015	2016	2017	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Financial assets				
Loans and receivables (including cash and cash equivalents)	98,881	109,744	99,727	–
Financial assets at FVTPL	396	384	568	–
	<u>99,277</u>	<u>110,128</u>	<u>100,295</u>	<u>–</u>
Financial liabilities				
Amortised cost	<u>71,078</u>	<u>64,682</u>	<u>51,332</u>	<u>14,210</u>

**Financial risk management objectives and policies**

The Group's financial instruments include trade and retention and other receivables, amounts due from related parties, amounts due from directors, short-term investments, bank balances and cash, trade and other payables, amounts due to related parties, amount due to a director and bank loans. The Company's financial instruments include other payables and amounts due to subsidiaries. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

**Market risk***Currency risk*

The subsidiaries of the Company have sales and purchases denominated in currencies other than their functional currency, which exposes the Group to foreign currency risk. The carrying amounts of the group entities' foreign currency denominated monetary assets and liabilities (excluding inter-company balances) at the end of the reporting date are as follows:

The Group	At 31 December		
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000
<b>Assets</b>			
MOP	4,601	1,552	911
RMB	17	26	8
USD	55	55	55
AUD	35	35	35
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Liabilities</b>			
USD	1,348	2,170	1,695
	<u>          </u>	<u>          </u>	<u>          </u>

In addition, inter-company balances denominated in foreign currencies other than the respective group entities' functional currencies at the end of each reporting period are as follows:

	At 31 December		
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000
<b>Assets</b>			
USD	19,670	7,357	1,547
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Liabilities</b>			
USD	21,018	8,773	10,702
	<u>          </u>	<u>          </u>	<u>          </u>

**Sensitivity analysis**

The group entities mainly expose to foreign currency of USD, which is arising from relevant group entities' foreign currency denominated monetary assets for the Group's operating activities. As HK\$ is pegged to USD, hence the group entities with functional currency denominated in HK\$ did not have significant exposure to currency risk and no sensitivity analysis has been prepared. No sensitivity analysis for the currency risk of MOP, RMB and AUD are prepared as the directors of the Company consider the impact of such foreign currency risk are insignificant.

The following table details a group entity's sensitivity to a 5% increase and decrease in RMB, functional currency of a group entity against the relevant foreign currency (i.e. USD). 5% represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% change in foreign currency rates. A positive number below indicates an increase in post-tax profit where functional currency of the relevant group entity weakens 5% against the relevant foreign currency. For a 5% strengthening of functional currency of the relevant group entity against the relevant foreign currency, there would be an equal and opposite impact on the post-tax profit.

	USD impact		
	Year ended 31 December		
	2015	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Increase in profit for the year	<u>738</u>	<u>276</u>	<u>451</u>

The Group currently does not have a foreign currency hedging policy to eliminate the currency exposures. However, the management monitors the related foreign currency exposure closely and will consider hedging significant foreign currency exposures should the need arise.

The Company has no significant foreign currency risk.

#### *Interest rate risk*

The Group is exposed to cash flow interest rate risk through the impact of rate changes on interest bearing financial assets and liabilities, mainly interest-bearing bank balances and bank loans at variable interest rates. The Group currently does not have an interest rate hedging policy. However, the management of the Group will consider hedging significant interest rate risk should the need arise.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of Hong Kong Dollar Prime Rate and HIBOR arising from the Group's Hong Kong dollar denominated borrowings.

The Company does not have exposure on interest rate risk.

#### **Sensitivity analysis**

The sensitivity analysis below have been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 100 basis points and 10 basis points increase or decrease in bank loans and bank balances, respectively are used which represents management's assessment of the reasonably possible change in interest rates.

If interest rates on interest bearing loans and bank balances had been 100 basis points and 10 basis points, respectively higher/lower and all of other variables were held constant, the post-tax profit for the year ended 31 December 2015, 2016 and 2017 would decrease/increase approximately by HK\$89,000, HK\$58,000 and HK\$1,000, respectively.

#### *Credit risk*

As at 31 December 2015, 2016 and 2017, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group is arising from: (i) the carrying amount of the respective financial assets as stated in the consolidated statement of financial position; and (ii) the amount of contingent liabilities in relation to financial guarantees issued by the Group as disclosed in note 30.

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

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings.

The credit risk on amounts due from directors and related parties are limited because the management of the Group have a good understanding on their financial background and abilities to repay the debts.

The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

The Company has no significant credit risk.

#### *Liquidity risk*

The management of the Group has built a liquidity risk management framework for managing the Group's short and medium-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining banking facilities and by continuously monitoring forecasted and actual cash flows and the maturity profiles of its financial liabilities.

The following table details the Group's remaining contractual maturity for its financial liabilities. The table has been drawn up to reflect the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

#### **The Group**

	Weighted average interest rate %	On demand or less than 1 year HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying amount HK\$'000
<b>31 December 2015</b>				
Trade and bills payables	–	30,970	30,970	30,970
Other payables	–	2,023	2,023	2,023
Amounts due to related parties	–	25,240	25,240	25,240
Amount due to a director	–	390	390	390
Bank loans ( <i>note</i> )	3.26	12,455	12,455	12,455
		<u>71,078</u>	<u>71,078</u>	<u>71,078</u>
Financial guarantee contracts		<u>36,940</u>	<u>36,940</u>	<u>–</u>
	Weighted average interest rate %	On demand or less than 1 year HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying amount HK\$'000
<b>31 December 2016</b>				
Trade and bills payables	–	34,469	34,469	34,469
Other payables	–	154	154	154
Amounts due to related parties	–	20,682	20,682	20,682
Amount due to a director	–	988	988	988
Bank loans ( <i>note</i> )	3.48	8,389	8,389	8,389
		<u>64,682</u>	<u>64,682</u>	<u>64,682</u>
Financial guarantee contracts		<u>36,940</u>	<u>36,940</u>	<u>–</u>

	Weighted average interest rate %	On demand or less than 1 year HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying amount HK\$'000
<b>31 December 2017</b>				
Trade and bills payables	–	23,968	23,968	23,968
Other payables	–	13,140	13,140	13,140
Amount due to a related party	–	8,987	8,987	8,987
Amount due to a director	–	970	970	970
Bank loans ( <i>note</i> )	4.10	4,267	4,267	4,267
		<u>51,332</u>	<u>51,332</u>	<u>51,332</u>

The amounts included above for financial guarantee contracts are the maximum amounts the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Group considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

*Note:*

Bank loans with a repayment on demand clause are included in the “on demand or less than 1 year” time band in the above maturity analysis. As at 31 December 2015, 2016 and 2017, the aggregate carrying amounts of these bank loans amounted to HK\$12,455,000, HK\$8,389,000 and HK\$4,267,000, respectively. Taking into account the Group’s financial position, the directors of the Company do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors of the Company believe that such bank loans will be repaid with interest in accordance with the scheduled repayment dates set out in the loan agreements as follows:

	At 31 December		
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000
Aggregate principal and interest cash outflows repayable:			
Within one year	4,412	4,353	4,092
After one year but within two years	4,353	4,081	273
After two years but within five years	4,352	271	–
	<u>13,117</u>	<u>8,705</u>	<u>4,365</u>

#### The Company

	Weighted average interest rate %	On demand or less than 1 year HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying amount HK\$'000
<b>31 December 2017</b>				
Other payables	–	4,762	4,762	4,762
Amounts due to subsidiaries	–	9,448	9,448	9,448
		<u>14,210</u>	<u>14,210</u>	<u>14,210</u>

**Fair value measurements of financial instruments**

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair value of the financial assets are determined.

Financial assets	Fair Value			Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
	At 31 December						
	2015	2016	2017				
	HK\$'000	HK\$'000	HK\$'000				
Short-term Investments – unlisted investments Managed fund	396	384	568	Level 2	Quoted market price provided by a broker which is a financial institution ( <i>note</i> )	N/A	N/A

*Note:* Quoted market price provided by a broker which is a financial institution represents the net asset values of the respective funds, based on the quoted price of the underlying investments.

There were no transfers between Level 1 and 2, or transfers into or out of Level 3, for each of the reporting period.

The directors of the Company consider that the carrying amounts of financial assets and liabilities recorded at amortised cost in the Historical Financial Information approximate their fair values at the end of each reporting period.

**28. 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 flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows from financing activities.

	1 January 2015	Dividend declared	Interest accrued	Financing cash flows	31 December 2015	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Amounts due to related parties	25,047	–	–	193	25,240	
Amount due to a director	343	–	–	47	390	
Bank loans	16,535	–	–	(4,080)	12,455	
Dividend payable	–	2,400	–	(2,400)	–	
Interest payable	–	–	499	(499)	–	
	1 January 2016	Dividend declared	Issue costs accrued	Interest accrued	Financing cash flows	31 December 2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Amounts due to related parties	25,240	–	–	–	(4,558)	20,682
Amount due to a director	390	–	–	–	598	988
Bank loans	12,455	–	–	–	(4,066)	8,389
Dividend payable	–	2,400	–	–	(2,400)	–
Issue costs deferred/accrued	–	–	492	–	(436)	56
Interest payable	–	–	–	353	(353)	–

	1 January 2017 <i>HK\$'000</i>	Interest accrued <i>HK\$'000</i>	Issue costs accrued <i>HK\$'000</i>	Financing cash flows <i>HK\$'000</i>	Reclassification <i>HK\$'000</i> <i>(note 19(b))</i>	31 December 2017 <i>HK\$'000</i>
Amounts due to related parties	20,682	–	–	296	(11,991)	8,987
Amount due to a director	988	–	–	(18)	–	970
Bank loans	8,389	–	–	(4,122)	–	4,267
Issue costs deferred/accrued	56	–	4,077	(2,986)	–	1,147
Interest payable	–	274	–	(274)	–	–

## 29. OPERATING LEASE COMMITMENTS

### The Group as lessee

The Group had made minimum lease payments during the years ended 31 December 2015, 2016 and 2017 of HK\$1,079,000, HK\$1,072,000, and HK\$547,000, respectively, in respect of staff quarters, warehouse, office premises and workshop.

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

	At 31 December		
	2015 <i>HK\$'000</i>	2016 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Within one year	603	757	521
In the second to fifth year inclusive	852	403	380
	<u>1,455</u>	<u>1,160</u>	<u>901</u>

Leases are negotiated for an average term of two to five years and rentals are fixed throughout the lease period.

Including in the operating lease commitments, nil, HK\$630,000 and HK\$414,000 as at 31 December 2015, 2016 and 2017, respectively, were lease commitment to Mr. Wan Man Keung in respect of a workshop.

## 30. CONTINGENT LIABILITIES

	At 31 December		
	2015 <i>HK\$'000</i>	2016 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Amount granted in respect of guarantee given to a bank for facilities granted to a related party	<u>36,940</u>	<u>36,940</u>	<u>–</u>
Amount utilised in respect of guarantee given to a bank for facilities granted to a related party	<u>12,382</u>	<u>10,000</u>	<u>–</u>

The Group issued financial guarantee to a bank in respect of banking facilities granted to Ready System Engineering. The amounts disclosed above represented the aggregate amounts that could be required to be paid if the guarantee was called upon in entirety, of which HK\$12,382,000 and HK\$10,000,000 had been utilised by Ready System Engineering as at 31 December 2015 and 2016, respectively. No financial liabilities in respect of the financial guarantee was recognised. In the opinion of the directors of the Company, the fair value of the financial guarantee was not significant. During the year ended 31 December 2017, Ready Engineering transferred its beneficial interest of 3,895,000 and 205,000 shares in Ready System Engineering (representing 95% and 5% of the issued share capital of Ready System Engineering) to an independent third party and Mr. Wan Man Keung and the guarantee was released.

**31. RETIREMENT BENEFIT PLANS**

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") for all qualifying employees in Hong Kong under the Hong Kong Mandatory Provident Fund Schemes Ordinance. Under the MPF Scheme, the employees are required to contribute 5% of their monthly salaries or up to a maximum of HK\$1,500 and they can choose to make additional contributions. The employer's monthly contributions are calculated at 5% of the employee's monthly salaries or up to a maximum of HK\$1,500 (the "mandatory contributions"). The employees are entitled to 100% of the employer's mandatory contributions upon their retirement at the age of 65, death or total incapacity.

The employees of the group entities in Mainland China are members of a state-managed retirement benefit scheme operated by the government of Mainland China. The Group are required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

**32. RELATED PARTY DISCLOSURES**

Save as disclosed in other notes, during the Track Record Period, the Group entered into the following transactions with its related parties:

(a)

	Nature of transactions	Year ended 31 December		
		2015	2016	2017
		HK\$'000	HK\$'000	HK\$'000
Sales of goods	<i>Note i</i>	18,709	9,515	441
Purchases of raw materials	<i>Note ii</i>	–	646	–
Rental expenses	<i>Note iii</i>	<u>480</u>	<u>458</u>	<u>216</u>

*Notes:*

- i. The Group entered into transactions with Ready System Engineering, Ready System (Macau) and 深圳建達 during the Track Record Period.
  - ii. The Group entered into transactions with 深圳市安達建材採購有限公司, a direct wholly-owned subsidiary of Ready I&T, during the Track Record Period.
  - iii. The Group entered into rental agreement with Ready System Engineering and Mr. Wan Man Keung, the chairman and a non-executive director of the Company for the use of office premise and a workshop.
- (b) The Group banking facilities are secured by certain assets of and guarantees provided by the directors of the Company as disclosed in note 22.



## (c) Compensation of key management personnel

The remuneration of directors of the Company and other members of key management personnel of the Group during the Track Record Period is as follows:

	Year ended 31 December		
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000
Salaries and other allowance	1,655	1,707	2,168
Discretionary bonus	900	–	200
Retirement benefits scheme contributions	65	67	83
	<u>2,620</u>	<u>1,774</u>	<u>2,451</u>

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

## 33. INTERESTS IN SUBSIDIARIES

As at the date of this report, the Company has the following subsidiaries:

Name of subsidiary	Place of incorporation/ establishment	Date of incorporation/ establishment	Ordinary share capital/ registered capital at the date of this report	Equity interest attributable to the Group as at				Principal activities
				31 December 2015	31 December 2016	31 December 2017	the date of this report	
REM Capital	The British Virgin Islands	7 November 2016	US\$50,000	N/A	N/A	100%	100%	Investment holding
Ready Electrical Metal (note a)	Hong Kong	25 August 1992	HK\$1,500,000	98.7%	98.7%	100%	100%	Sales of low-voltage electrical power distribution and control devices
Ready Enterprise (China) (note a)	Hong Kong	28 June 2007	HK\$100,000	97.66%	97.66%	100%	100%	Investment holding
廣州全達電器金屬製品有限公司 (“GZ Quanda”) (note b)	PRC	22 October 1993	HK\$8,000,000	98.7%	98.7%	100%	100%	Manufacturing and sales of low-voltage electrical power distribution and control devices
東莞全達機電設備有限公司 (“DG Quanda”) (note b)	PRC	17 January 2011	HK\$30,000,000	97.66%	97.66%	100%	100%	Manufacturing of low-voltage electrical power distribution and control devices

## Notes:

- (a) The statutory financial statements of Ready Electrical Metal and Ready Enterprise (China) for the year ended 31 December 2015, 2016 and 2017 were prepared in accordance with HKFRSs issued by the HKICPA and were audited by Fan, Chan & Co.
- (b) The statutory financial statements of GZ Quanda and DG Quanda for the year ended 31 December 2015, 2016 and 2017 were prepared in accordance with relevant accounting principles and financial regulations applicable to the PRC enterprises and were audited by GP Certified Public Accountants and Daxin Certified Public Accountants (LLP), certified public accountants registered in the PRC, respectively.

## 34. FINANCIAL INFORMATION OF THE COMPANY

## (a) Investment in a subsidiary of the Company

At 31 December

2017

HK\$'000

Unlisted investment at cost	81,578
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## (b) Amounts due to subsidiaries

The amounts are unsecured, interest-free, non-trade nature and repayable on demand.

## (c) Reserves of the Company

	Share premium HK\$'000	Accumulated loss HK\$'000	Total HK\$'000
At the date of incorporation	–	–	–
Loss and total comprehensive expenses for the period	–	(9,562)	(9,562)
Effect of Group Reorganisation	81,578	–	81,578
At 31 December 2017	<u>81,578</u>	<u>(9,562)</u>	<u>72,016</u>

## 35. EVENT AFTER THE REPORTING PERIOD

Save as disclosed in the report, subsequent to 31 December 2017, the following significant event took place:

Pursuant to the resolutions of shareholders of the Company passed on 23 April 2018, the Group has conditionally adopted a share option scheme under which employees of the Group including directors, members of senior management and other eligible participants may be granted options to subscribe for shares of the Company. Details of the share option scheme are set out in the section headed "Statutory and General Information" in this Prospectus. No share options have been granted under the scheme.

## 36. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Group, the Company or any of its subsidiaries have been prepared in respect of any period subsequent to 31 December 2017.

## APPENDIX II      UNAUDITED PRO FORMA FINANCIAL INFORMATION

*The information set out in this Appendix does not form part of the Accountants' Report on the historical financial information of the Group for each of the three years ended 31 December 2017 prepared by Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the Company's reporting accountants, as set out in Appendix I to this prospectus, and is included herein for information only. The unaudited pro forma financial information should be read in conjunction with the section "Financial Information" in this prospectus and the Accountants' Report, the text of which is set out in Appendix I to this prospectus.*

### A.      UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following is an illustrative statement of the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company which has been prepared in accordance with paragraph 29 of Chapter 4 of the Listing Rules for the purpose of illustrating the effect of the Share Offer as if it had taken place on 31 December 2017. The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company has been prepared for illustrative purpose only and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2017 or at any future dates following the Share Offer. It is prepared based on the audited consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2017 as derived from the Accountants' Report set out in Appendix I to this prospectus and adjusted as described below.

	Audited consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2017 <sup>(1)</sup> HK\$'000	Estimated net proceeds from the Share Offer <sup>(2)</sup> HK\$'000	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company HK\$'000	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share <sup>(3)</sup> HK\$
Based on an Offer Price of HK\$0.30 per Offer Share	96,929	89,957	186,886	0.10
Based on an Offer Price of HK\$0.38 per Offer Share	96,929	116,093	213,022	0.12

*Notes:*

- <sup>(1)</sup> The audited consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2017 has been calculated based on the audited consolidated net assets of the Group attributable to owners of the Company of approximately HK\$96,929,000 extracted from the Accountants' Report, the text of which is set out in Appendix I to this prospectus.
- <sup>(2)</sup> The estimated net proceeds from the Share Offer are based on 360,000,000 new shares at the Offer Price of HK\$0.30 and HK\$0.38 per Share, being the lower and higher end price of the stated Offer Price range, respectively, after deduction of the estimated underwriting fees and other related expenses expected to be incurred by the Group subsequent to 31 December 2017 assuming that the Over-allotment Option is not exercised.
- <sup>(3)</sup> The unaudited pro forma adjusted consolidated net assets of the Group attributable to owners of the Company per Share is calculated based on 1,800,000,000 Shares in issue immediately following the completion of the Share Offer and the Capitalisation Issue assuming that the Over-allotment Option is not exercised. It does not take into account of any Shares that may be issued pursuant to the exercise of any option which may be granted under the Share Option Scheme or any Shares which may be issued or repurchased pursuant to the Company's general mandate.
- <sup>(4)</sup> No adjustments has been made to the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2017 to reflect any trading result or other transaction of the Group entered into subsequent to 31 December 2017.
- <sup>(5)</sup> The Group's leasehold land and buildings were valued as at 20 February 2018 by Roma Appraisals Limited, an independent valuer, and relevant property valuation report is set out in Appendix III to this prospectus. The net valuation surplus over their carrying value amounting to HK\$7,043,000 has not been included in the consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2017. The above adjustment does not take into account the above valuation surplus. Had the leasehold land and buildings been stated at such value, an additional depreciation of HK\$282,000 per annum in respect of valuation surplus, before taxation, would be charged against the consolidated statement of profit or loss and other comprehensive income.

**B.      ASSURANCE REPORT FROM THE REPORTING ACCOUNTANTS ON UNAUDITED PRO FORMA FINANCIAL INFORMATION**

*The following is the text of an assurance report received from the reporting accountants of the Company, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, in respect of the unaudited pro forma financial information of the Group prepared for the purpose of incorporation in this prospectus.*

**Deloitte.****德勤****INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION****To the Directors of REM Group (Holdings) Limited**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of REM Group (Holdings) Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) by the directors of the Company (the “Directors”) for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets as at 31 December 2017 and related notes as set out on page II-1 of Appendix II to the prospectus issued by the Company dated 27 April 2018 (the “Prospectus”). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on page II-1 of Appendix II to the Prospectus.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed initial listing of shares of the Company (the “Share Offer”) on the Group’s financial position as at 31 December 2017 as if the Share Offer had taken place at 31 December 2017. As part of this process, information about the Group’s financial position has been extracted by the Directors from the Group’s historical financial information for each of the three years ended 31 December 2017, on which an accountants’ report set out in Appendix I to the Prospectus has been published.

**Directors’ Responsibilities for the Unaudited Pro Forma Financial Information**

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” (“AG 7”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

**Our Independence and Quality Control**

We have complied with the independence and other ethical requirements of the “Code of Ethics for Professional Accountants” issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

### **Reporting Accountants’ Responsibilities**

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of the unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 December 2017 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related unaudited pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants’ judgment, having regard to the reporting accountants’ understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

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**APPENDIX II            UNAUDITED PRO FORMA FINANCIAL INFORMATION**

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The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

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

**Opinion**

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

**Deloitte Touche Tohmatsu**  
*Certified Public Accountants*  
Hong Kong  
27 April 2018

*The following is the text of a report prepared for the purpose of incorporation in this Prospectus received from Roma Appraisals Limited, an independent valuer, in connection with its valuation as at 20 February 2018 of the properties.*



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27 April 2018

**REM Group (Holdings) Limited**

Unit 1, 4/F  
Chai Wan Industrial City Phase II  
No. 70 Wing Tai Road  
Chai Wan, Hong Kong

Dear Sir/Madam,

**Re: Valuation of various properties located in the People's Republic of China and Hong Kong**

In accordance with your instruction for us to value the properties held by REM Group (Holdings) Limited (the "Company") and/or its subsidiaries (together with the Company referred to as the "Group") in Hong Kong and the People's Republic of China (the "PRC"), we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the properties as at 20 February 2018 for the purpose of incorporation in the prospectus of the Company dated 27 April 2018.

**1. BASIS OF VALUATION**

Our valuations of the properties are our opinion of the market values of the concerned properties which we would define as intended to mean "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction, after proper marketing where the parties had each acted knowledgeably, prudently and without compulsion".

Market value is understood as the value of an asset or liability estimated without regard to costs of sale or purchase (or transaction) and without offset for any associated taxes or potential taxes.

## **2. VALUATION METHODOLOGY**

For the property in the PRC, due to the specific purpose for which most of the buildings and structures of the property have been constructed, there are no readily identifiable market comparables. Thus the buildings and structures have been valued on the basis of its depreciated replacement costs instead of direct comparison method. The depreciated replacement cost approach (“DRC”) is based on an estimate of the market value for the existing use of the land, plus the current cost of replacement of the existing structures less deductions for physical deterioration and all relevant forms of obsolescence and optimisation. In practice, Depreciated Replacement Cost approach may be used as a substitute for the Market Value of specialized property only, due to the lack of market comparables available. Our valuation does not necessarily represent the amount that might be realised from the disposition of the property and the DRC is subject to adequate profitability of the concerned business.

For the property in Hong Kong, we have attributed no commercial value to the property interests which are leased by the Group, due either to the short-term nature of the lease or the prohibition against assignment or sub-letting or otherwise due to the lack of substantial profit rent.

## **3. TITLE INVESTIGATION**

For the property in Hong Kong, we have carried out land search at the Land Registry. However, we have not scrutinised all the original documents to verify ownership or to ascertain the existence of any lease amendments which may not appear on the copies handed to us. We do not accept a liability for any interpretation which we have placed on such information which is more properly the sphere of your legal adviser.

For the property in the PRC, we have been provided with copies of extracts of title documents relating to the property in the PRC. However, we have not searched the original documents to ascertain the existence of any amendments which do not appear on the copies handed to us. We have relied to a very considerable extent on information given by the Group and the Group’s PRC legal adviser, Li & Partners (Shenzhen) regarding the title to the properties in the PRC. All documents have been used for reference only.

In valuing the properties, we have relied on the advice given by the Group’s PRC legal adviser that the Group has valid and enforceable titles to the properties which are freely transferable, and have free and uninterrupted right to use the same, for the whole of the unexpired term granted subject to the payment of annual government rent/land use fees and all requisite land premium/purchase consideration payable have been fully settled.

## **4. VALUATION ASSUMPTIONS**

Our valuations have been made on the assumption that the owners sell the properties in the market in their existing states without the benefit of deferred term contracts, leasebacks, joint ventures, management agreements or any similar arrangements which would serve to affect the values of such properties.



In addition, no account has been taken of any option or right of pre-emption concerning or affecting the sales of the properties and no allowance has been made for the properties to be sold in one lot or to a single purchaser.

#### **5. SOURCE OF INFORMATION**

In the course of our valuations, we have relied to a very considerable extent on the information provided by the Group and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, identification of properties, particulars of occupation, site/floor areas, ages of buildings and all other relevant matters which can affect the values of the properties. All documents have been used for reference only.

We have no reason to doubt the truth and accuracy of the information provided to us. We have also been advised that no material facts have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and have no reason to suspect that any material information has been withheld.

#### **6. VALUATION CONSIDERATION**

We have not carried out on-site measurement to verify the site/floor areas of the properties under consideration but we have assumed that the site/floor areas shown on the documents handed to us are correct. Except as otherwise stated, all dimensions, measurements and areas included in the valuation certificate are based on information contained in the documents provided to us by the Group and are therefore approximations.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the properties nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

In valuing the properties, we have complied with the HKIS Valuation Standards (2017 Edition) published by The Hong Kong Institute of Surveyors and Chapter 5 and Practice Note 12 to the Rules Governing the Listing of Securities issued by the Stock Exchange of Hong Kong Limited.

**7. REMARKS**

Unless otherwise stated, all monetary amounts stated in our valuation are in Renminbi (“RMB”) and Hong Kong Dollars (HK\$).

Our Summary of Values and Valuation Certificates are attached.

Yours faithfully,  
For and on behalf of  
**Roma Appraisals Limited**

**Nancy Chan**  
*BSc (Hons) MHKIS MRICS*  
*RPS (GP) MCIREA*  
**Director**

*Notes:* Ms. Nancy Chan is a Registered Professional Surveyor (General Practice), member of Hong Kong Institute of Surveyors and a member of the Royal Institution of Chartered Surveyors, a member of the China Institute of Real Estate Appraisers and Agents. She has over 8 years’ experience in real estate industry and property and asset valuation in Hong Kong, Macau, the PRC, Singapore, United Kingdom, Taiwan, Japan, Australia and other overseas countries.

## SUMMARY OF VALUES

## Group I – Property held by the Group for owner-occupation purpose in the PRC

<b>No.</b>	<b>Property</b>	<b>Market Value in Existing State as at 20 February 2018</b>
1.	An industrial development situated at Wangdong Village, Wangniudun Town, Dongguan City, Guangdong Province, The PRC 中國廣東省 東莞市望牛墩鎮 望東村之一座 工業廠房	RMB16,500,000
<b>Total:</b>		<b>RMB16,500,000</b>

## Group II – Property held by the Group for owner-occupation purpose in Hong Kong

<b>No.</b>	<b>Property</b>	<b>Market Value in Existing State as at 20 February 2018</b>
2.	Unit 5 on 4th Floor, Chai Wan Industrial City Phase II, No. 70 Wing Tai Raod, Hong Kong	HK\$6,100,000
<b>Total:</b>		<b>HK\$6,100,000</b>

## VALUATION CERTIFICATE

## Group I – Property held by the Group for owner-occupation purpose in the PRC

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 20 February 2018
1.	An industrial development situated at Wangdong Village, Wangniudun Town, Dongguan City, Guangdong Province, the PRC  中國廣東省東莞市望牛墩鎮望東村之一座工業廠房	The property comprises a parcel of land with a site area of about 8,747.60 sq.m. (or about 94,159.17 sq.ft.) and various buildings and ancillary structures erected thereon, which were completed in about 2001.  The property has a total gross floor area (“GFA”) of approximately 19,052.31 sq.m. (or about 205,079.06 sq.ft.).  The land use rights of the property have been granted for a term expiring on 9 November 2055 for industrial use.	The property is occupied by the Group for industrial and ancillary dormitory uses.	RMB16,500,000

*Notes:*

1. Pursuant to a State-owned Land Use Rights Certificate, Dong Fu Guo Yong (2006) Di No. Te 450 (東府國用(2006)第特450號) issued by Dong Guan City People’s Government (東莞市人民政府) dated 6 July 2011, the land use rights of the property with a site area of 8,747.60 sq.m. have been granted to 東莞全達機電設備有限公司 (Dongguan Quanda Equipment Co., Ltd) (“Dongguan Quanda”).
2. Pursuant to a Construction Works Planning Permit, Jian Zi Di No. 2017-05-1047 (建字第2017-05-1047號) issued by Dongguan Planning Bureau (東莞市城鄉規劃局) dated 21 April 2017, the Planning Permit with a block of 6-storey industrial building of total gross floor area of approximately 5,186.40 sq.m. is granted to Dongguan Quanda.
3. Pursuant to a Construction Works Planning Permit, Jian Zi Di No. 2017-05-1048 (建字第2017-05-1048號) issued by Dongguan Planning Bureau (東莞市城鄉規劃局) dated 21 April 2017, the Planning Permit with a block of 3-storey industrial building of total gross floor area of approximately 13,898.12 sq.m. is granted to Dongguan Quanda.
4. Pursuant to a Construction Land Planning Permit, Jian Zi Di No. 2017-05-0002 (地字第2017-05-0002號) issued by Dongguan Planning Bureau (東莞市城鄉規劃局) dated 19 April 2017, the Planning Permit with a total site area of approximately 8,747.60 sq.m. and a total gross floor area of approximately 19,084.52 sq.m. is granted to Dongguan Quanda.
5. Pursuant to a Real Estate Title Certificate Yue (2017) Dong Guan Bu Dong Chan Quan Di No.0169807 (粵(2017)東莞不動產權第0169807號) dated 15 August 2017 issued by Dongguan City Land and Resources Bureau, the property with a total GFA of 5,128.92 sq.m. for industrial use is legally held by Dongguan Quanda.
6. Pursuant to a Real Estate Title Certificate Yue (2017) Dong Guan Bu Dong Chan Quan Di No.0143442 (粵(2017)東莞不動產權第0143442號) dated 21 July 2017 issued by Dongguan City Land and Resources Bureau, the property with a total GFA of 13,923.39 sq.m. for industrial use is legally held by Dongguan Quanda.
7. Our inspection was performed by Ms. Vinci Q.J. Hou M.Sc, in May 2017.
8. We have been provided with a legal PRC opinion on the title to the property issued by the Group’s PRC legal adviser, which contains, inter alia, the following information:
  - a. Dongguan Quanda has obtained the land use rights of land and the legal ownership of land. The land has not subject to any mortgage, any third party’s rights restrictions or any other potential property rights dispute. Dongguan Quanda has corresponding rights of land legally; and
  - b. The building ownership certificates was under re-issuance application and subject to two Administrative Penalty Decision Notes, Dong Jian Fa (Bu) Zi [2017] No.004 (東建罰(補)字[2017]第004號) issued by Dongguan City Housing and Urban Construction Bureau dated 3 May 2017 and Dong Zong Guan Chu Zi [2017] Di No.22-0011 (東綜管處字[2017]第22-0011號) issued by Dongguan City Comprehensive Administration Bureau dated 13 June 2017, the total payment of penalty fee is RMB629,789.30. Dongguan Quanda has settled all the penalty fee on 5 May 2017 and 14 June 2017, respectively. The Real Estate Title Certificates were obtained on 15 August 2017 and 21 July 2017 respectively. Details please see Note Nos. 5 and 6.
  - c. Dongguan City Wang Niu Dun Town Housing Authority has accepted the application of first time registration of property’s ownership on 11 July 2017 and issued 2 Real Estate Registration Acceptance Certificates Nos. 082017071100028 and 082017071100029.
  - d. Dongguan Quanda has obtained the Real Estate Registration Acceptance Certificates on 11 July 2017, and the processing time for the registration of such property rights is from the date of acceptance to 22 August 2017. According to check information shown on the website of Dongguan City Housing and Urban Construction Bureau, the registration has been accepted the written documents is under preparation. Thus, Dongguan Quanda has no significant legal obstacle to obtain the Building Ownership Certificates and legal ownership of the property.

## VALUATION CERTIFICATE

## Group II – Property held by the Group for owner-occupation purpose in Hong Kong

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 20 February 2018
2.	Unit 5 on 4th Floor, Chai Wan Industrial City Phase II, No. 70 Wing Tai Raod, Hong Kong	The property comprises an industrial unit on 4th floor of a 22-storey industrial building completed in about 1989.	The property is occupied by the Group for warehouse uses.	HK\$6,100,000
	18/5,067th shares of Chai Wan Inland Lot No. 131	As measured from the registered assignment plan, the property has a saleable floor area of approximately 101.03 sq.m. (or about 1,087.49 sq.ft.).  The property is held Conditions of Sale No. UB11937 for a term commencing on 23 March 1987 and expiring on 30 June 2047 at a revised annual Government rent at 3% of the rateable value for the time being of the Lot.		

*Notes:*

1. The registered owner of the property is Ready Electrical Metal Work Limited vide Memorial No. 10112202740077 dated 29 October 2010.
2. The property is subject to the following material encumbrances:
  - a. Occupation Permit (Permit No. H101/89) in favour of Straightfield Land Investment Limited vide Memorial No. UB4167971 dated 7 August 1989;
  - b. Deed of Mutual Covenant and Management Agreement vide Memorial No. UB4190529 dated 1 September 1989;
  - c. Mortgage in favour of Bank of China (Hong Kong) Limited to Secure all moneys in Respect of General Banking Facilities vide Memorial No. 11020102860046 dated 20 January 2011; and
  - d. Second Legal Charge in favour of Bank of China (Hong Kong) Limited to Secure all moneys in Respect of General Banking Facilities vide Memorial No. 11020102860053 dated 20 January 2011.
3. Our inspection was performed by Ms. Vinci Q.J. Hou M.Sc, in April 2017.

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman Islands company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 15 March 2017 under the Companies Law. The Company's constitutional documents consist of its Amended and Restated Memorandum of Association ("**Memorandum**") and its Amended and Restated Articles of Association ("**Articles**").

## **1. MEMORANDUM OF ASSOCIATION**

- (a) The Memorandum provides, *inter alia*, that the liability of members of the Company is limited and that the objects for which the Company is established are unrestricted (and therefore include acting as an investment company), and that the Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate whether as principal, agent, contractor or otherwise and, since the Company is an exempted company, that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) By special resolution the Company may alter the Memorandum with respect to any objects, powers or other matters specified in it.

## **2. ARTICLES OF ASSOCIATION**

The Articles were adopted on 23 April 2018. A summary of certain provisions of the Articles is set out below.

### **(a) Shares**

#### *(i) Classes of shares*

The share capital of the Company consists of ordinary shares.

(ii) *Variation of rights of existing shares or classes of shares*

Subject to the Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to any class of shares may (unless otherwise provided for by the terms of issue of the shares of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. The provisions of the Articles relating to general meetings shall *mutatis mutandis* apply to every such separate general meeting, but so that the necessary quorum (other than at an adjourned meeting) shall be not less than two persons together holding (or, in the case of a shareholder being a corporation, by its duly authorised representative) or representing by proxy not less than one-third in nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(iii) *Alteration of capital*

The Company may, by an ordinary resolution of its members: (a) increase its share capital by the creation of new shares of such amount as it thinks expedient; (b) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; (c) divide its unissued shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges or conditions; (d) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum; (e) cancel any shares which, at the date of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled; (f) make provision for the allotment and issue of shares which do not carry any voting rights; and (g) change the currency of denomination of its share capital.

(iv) *Transfer of shares*

Subject to the Companies Law and the requirements of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), all transfers of shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve and may be under hand or, if the transferor or transferee is a Clearing House or its nominee(s), under hand or by machine imprinted signature, or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee, provided that the Board may dispense with the execution of the instrument of transfer by the transferor or transferee or accept mechanically executed transfers. The transferor shall be deemed to remain the holder of a share until the name of the transferee is entered in the register of members of the Company in respect of that share.

The Board may, in its absolute discretion, at any time and from time to time remove any share on the principal register to any branch register or any share on any branch register to the principal register or any other branch register. Unless the Board otherwise agrees, no shares on the principal register shall be removed to any branch register nor shall shares on any branch register be removed to the principal register or any other branch register. All removals and other documents of title shall be lodged for registration and registered, in the case of shares on any branch register, at the relevant registration office and, in the case of shares on the principal register, at the place at which the principal register is located.

The Board may, in its absolute discretion, decline to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or on which the Company has a lien. It may also decline to register a transfer of any share issued under any share option scheme upon which a restriction on transfer subsists or a transfer of any share to more than four joint holders.

The Board may decline to recognise any instrument of transfer unless a certain fee, up to such maximum sum as the Stock Exchange may determine to be payable, is paid to the Company, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require is provided to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The register of members may, subject to the Listing Rules, be closed at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine.

Fully paid shares shall be free from any restriction on transfer (except when permitted by the Stock Exchange) and shall also be free from all liens.

(v) *Power of the Company to purchase its own shares*

The Company may purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirement imposed from time to time by the Articles or any, code, rules or regulations issued from time to time by the Stock Exchange and/or the Securities and Futures Commission of Hong Kong.



Where the Company purchases for redemption a redeemable Share, purchases not made through the market or by tender shall be limited to a maximum price and, if purchases are by tender, tenders shall be available to all members alike.

*(vi) Power of any subsidiary of the Company to own shares in the Company*

There are no provisions in the Articles relating to the ownership of shares in the Company by a subsidiary.

*(vii) Calls on shares and forfeiture of shares*

The Board may, from time to time, make such calls as it thinks fit upon the members in respect of any monies unpaid on the shares held by them, respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment of such shares made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20% per annum as the Board shall fix from the day appointed for payment to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20% per annum as the Board may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment, the Board may, for so long as any part of the call or instalment remains unpaid, serve not less than 14 days' notice on the member requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice shall name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made, and shall also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the appointed time, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, nevertheless, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20% per annum as the Board may prescribe.

**(b) Directors**

*(i) Appointment, retirement and removal*

At any time or from time to time, the Board shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the members in general meeting. Any Director so appointed to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director so appointed as an addition to the existing Board shall hold office only until the first annual general meeting of the Company after his appointment and be eligible for re-election at such meeting. Any Director so appointed by the Board shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an annual general meeting.

At each annual general meeting, one third of the Directors for the time being shall retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors. The Directors to retire in each year shall be those who have been in office longest since their last re-election or appointment but, as between persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected has been lodged at the head office or at the registration office of the Company. The period for lodgment of such notices shall commence no earlier than the day after despatch of the notice of the relevant meeting and end no later than seven days before the date of such meeting and the minimum length of the period during which such notices may be lodged must be at least seven days.

A Director is not required to hold any shares in the Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to or retirement from the Board.

A Director may be removed by an ordinary resolution of the Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and the Company may by ordinary resolution appoint another in his place. Any Director so appointed shall be subject to the “retirement by rotation” provisions. The number of Directors shall not be less than two.

The office of a Director shall be vacated if he:

- (aa) resign;
- (bb) dies;
- (cc) is declared to be of unsound mind and the Board resolves that his office be vacated;
- (dd) becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (ee) he is prohibited from being or ceases to be a director by operation of law;
- (ff) without special leave, is absent from meetings of the Board for six consecutive months, and the Board resolves that his office is vacated;
- (gg) has been required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director; or
- (hh) is removed from office by the requisite majority of the Directors or otherwise pursuant to the Articles.

From time to time the Board may appoint one or more of its body to be managing director, joint managing director or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the Board may determine, and the Board may revoke or terminate any of such appointments. The Board may also delegate any of its powers to committees consisting of such Director(s) or other person(s) as the Board thinks fit, and from time to time it may also revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

*(ii) Power to allot and issue shares and warrants*

Subject to the provisions of the Companies Law, the Memorandum and Articles and without prejudice to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached to it such rights, or such restrictions, whether with regard to dividend, voting, return of capital or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine). Any share may be issued on terms that, upon the happening of a specified event or upon a given date and either at the option of the Company or the holder of the share, it is liable to be redeemed.

The Board may issue warrants to subscribe for any class of shares or other securities of the Company on such terms as it may from time to time determine.

Where warrants are issued to bearer, no certificate in respect of such warrants shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate has been destroyed and the Company has received an indemnity in such form as the Board thinks fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Companies Law, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

*(iii) Power to dispose of the assets of the Company or any of its subsidiaries*

While there are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries, the Board may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting, but if such power or act is regulated by the Company in general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

(iv) *Borrowing powers*

The Board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, debenture stock, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(v) *Remuneration*

The Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by the Board or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided among the Directors in such proportions and in such manner as they may agree or, failing agreement, either equally or, in the case of any Director holding office for only a portion of the period in respect of which the remuneration is payable, pro rata. The Directors shall also be entitled to be repaid all expenses reasonably incurred by them in attending any Board meetings, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

Any Director who, at the request of the Company, performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such special or extra remuneration as the Board may determine, in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the Board may from time to time decide. Such remuneration shall be in addition to his ordinary remuneration as a Director.

The Board may establish, either on its own or jointly in concurrence or agreement with subsidiaries of the Company or companies with which the Company is associated in business, or may make contributions out of the Company's monies to, any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or former Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and former employees of the Company and their dependents or any class or classes of such persons.

The Board may also pay, enter into agreements to pay or make grants of revocable or irrevocable, whether or not subject to any terms or conditions, pensions or other benefits to employees and former employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or former employees or their dependents are or may become entitled under any such scheme or fund as mentioned above. Such pension or benefit may, if deemed desirable by the Board, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

*(vi) Compensation or payments for loss of office*

Payments to any present Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually or statutorily entitled) must be approved by the Company in general meeting.

*(vii) Loans and provision of security for loans to Directors*

The Company shall not directly or indirectly make a loan to a Director or a director of any holding company of the Company or any of their respective close associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of the Company or any of their respective close associates, or, if any one or more of the Directors hold(s) (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

*(viii) Disclosure of interest in contracts with the Company or any of its subsidiaries*

With the exception of the office of auditor of the Company, a Director may hold any other office or place of profit with the Company in conjunction with his office of Director for such period and upon such terms as the Board may determine, and may be paid such extra remuneration for that other office or place of profit, in whatever form, in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director, officer or member of any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration or other benefits received by him as a director, officer or member of such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company.

No Director or intended Director shall be disqualified by his office from contracting with the Company, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship established by it. A Director who is, in any way, materially interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the earliest meeting of the Board at which he may practically do so.

There is no power to freeze or otherwise impair any of the rights attaching to any share by reason that the person or persons who are interested directly or indirectly in that share have failed to disclose their interests to the Company.

A Director shall not vote or be counted in the quorum on any resolution of the Board in respect of any contract or arrangement or proposal in which he or any of his close associate(s) has/have a material interest, and if he shall do so his vote shall not be counted nor shall he be counted in the quorum for that resolution, but this prohibition shall not apply to any of the following matters:

- (aa) the giving of any security or indemnity to the Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries, including the adoption, modification or operation of either: (i) any employees' share scheme or any share incentive or share option scheme under which the Director or his close associate(s) may benefit; or (ii) any of a pension fund or retirement, death or disability benefits scheme which relates to Directors, their close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or his close associate(s) any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and

- (ee) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares, debentures or other securities of the Company by virtue only of his/their interest in those shares, debentures or other securities.

(ix) *Proceedings of the Board*

The Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

**(c) Alterations to the constitutional documents and the Company's name**

To the extent that the same is permissible under Cayman Islands law and subject to the Articles, the Memorandum and Articles of the Company may only be altered or amended, and the name of the Company may only be changed, with the sanction of a special resolution of the Company.

**(d) Meetings of member**

(i) *Special and ordinary resolutions*

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or by proxy or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given.

Under Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within 15 days of being passed.

An "ordinary resolution", by contrast, is a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given.

A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of the Company duly convened and held, and where relevant as a special resolution so passed.



(ii) *Voting rights and right to demand a poll*

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting: (a) on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every share which is fully paid or credited as fully paid registered in his name in the register of members of the Company but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for this purpose as paid up on the share; and (b) on a show of hands every member who is present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote. Where more than one proxy is appointed by a member which is a Clearing House (as defined in the Articles) or its nominee(s), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he does use in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by poll save that the chairman of the meeting may, pursuant to the Listing Rules, allow a resolution to be voted on by a show of hands. Where a show of hands is allowed, before or on the declaration of the result of the show of hands, a poll may be demanded by (in each case by members present in person or by proxy or by a duly authorised corporate representative):

- (A) at least two members;
- (B) any member or members representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or
- (C) a member or members holding shares in the Company conferring a right to vote at the meeting on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Should a Clearing House or its nominee(s) be a member of the Company, such person or persons may be authorised as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised in accordance with this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the Clearing House or its nominee(s) as if such person were an individual member including the right to vote individually on a show of hands.

Where the Company has knowledge that any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

*(iii) Annual general meetings*

The Company must hold an annual general meeting each year other than the year of the Company's adoption of the Articles. Such meeting must be held not more than 15 months after the holding of the last preceding annual general meeting, or such longer period as may be authorised by the Stock Exchange at such time and place as may be determined by the Board.

*(iv) Notices of meetings and business to be conducted*

An annual general meeting of the Company shall be called by at least 21 days' notice in writing, and any other general meeting of the Company shall be called by at least 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time, place and agenda of the meeting and particulars of the resolution(s) to be considered at that meeting and, in the case of special business, the general nature of that business.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by the Company on any member personally, by post to such member's registered address or (in the case of a notice) by advertisement in the newspapers. Any member whose registered address is outside Hong Kong may notify the Company in writing of an address in Hong Kong which shall be deemed to be his registered address for this purpose. Subject to the Companies Law and the Listing Rules, a notice or document may also be served or delivered by the Company to any member by electronic means.

Although a meeting of the Company may be called by shorter notice than as specified above, such meeting may be deemed to have been duly called if it is so agreed:

- (i) in the case of an annual general meeting, by all members of the Company entitled to attend and vote thereat; and
- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting holding not less than 95% of the total voting rights in the Company.

All business transacted at an extraordinary general meeting shall be deemed special business. All business shall also be deemed special business where it is transacted at an annual general meeting, with the exception of certain routine matters which shall be deemed ordinary business.

*(v) Quorum for meetings and separate class meetings*

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, and continues to be present until the conclusion of the meeting.

The quorum for a general meeting shall be two members present in person (or in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

*(vi) Proxies*

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of a duly authorised officer or attorney. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board may from time to time approve, provided that it shall not preclude the use of the two-way form. Any form issued to a member for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

**(e) Accounts and audit**

The Board shall cause proper books of account to be kept of the sums of money received and expended by the Company, and of the assets and liabilities of the Company and of all other matters required by the Companies Law (which include all sales and purchases of goods by the company) necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of accounts of the Company shall be kept at the head office of the Company or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any account, book or document of the Company except as conferred by the Companies Law or ordered by a court of competent jurisdiction or authorised by the Board or the Company in general meeting.

The Board shall from time to time cause to be prepared and laid before the Company at its annual general meeting balance sheets and profit and loss accounts (including every document required by law to be annexed thereto), together with a copy of the Directors' report and a copy of the auditors' report, not less than 21 days before the date of the annual general meeting. Copies of these documents shall be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles together with the notice of annual general meeting, not less than 21 days before the date of the meeting.

Subject to the rules of the stock exchange of the Relevant Territory (as defined in the Articles), the Company may send summarised financial statements to shareholders who have, in accordance with the rules of the stock exchange of the Relevant Territory, consented and elected to receive summarised financial statements instead of the full financial statements. The summarised financial statements must be accompanied by any other documents as may be required under the rules of the stock exchange of the Relevant Territory, and must be sent to those shareholders that have consented and elected to receive the summarised financial statements not less than 21 days before the general meeting.

The Company shall appoint auditor(s) to hold office until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' remuneration shall be fixed by the Company in general meeting or by the Board if authority is so delegated by the members.

The auditors shall audit the financial statements of the Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

**(f) Dividends and other methods of distribution**

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide:

- (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, although no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share;
- (ii) all dividends shall be apportioned and paid pro rata in accordance with the amount paid up on the shares during any portion(s) of the period in respect of which the dividend is paid; and
- (iii) the Board may deduct from any dividend or other monies payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

Where the Board or the Company in general meeting has resolved that a dividend should be paid or declared, the Board may resolve:

- (aa) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled to such dividend will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or
- (bb) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit.

Upon the recommendation of the Board, the Company may by ordinary resolution in respect of any one particular dividend of the Company determine that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, bonus or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent and shall be sent at the holder's or joint holders' risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced may pay interest at such rate (if any) not exceeding 20% per annum, as the Board may decide, but a payment in advance of a call shall not entitle the member to receive any dividend or to exercise any other rights or privileges as a member in respect of the share or the due portion of the shares upon which payment has been advanced by such member before it is called up.

All dividends, bonuses or other distributions unclaimed for one year after having been declared may be invested or otherwise used by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions unclaimed for six years after having been declared may be forfeited by the Board and, upon such forfeiture, shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

**(g) Inspection of corporate records**

For so long as any part of the share capital of the Company is listed on the Stock Exchange, any member may inspect any register of members of the Company maintained in Hong Kong (except when the register of members is closed) without charge and require the provision to him of copies or extracts of such register in all respects as if the Company were incorporated under and were subject to the Hong Kong Companies Ordinance.

**(h) Rights of minorities in relation to fraud or oppression**

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of the Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix.

**(i) Procedures on liquidation**

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- (i) if the Company is wound up, the surplus assets remaining after payment to all creditors shall be divided among the members in proportion to the capital paid up on the shares held by them, respectively; and
- (ii) if the Company is wound up and the surplus assets available for distribution among the members are insufficient to repay the whole of the paid-up capital, such assets shall be distributed, subject to the rights of any shares which may be issued on special terms and conditions, so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up on the shares held by them, respectively.

If the Company is wound up (whether the liquidation is voluntary or compelled by the court), the liquidator may, with the sanction of a special resolution and any other sanction required by the Companies Law, divide among the members in specie or kind the whole or any part of the assets of the Company, whether the assets consist of property of one kind or different kinds, and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be so divided and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator thinks fit, but so that no member shall be compelled to accept any shares or other property upon which there is a liability.

**(j) Subscription rights reserve**

Provided that it is not prohibited by and is otherwise in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of the shares to be issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

**3. CAYMAN ISLANDS COMPANY LAW**

The Company was incorporated in the Cayman Islands as an exempted company on 15 March 2017 subject to the Companies Law. Certain provisions of Cayman Islands company law are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the Companies Law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

**(a) Company operations**

An exempted company such as the Company must conduct its operations mainly outside the Cayman Islands. An exempted company is also required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

**(b) Share capital**

Under Companies Law, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. Where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the “share premium account”. At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangements in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

- (i) paying distributions or dividends to members;
- (ii) paying up unissued shares of the company to be issued to members as fully paid bonus shares;
- (iii) any manner provided in section 37 of the Companies Law;
- (iv) writing-off the preliminary expenses of the company; and
- (v) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

Notwithstanding the foregoing, no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

Subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorised to do so by its articles of association, by special resolution reduce its share capital in any way.

**(c) Financial assistance to purchase shares of a company or its holding company**

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company’s or a subsidiary’s shares. Therefore, a company may provide financial assistance provided the directors of the company, when proposing to grant such financial assistance, discharge their duties of care and act in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm’s-length basis.



**(d) Purchase of shares and warrants by a company and its subsidiaries**

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a member and, for the avoidance of doubt, it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares; an ordinary resolution of the company approving the manner and terms of the purchase will be required if the articles of association do not authorise the manner and terms of such purchase. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, a company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. In addition, a payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless, immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares that have been purchased or redeemed by a company or surrendered to the company shall not be treated as cancelled but shall be classified as treasury shares if held in compliance with the requirements of Section 37A(1) of the Companies Law. Any such shares shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the Companies Law.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy, sell and deal in personal property of all kinds.

A subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

**(e) Dividends and distributions**

Subject to a solvency test, as prescribed in the Companies Law, and the provisions, if any, of the company's memorandum and articles of association, a company may pay dividends and distributions out of its share premium account. In addition, based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid out of profits.

For so long as a company holds treasury shares, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made, in respect of a treasury share.

**(f) Protection of minorities and shareholders' suits**

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of *Foss v. Harbottle* and the exceptions to that rule) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge acts which are ultra vires, illegal, fraudulent (and performed by those in control of the Company) against the minority, or represent an irregularity in the passing of a resolution which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has a share capital divided into shares, the court may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the company and, at the direction of the court, to report on such affairs. In addition, any member of a company may petition the court, which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

**(g) Disposal of assets**

There are no specific restrictions on the power of directors to dispose of assets of a company, however, the directors are expected to exercise certain duties of care, diligence and skill to the standard that a reasonably prudent person would exercise in comparable circumstances, in addition to fiduciary duties to act in good faith, for proper purpose and in the best interests of the company under English common law (which the Cayman Islands courts will ordinarily follow).

**(h) Accounting and auditing requirements**

A company must cause proper records of accounts to be kept with respect to: (i) all sums of money received and expended by it; (ii) all sales and purchases of goods by it and (iii) its assets and liabilities.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

If a company keeps its books of account at any place other than at its registered office or any other place within the Cayman Islands, it shall, upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands, make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

**(i) Exchange control**

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

**(j) Taxation**

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet that:

- (i) no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to the Company or its operations; and
- (ii) no tax be levied on profits, income gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:
  - (aa) on or in respect of the shares, debentures or other obligations of the Company;  
or
  - (bb) by way of withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (2011 Revision).

The undertaking for the Company is for a period of 20 years from 9 May 2017.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments.

**(k) Stamp duty on transfers**

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

**(l) Loans to directors**

There is no express provision prohibiting the making of loans by a company to any of its directors. However, the company's articles of association may provide for the prohibition of such loans under specific circumstances.

**(m) Inspection of corporate records**

The members of a company have no general right to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

**(n) Register of members**

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as the company may determine from time to time. There is no requirement for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of member, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands.

**(o) Register of Directors and officers**

Pursuant to the Companies Law, the Company is required to maintain at its registered office a register of directors, alternate directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within 60 days of any change in such directors or officers, including a change of the name of such directors or officers.

**(p) Winding up**

A Cayman Islands company may be wound up by: (i) an order of the court; (ii) voluntarily by its members; or (iii) under the supervision of the court.

The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company (other than a limited duration company, for which specific rules apply) occurs where the company resolves by special resolution that it be wound up voluntarily or where the company in general meeting resolves that it be wound up voluntarily because it is unable to pay its debt as they fall due. In the case of a voluntary winding up, the company is obliged to cease to carry on its business from the commencement of its winding up except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

In the case of a members' voluntary winding up of a company, one or more liquidators are appointed for the purpose of winding up the affairs of the company and distributing its assets.

As soon as the affairs of a company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and the property of the company disposed of, and call a general meeting of the company for the purposes of laying before it the account and giving an explanation of that account.

When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that: (i) the company is or is likely to become insolvent; or (ii) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors. A supervision order takes effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, one or more persons may be appointed to be called an official liquidator(s). The court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one person is appointed to such office, the court shall declare whether any act required or authorized to be done by the official liquidator is to be done by all or any one or more of such persons. The court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the court.

**(q) Reconstructions**

Reconstructions and amalgamations may be approved by a majority in number representing 75% in value of the members or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. Whilst a dissenting member has the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, the courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management, and if the transaction were approved and consummated the dissenting member would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

**(r) Take-overs**

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may, at any time within two months after the expiration of that four-month period, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the Cayman Islands courts within one month of the notice objecting to the transfer. The burden is on the dissenting member to show that the court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

**(s) Indemnification**

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

**4. GENERAL**

Appleby, the Company's legal adviser on Cayman Islands law, has sent to the Company a letter of advice which summarises certain aspects of the Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents Delivered to the Registrar of Companies in Hong Kong and Available for Inspection – Documents available for inspection" in Appendix VI to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

**A. FURTHER INFORMATION ABOUT OUR COMPANY****1. Incorporation**

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 15 March 2017. Our Company has established a principal place of business in Hong Kong at Unit B, 5/F, Wing Sing Commercial Centre, Nos. 12-16 Wing Lok Street, Hong Kong and was registered as an overseas company in Hong Kong under Part 16 of the Companies Ordinance on 2 May 2017. Our Company has appointed Mr. MK Wan as its authorised representative for the acceptance of service of process and notice in Hong Kong.

As our Company was incorporated in the Cayman Islands, it is subject to the Companies Law and its constitution, which comprises the Memorandum and the Articles. A summary of various parts of the Companies Law is set out in Appendix IV to this prospectus.

**2. Changes in share capital of our Company**

As at the date of incorporation of our Company, its authorised share capital was HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each. Following its incorporation, one Share was allotted and issued to the first subscriber, which was subsequently transferred to WANs Limited on 15 March 2017 at par.

On 26 May 2017, our Company allotted and issued an aggregate of 8,513 Shares to WANs Limited, 1,333 shares to REM Enterprises and 153 shares to REM Limited, credited as fully paid as consideration for acquisition of 10,000 shares in REM Capital.

Pursuant to the written resolutions of the sole Shareholder passed on 23 April 2018, the authorised share capital of our Company was increased from HK\$380,000 to HK\$100,000,000 divided into 10,000,000,000 Shares by the creation of further 9,962,000,000 Shares.

Immediately following completion of the Share Offer and the Capitalisation Issue, the authorised share capital of our Company will be HK\$100,000,000 divided into 10,000,000,000 Shares and the issued share capital of our Company will be HK\$180,000,000 divided into 1,800,000,000 Shares fully paid or credited as fully paid. Save as disclosed in this prospectus, our Directors do not have any present intention to issue any part of the authorised but unissued share capital of our Company and, without prior approval of the Shareholders at general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

Save as disclosed in this prospectus, there has been no other alteration in the share capital of our Company since the date of its incorporation.

**3. Written resolutions of the sole Shareholder passed on 23 April 2018**

On 23 April 2018, resolutions in writing were passed by the sole Shareholder pursuant to which, among other matters:

- (a) our Company approved and adopted the Memorandum and the Articles, the terms of which are summarised in Appendix IV to this prospectus;

- (b) conditional on (i) the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus (including any Shares which may be allotted and issued pursuant to the exercise of any option which may be granted under Share Option Scheme and the Over-allotment Option); and on the obligations of the Underwriter(s) under the Underwriting Agreements becoming unconditional and the Underwriting Agreements not being terminated in accordance with the terms or otherwise, in each case on or before the date falling 30 days after the Listing document date:
- (i) the Share Offer was approved and our Directors were authorised to allot and issue the Offer Shares pursuant to the Share Offer, in each case to rank *pari passu* with the then existing Shares in all respects;
  - (ii) the rules of the Share Option Scheme, the principal terms of which are set out in the paragraph headed “D. Share Option Scheme” below in this appendix, were approved and adopted and our Directors were authorised, at their absolute discretion but subject to the terms and conditions of the Share Option Scheme, to grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant to the exercise of subscription rights attaching to any options which may be granted under the Share Option Scheme and to take all actions as they consider necessary or desirable to implement to the Share Option Scheme;
  - (iii) conditional on the share premium account of our Company being credited as a result of the Share Offer, our Directors were authorised to capitalise an amount of HK\$14,399,900 and to appropriate such amount as capital to pay up in full at par 1,439,990,000 Shares for allotment and issue to our Shareholder(s) whose name(s) appear on the register of members of our Company at close of business on the date this resolution was passed in proportion (as nearly as possible without involving fractions) to its/their then existing shareholdings, each ranking *pari passu* in all respects with the then existing issued Shares; and
  - (iv) our Directors were authorised to give effect to such capitalisation and distribution, and the capitalisation was approved;
- (c) a general unconditional mandate was given to our Directors to exercise all powers of our Company to allot, issue and deal with (otherwise than by way of rights issue or pursuant to the exercise of any options which may be granted under the Share Option Scheme or any other share option scheme of our Company or any Shares allotted and issued in lieu of the whole or part of a dividend on Shares or similar arrangement in accordance with the Memorandum and the Articles or pursuant to a specific authority granted by our Shareholders in general meeting or under the Share Offer or the Capitalisation Issue), the Shares securities convertible into Shares or options, warrants or similar rights to subscribe for Shares or such convertible securities, and to make or grant offers, agreements or options which might require the exercise of such power, with such number of Shares not exceeding 20% of the total number of Shares in issue immediately following completion of the Share Offer and the Capitalisation Issue (excluding any Shares which may be allotted and issued pursuant to exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme), until (i) the conclusion of the next annual general meeting



of our Company; or (ii) the expiration of the period within which the next annual general meeting of our Company is required by the Articles or the Companies Law of the Cayman Islands (as amended, supplemented or otherwise modified from time to time) or any applicable Cayman Islands laws to be held; or (iii) the passing of an ordinary resolution by our Shareholders revoking or varying the authority given to our Directors, whichever occurs first;

- (d) a general unconditional mandate was given to our Directors authorising them to exercise all powers of our Company to repurchase the Shares on the Stock Exchange or on any other stock exchange on which the securities of the Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose such number of Shares as will represent up to 10% of the total number of issued Shares immediately following completion of the Capitalisation Issue and the Share Offer (excluding any Shares whom may be issued pursuant to the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme), until (i) the conclusion of the next annual general meeting of our Company; (ii) the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable Cayman Islands laws to be held; or (iii) the passing of an ordinary resolution by our Shareholders revoking or varying the authority given to our Directors;
- (e) the general unconditional mandate mentioned in sub-paragraph (c) above was extended by the addition to such number of Shares which may be allotted or agreed to be allotted by our Directors pursuant to such general mandate of an amount representing the number of Shares repurchased by our Company pursuant to the mandate to repurchase Shares referred to in sub-paragraph (d) above, provided that such extended amount shall not exceed 10% of the total number of Shares in issue immediately following completion of the Share Offer and the Capitalisation Issue but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option or options which may be granted under the Share Option Scheme; and
- (f) the Underwriting Agreements, subject to such amendments thereto as may be approved by any one Director, was approved and that any one Director was authorised to sign the same for and on behalf of our Company, and where required, affix the seal of the Company thereon; and any one Director was authorised to approve, execute, ratify and arrange the issue of any documents in relation to or incidental to the Underwriting Agreements.

#### **4. Corporate reorganisation**

In preparation of the Listing, the companies comprising our Group underwent the Reorganisation to rationalise our Group's corporate structure. Please refer to the section headed "History, Reorganisation and Group Structure" in this prospectus for further details.

#### **5. Changes in share capital of the subsidiaries of our Company**

Our Company's subsidiaries are listed in the accountants' report, the text of which is set out in Appendix I to this prospectus.

Save as disclosed in the section headed “History, Reorganisation and Group Structure” in this prospectus, there has been no other change to the share capital of any of the subsidiaries of our Company within the two years immediately prior to the date of this prospectus.

## **6. Particulars of our subsidiaries**

Particulars of our subsidiaries are set forth in the accountants’ report, the text of which is set out in Appendix I to this prospectus.

## **7. Repurchase by our Company of its own securities**

This section contains information required by the Stock Exchange to be included in this prospectus concerning the repurchase by our Company of its own securities.

### ***(a) Provisions of the Listing Rules***

The Listing Rules permit companies whose primary listing is on the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the more important of which are summarised below:

#### ***(i) Shareholders’ approval***

All proposed repurchases of securities on the Stock Exchange by a company with its primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of our Shareholders, either by way of general mandate or by specific approval in relation to specific transactions.

*Note:* Pursuant to the written resolution of the sole Shareholder passed on 23 April 2018, a general unconditional mandate was given to our Directors authorising any repurchase by our Company as described above in the paragraph headed “A. Further information about our Company – 3. Written resolutions of the sole Shareholder passed on 23 April 2018” in this appendix.

#### ***(ii) Source of funds***

Any repurchases must be financed out of funds legally available for the purpose in accordance with the Memorandum and the Articles and the applicable laws and regulations of the Cayman Islands.

### ***(b) Funding of purchases***

In repurchasing securities, our Company may only apply funds legally available for such purpose in accordance with the Memorandum, the Articles and the applicable laws and regulations of the Cayman Islands. Pursuant to the Repurchase Mandate, repurchases will be made out of funds of our Company legally permitted to be utilised in this connection, including profits and share premium of our Company or out of a fresh issue of Shares made for the purpose of the repurchase or, if authorised by the Articles and subject to the Companies Law, out of capital and, in the case

of any premium payable on the repurchase, out of the profits of our Company or from sums standing to the credit of the share premium account of our Company or, if authorised by the Articles and subject to the Companies Law, out of capital of our Company.

Our Company may not repurchase securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

**(c) *Reasons for repurchases***

Repurchases of Shares will only be made when our Directors believe that such a repurchase will benefit our Company and our Shareholders as a whole. Such repurchases may, depending on market conditions and funding arrangements at that time, lead to an enhancement of the net asset value of our Company and/or its earnings per Share.

**(d) *Exercise of the Repurchase Mandate***

Exercise in full of the Repurchase Mandate, on the basis of 1,800,000,000 Shares in issue immediately after completion of the Share Offer and the Capitalisation Issue (but taking no account of any Shares which may be issued pursuant to the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme), could accordingly result in up to 180,000,000 Shares being repurchased by our Company during the course of the period prior to the earliest of:

- (i) the conclusion of the next annual general meeting of our Company;
- (ii) the expiration of the period within which the next annual general meeting of our Company is required by the Articles and the applicable laws and regulations of the Cayman Islands to be held; or
- (iii) the revocation, variation or renewal of the Repurchase Mandate by ordinary resolution of our Shareholders in general meeting.

**(e) *General***

None of our Directors nor, to the best of their knowledge and belief having made all reasonable enquiries, any of their respective close associates, has any present intention, to sell any Shares to our Company or its subsidiaries if the Repurchase Mandate is approved by our Shareholders.

There might be a material adverse impact on the working capital or gearing position of our Company (as compared with the position disclosed in this prospectus) in the event that the Repurchase Mandate is exercised in full. However, our Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or on its gearing levels which in the opinion of our Directors are from time to time appropriate for our Company.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules, the Memorandum, the Articles and all applicable laws and regulations of the Cayman Islands.

If, as a result of repurchase of Shares, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purpose of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert (within the meaning under the Takeovers Code), depending on the level of increase in the interests of our Shareholder(s), could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result of a repurchase of Shares made after the Listing. Save as aforesaid, our Directors are not aware of any other consequence under the Takeovers Code as a result of a repurchase of Shares made immediately after the Listing. At present, so far as is known to our Directors, no Shareholder may become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code in the event that our Directors exercise the power in full to repurchase the Shares pursuant to the Repurchase Mandate.

Our Directors will not exercise the Repurchase Mandate if the repurchase would result in the number of Shares which are in the hands of the public falling below 25% of the total number of Shares in issue (or such other percentage as may be prescribed as the minimum public shareholding under the Listing Rules). No core connected person of our Company has notified our Company that he has a present intention to sell Shares to our Company, or has undertaken not to do so if the Repurchase Mandate is exercised.

No repurchase of Shares has been made since the incorporation of our Company.

## **B. FURTHER INFORMATION ABOUT THE BUSINESS OF OUR GROUP**

### **1. Summary of material contracts**

The following contracts (not being contracts entered into in the ordinary course of business of our Group) have been entered into by our Group within the two years preceding the date of this prospectus and are or may be material:



- (a) the agreement for sale and purchase of shares in Ready Electrical Metal dated 14 February 2017 entered into between REM Capital (as purchaser) and Ready Engineering, Mr. CK Wun and Mr. KW Leung (as vendors), pursuant to which REM Capital agreed to acquire the entire issued share capital of Ready Electrical Metal in consideration of the allotment and issue of an aggregate of 8,142 shares in REM Capital as to 3,554 shares to WANs Limited (at the request and direction of Ready Engineering), 3,257 shares to WANs Limited (at the request and direction of Mr. CK Wun), 1,221 shares to REM Enterprises (at the request and direction of Mr. KW Leung) and 110 shares to REM Limited (at the request and direction of Ready Engineering), all credited as fully paid;

- (b) the agreement for sale and purchase of shares in Ready Enterprise (China) dated 14 February 2017 entered into between REM Capital (as purchaser) and Ready Engineering and Ready Electrical Metal (as vendors), pursuant to which REM Capital agreed to acquire the entire issued share capital of Ready Enterprise (China) in consideration of the allotment and issue of an aggregate of 1,857 shares in REM Capital, as to 1,405 shares to WANs Limited (at the request and direction of Ready Engineering), 297 shares to WANs Limited (at the request and direction of Ready Electrical Metal), 112 shares to REM Enterprises (at the request and direction of Ready Electrical Metal) and 43 shares to REM Limited (at the request and direction of Ready Engineering), all credited as fully paid;
- (c) the agreement for sale and purchase of shares in REM Capital dated 26 May 2017 entered into between our Company (as purchaser) and WANs Limited, REM Enterprises and REM Limited (as vendors), pursuant to which our Company agreed to acquire the entire issued share capital of REM Capital in consideration of HK\$82,065,000 by allotment and issue of an aggregate of 9,999 Shares in our Company, as to 8,513 Shares to WANs Limited, 1,333 Shares to REM Enterprises and 153 Shares to REM Limited, all credited as fully paid;
- (d) the Deed of Non-competition;
- (e) the Deed of Indemnity; and
- (f) the Public Offer Underwriting Agreement.

## 2. Intellectual property of our Group

### (a) Trademarks

As at the Latest Practicable Date, our Group was the registered proprietor of the following trademarks:

Trademark	Registration number	Class	Name of registered proprietor	Place of registration	Date of registration	Expiry date
	6260957	9	GZ Quanda	the PRC	28 March 2010	27 March 2020
	303974635	37	Ready Electrical Metal	Hong Kong	25 November 2016	24 November 2026

(b) *Patents*

As at the Latest Practicable Date, our Group has not registered patents which we consider to be or may be material to our business.

(c) *Domain names*

As at the Latest Practicable Date, our Group was the registered owner of the following domain name:

<b>Registrant</b>	<b>Domain name</b>	<b>Registration date</b>	<b>Expiry date</b>
Ready Electrical Metal	www.rem-group.com.hk	22 March 2017	22 March 2021

Save as disclosed above, there are no other trade or services marks, patents, other intellectual or industrial property rights which are material to the business of our Group.

**C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS**

**1. Disclosure of Interests**

(a) *Interests and short positions of substantial shareholders in the share capital of our Company*

So far as our Directors are aware, immediately following the completion of the Share Offer and the Capitalisation Issue (but taking no account of any Shares which may be issued pursuant to the exercise of the Over-allotment Option or options which may be granted under the Share Option Scheme), the following persons (not being a Director or chief executive of our Company) will have interests or short positions in the Shares or underlying Shares which are required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which would be recorded in the register of our Company required to be kept under Section 336 of the SFO, or will be, directly or indirectly, interested in 10% or more of the nominal value

of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group:

<b>Name of shareholder</b>	<b>Nature of interests</b>	<b>Number of Shares held after the Share Offer and Capitalisation Issue (L)</b> <i>(Note 1)</i>	<b>Percentage of shareholding after the Share Offer</b>
WANs Limited	Interest held jointly with others; interest in a controlled corporation <i>(Note 2)</i>	1,350,000,000	75%
REM Enterprises	Interest held jointly with others; interest in a controlled corporation <i>(Note 2)</i>	1,350,000,000	75%
WAN Union (as the trustee of the WAN Union Trust)	Interest held jointly with others; interest in a controlled corporation <i>(Note 2)</i>	1,350,000,000	75%
Mr. CW Wun	Beneficiary and settlor of the WAN Union Trust; interest held jointly with others; interest in a controlled corporation <i>(Note 2)</i>	1,350,000,000	75%
Unique Best	Beneficial owner <i>(Note 2)</i>	1,350,000,000	75%
Ms. Lam Yin	Interest of spouse <i>(Note 3)</i>	1,350,000,000	75%
Ms. Emi Que	Interest of spouse <i>(Note 4)</i>	1,350,000,000	75%
Ms. Huang Xiao Ying	Interest of spouse <i>(Note 5)</i>	1,350,000,000	75%

*Notes:*

1. The letter “L” denotes the long position (as defined under part XV of the SFO) in such Shares
2. Unique Best is owned by WANs Limited, REM Enterprises and REM Limited as to 85.14% and 13.33% and 1.53%, respectively. WANs Limited is wholly owned by WAN Union (as trustee of the WAN Union Trust), while REM Enterprises is wholly owned by Mr. KW Leung and REM Limited is wholly owned by Mr. CK Yu. The WAN Union Trust is a discretionary family trust established by Mr. MK Wan, Mr. CW Wun and Mr. CK Wun as settlors and WAN Union as trustee which holds the entire interest in WANs Limited on trust for the benefits of Mr. MK Wan, Mr. CW Wun and Mr. CK Wun, and their immediate family members. By virtue of the SFO, Mr. MK Wan and Mr. CW Wun, being the settlors and beneficiaries, and WAN Union, being the trustee, are deemed to be interested in the Shares in which WANs Limited is interested. Mr. MK Wan and Mr. CW Wun retain the control of the WAN Union Trust given the board of directors of WAN Union comprises solely Mr. MK Wan, Mr. CW Wun and Ms. Wun Tsz Ying (the daughter of Mr. CK Wun who was nominated by Mr. CK Wun). Further, Mr. MK Wan, Mr. CW Wun and Mr. KW Leung have confirmed that they are parties acting in concert and are therefore deemed to be interested in the Shares held by the others. Hence, Mr. MK Wan, Mr. CW Wun, Mr. KW Leung, WAN Union, WANs Limited and REM Enterprises are deemed to be interested in all the Shares held by Unique Best.
3. Ms. Lam Yin is the wife of Mr. MK Wan and is deemed to be interested in the Shares which are interested by Mr. MK Wan under the SFO.
4. Ms. Emi Que is the wife of Mr. CW Wun and is deemed to be interested in the Shares which are interested by Mr. CW Wun under the SFO.
5. Ms. Huang Xiao Ying is the wife of Mr. KW Leung and is deemed to be interested in the Shares which are interested by Mr. KW Leung under the SFO.

Save as disclosed herein but taking no account of any Shares which may be issued pursuant to the exercise of the Over-allotment Option or options which may be granted under the Share Option Scheme, our Directors are not aware of any person (not being a director or chief executive of our Company) who will immediately following completion of the Share Offer and the Capitalisation Issue have interests or short positions in the Shares and underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which would be recorded in the register of our Company required to be kept under Section 336 of the SFO, or who will immediately following completion of the Share Offer and the Capitalisation Issue be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group.

## **2. Interests and short positions of the directors and chief executive of our Company in the share capital, underlying shares or debentures of our Company and its associated corporations**

Immediately following completion of the Share Offer and Capitalisation Issue (taking no account of any Shares which may be issued pursuant to the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme), the interests and short positions of each of our Directors and chief executive of our Company in the share capital, underlying shares and debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the



SFO (including interests and short positions which he is taken or deemed to have taken under such provisions of the SFO) or which will be required, pursuant to Section 352 of the SFO, to be entered in the register required to be kept therein or which, once the Shares are listed, will be required, to be notified to our Company and the Stock Exchange pursuant to Appendix 10 of the Listing Rules are set out as follows:

*Interests in our Company*

Name of Director	Nature of interest	Number of Shares held after the Share Offer and Capitalisation Issue (L) <i>(Note 1)</i>	Percentage of shareholding after the Share Offer
Mr. KW Leung	Interest held jointly with others; interest in a controlled corporation <i>(Note 2)</i>	1,350,000,000	75%
Mr. MK Wan	Beneficiary and settlor of the WAN Union Trust; interest held jointly with others; interest in a controlled corporation <i>(Note 2)</i>	1,350,000,000	75%

*Notes:*

1. The letter “L” denotes the long position (as defined under Part XV of the SFO) in such Shares.
2. Unique Best is owned by WANs Limited, REM Enterprises and REM Limited, as to 85.14% and 13.33% and 1.53%, respectively. WANs Limited is wholly owned by WAN Union (as trustee of the WAN Union Trust), while REM Enterprises is wholly owned by Mr. KW Leung and REM Limited is wholly owned by Mr. CK Yu. The WAN Union Trust is a discretionary family trust established by Mr. MK Wan, Mr. CW Wun and Mr. CK Wun as settlors and WAN Union as trustee which holds the entire interest in WANs Limited on trust for the benefits of Mr. MK Wan, Mr. CW Wun and Mr. CK Wun, and their immediate family members. By virtue of the SFO, Mr. MK Wan and Mr. CW Wun, being the settlors and beneficiaries, and WAN Union, being the trustee, are deemed to be interested in the Shares in which WANs Limited is interested. Mr. MK Wan and Mr. CW Wun retain the control of the WAN Union Trust given the board of directors of WAN Union comprises solely Mr. MK Wan, Mr. CW Wun and Ms. Wun Tsz Ying (the daughter of Mr. CK Wun who was nominated by Mr. CK Wun). Further, Mr. MK Wan, Mr. CW Wun and Mr. KW Leung have confirmed that they are parties acting in concert and are therefore deemed to be interested in the Shares held by the others. Hence, Mr. MK Wan, Mr. CW Wun, Mr. KW Leung, WAN Union, WANs Limited and REM Enterprises are deemed to be interested in all the Shares held by Unique Best.

*Interests in associated corporation of our Company**Unique Best*

<b>Name of Director</b>	<b>Nature of interests</b>	<b>Number of shares held after the Share Offer and Capitalisation Issue (L)</b>	<b>Percentage of shareholding after the Share Offer</b>
Mr. MK Wan	Beneficiary and settlor of the WAN Union Trust; interest held jointly with others; interest in a controlled corporation ( <i>Note 2</i> )	20,000	100%
Mr. KW Leung	Interest held jointly with others; interest in a controlled corporation ( <i>Note 2</i> )	20,000	100%

*WANs Limited*

<b>Name of Director</b>	<b>Nature of interests</b>	<b>Number of shares held after the Share Offer and Capitalisation Issue (L)</b>	<b>Percentage of shareholding after the Share Offer</b>
Mr. MK Wan	Beneficiary and settlor of the WAN Union Trust; interest held jointly with others ( <i>Note 2</i> )	10,000	100%
Mr. KW Leung	Interest held jointly with others ( <i>Note 2</i> )	10,000	100%

*REM Enterprises*

<b>Name of Director</b>	<b>Nature of interests</b>	<b>Number of shares held after the Shares Offer and Capitalisation Issue (L)</b>	<b>Percentage of shareholding after the Share Offer</b>
Mr. MK Wan	Interest held jointly with others ( <i>Note 2</i> )	1	100%
Mr. KW Leung	Beneficial owner ( <i>Note 2</i> )	1	100%

*Notes:*

1. The letter "L" denotes the long position (as defined under Part XV of the SFO) in such shares.
2. Unique Best is owned by WANs Limited, REM Enterprises and REM Limited as to 85.14% and 13.33% and 1.53%, respectively. WANs Limited is wholly owned by WAN Union (as trustee of the WAN Union Trust), while REM Enterprises is wholly owned by Mr. KW Leung and REM Limited is wholly owned by Mr. CK Yu. The WAN Union Trust is a discretionary family trust established by Mr. MK Wan, Mr. CW Wun and Mr. CK Wun as settlors and WAN Union as trustee which holds the entire interest in WANs Limited on trust for the benefits of Mr. MK Wan, Mr. CW Wun and Mr. CK Wun, and their immediate family members. By virtue of the SFO, Mr. MK Wan and Mr. CW Wun, being the settlors and beneficiaries, and WAN Union, being the trustee, are deemed to be interested in the Shares in which WANs Limited is interested. Mr. MK Wan and Mr. CW Wun retain the control of the WAN Union Trust given the board of directors of WAN Union comprises solely Mr. MK Wan, Mr. CW Wun and Ms. Wun Tsz Ying (the daughter of Mr. CK Wun who was nominated by Mr. CK Wun). Further, Mr. MK Wan, Mr. CW Wun and Mr. KW Leung have confirmed that they are parties acting in concert and are therefore deemed to be interested in the Shares held by the others. Hence, Mr. MK Wan, Mr. CW Wun, Mr. KW Leung, WAN Union, WANs Limited and REM Enterprises are deemed to be interested in all the Shares held by Unique Best.

Save as disclosed above, immediately following completion of the Share Offer and the Capitalisation Issue (but taking no account of any Shares which may be issued pursuant to the exercise of Over-allotment Option or any options which may be granted under the Share Option Scheme), none of our Directors or chief executive of our Company has any interest or short position in the shares, underlying shares or debentures of our Company or any of its associated corporations which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he will be taken or deemed to have under the SFO), or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which will be required, pursuant to Appendix 10 of the Listing Rules relating to securities transactions by Directors to be notified to our Company and the Stock Exchange once our Shares are listed.

### 3. Particulars of Directors' service contracts and Directors' remuneration

#### (a) *Director's service contracts*

Each of our executive Directors has entered into a service contract with our Company. The terms and conditions of each of such service contracts are similar in all material respects. The service contracts are initially for a fixed term of three years commencing from the Listing Date and will continue thereafter until terminated by not less than three months' notice in writing served by either party on the other, which notice shall not expire until after initial fixed term.

Each of our non-executive Director and independent non-executive Directors has entered into a letter of appointment with our Company for a term of three years commencing from the Listing Date, which may be terminated by not less than three months' notice in writing served by either party on the other.

**(b) Director's remuneration**

The remuneration of our executive Directors are determined based on the relevant Director's experience, responsibility, workload and the time devoted to our Company.

For each of the three years ended 31 December 2017, the aggregate amount paid to our Directors as remuneration (including fees, salaries, contribution to retirement benefit schemes, housing allowances and other allowances and benefits in kind and discretionary bonus) were approximately HK\$913,000, HK\$936,000 and HK\$907,000, respectively.

For the year ending 31 December 2018, the estimated total compensation payable to our Directors amounts to approximately HK\$1,425,000 (excluding any discretionary bonus).

Save as disclosed under the paragraph headed "Directors, Senior Management and Staff – Remuneration of Directors and senior management – Emoluments paid during the Track Record Period" in this prospectus, there was no arrangement under which a Director has waived or agreed to waive any emoluments for each of the three financial years immediately preceding the issue of this prospectus.

The basic annual remuneration (subject to annual review and excluding any discretionary bonus) payable by our Group to each of our Directors is as follows:

	<b>Annual remuneration</b> (HK\$)
<b>Executive Directors</b>	
Mr. MK Wan	537,000
Mr. KW Leung	384,000
<b>Non-executive Director</b>	
Mrs. Kan	120,000
<b>Independent non-executive Directors</b>	
Mr. Ng Chi Keung Alex	120,000
Ms. Ng Ching Ying	144,000
Mr. Cheng Sum Hing	120,000

**4. Related party transaction**

For details of the related party transactions of our Group entered into within three financial years immediately preceding the date of this prospectus, please refer to the accountants' report set out in Appendix I to this prospectus and the section headed "Connected Transaction" in this prospectus.

## 5. Disclaimers

Save as disclosed in this prospectus:

- (a) none of our Directors or the experts named in the paragraph headed “E. Other information – 7. Qualifications of experts” in this appendix is interested in the promotion of, or in any assets which have been within the two years immediately preceding the issue of this prospectus acquired or disposed of by or leased to our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (b) none of our Directors or the experts named in the paragraph headed “E. Other information – 7. Qualifications of experts” in this appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole;
- (c) save as disclosed in this prospectus, none of our Directors or their associates or existing shareholders of our Company (who, to the knowledge of our Directors, owns more than 5% of our issued share capital) has any other interest in any of the five largest customers of our Group;
- (d) none of our Directors or their associates or the existing shareholders of our Company (who, to the knowledge of our Directors, owns more than 5% of our issued share capital) has any interest in any of the five largest suppliers of our Group; and
- (e) none of our Directors has any existing or proposed service contracts with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

## D. SHARE OPTION SCHEME

### (i) Summary of terms of the Share Option Scheme

The following is a summary of the principal terms of the Share Option Scheme but does not form part of, nor was it intended to be, part of the Share Option Scheme nor should it be taken as affecting the interpretation of the rules of the Share Option Scheme:

#### *(a) Purpose of the Share Option Scheme*

The purpose of the Share Option Scheme is to enable our Company to grant options to any employee, adviser, consultant, service provider, agent, client, partner or joint-venture partner of our Company or any of our subsidiaries (including any Director or any director of our subsidiaries) who is in full-time or part-time employment with or otherwise engaged by the Company or any Subsidiary at the time when an option is granted to such person under the Share Option Scheme or any person who, in the absolute discretion of the Board, has contributed or may contribute to our Group (the “**Eligible Participants**”) to subscribe for the Shares thereby linking their interest with that of our Group.

**(b) *Grant and acceptance of options***

Subject to the terms of the Share Option Scheme, our Directors may, in their absolute discretion make offer to the Eligible Participants. An offer shall be made to an Eligible Participant in writing in such form as our Directors may from time to time determine and shall remain open for acceptance by the Eligible Participant concerned for a period of 21 days from the date upon which it is made provided that no such offer shall be open for acceptance after the 10th anniversary of the adoption date of the Share Option Scheme or the termination of the same.

An offer shall be deemed to have been accepted by an Eligible Participant concerned in respect of all Shares which are offered to such Eligible Participant when the duplicate letter comprising acceptance of the offer duly signed by the Eligible Participant, together with a non-refundable remittance in favour of our Company of HK\$1.00 by way of consideration for the grant thereof is received by our Company within such time as may be specified in the offer (which shall not be later than 21 days from, and inclusive of, the date of offer).

Any offer may be accepted by an Eligible Participant in respect of less than the total number of Shares which are offered provided that it is accepted in respect of a board lot for dealing in Shares on the Stock Exchange or an integral multiple thereof.

**(c) *Subscription price of Shares***

The subscription price for Shares under the Share Option Scheme shall be determined at the discretion of our Directors but in any event will not be less than the highest of (a) the closing price of the Shares on the Stock Exchange as shown in the daily quotations sheet of the Stock Exchange on the offer date of the particular option, which must be a business day; (b) the average of the closing prices of the Shares as shown in the daily quotations sheets of the Stock Exchange for the five business days immediately preceding the offer date of that particular option; and (c) the nominal value of a Share on the offer date of the particular option.

**(d) *Maximum number of Shares***

- (i) Subject to (iii) below, the maximum number of Shares in respect of which options may be granted at any time under the Share Option Scheme together with options which may be granted under any other share option schemes for the time being of our Group shall not exceed such number of Shares as equals 10% of the issued share capital of our Company at the Listing Date. On the basis of a total of 1,800,000,000 Shares in issue as at the Listing Date, the relevant limit will be 180,000,000 Shares which represent 10% of the issued Shares at the Listing Date. Our Company may seek approval by its shareholders in general meeting to refresh the 10% limit provided that the total number of Shares available for issue under options which may be granted under the Share Option Scheme and any other schemes of our Group in these circumstances must not exceed 10% of the issued share capital of our Company

at the date of approval of refreshing of the limit. Options previously granted under the Share Option Scheme and any other share option schemes of our Group (including those outstanding, cancelled, lapsed in accordance with the Share Option Scheme or any other share option schemes and exercised options) will not be counted for the purpose of calculating the limit as refreshed.

- (ii) Our Company may seek separate approval by its shareholders in general meeting for granting options beyond the 10% limit provided the options in excess of the limit are granted only to Eligible Participant specifically identified by our Company before such approval is sought. Our Company will send a circular to our Shareholders containing a generic description of the specified Eligible Participant who may be granted such options, the number and terms of the options to be granted, the purpose of granting options to the specified Eligible Participant with an explanation as to how the terms of the options serve such purpose, and such information as may be required under the Listing Rules from time to time.
- (iii) The limit on the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Over-allotment Option and any other options granted and yet to be exercised under any other share option schemes of our Group must not exceed 30% of the Shares in issue from time to time. No options may be granted under the Share Option Scheme or any other share option schemes of the Group if this will result in the limit being exceeded.
- (iv) Unless approved by our Shareholders in the manner set out below, the total number of Shares issued and to be issued upon exercise of the options granted to each grantee (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the Shares in issue. Where any further grant of options to an Eligible Participant would result in the Shares issued and to be issued upon exercise of all options granted and to be granted to such person (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the Shares in issue, such further grant must be separately approved by Shareholders in general meeting with such Eligible Participant and his close associates (or his associates if the Eligible Participant is a connected person) abstaining from voting. Our Company must send a circular to its shareholders and the circular must disclose the identity of the Eligible Participant, the number and terms of the options to be granted (and options previously granted to such Eligible Participant), and such information as may be required under the Listing Rules from time to time. The number and terms (including the subscription price) of options to be granted to such Eligible Participant must be fixed before shareholders' approval and the date of meeting of the board of Directors for proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price.

The exercise of any option shall be subject to our Shareholders in general meeting approving any necessary increase in the authorised share capital of our Company. Subject thereto, our Directors shall make available sufficient of the then authorised but unissued share capital of our Company to allot the Shares on the exercise of any option.

**(e) *Exercise of options***

An option may be exercised at any time during the period to be determined and identified by the Board to each grantee at the time of making an offer for the grant of an option, but in any event no later than 10 years from the date of grant.

Subject to terms of the Share Option Scheme, an option shall be exercisable in whole or in part in the circumstances by giving notice in writing to our Company stating that the option is thereby exercised and the number of Shares in respect of which it is so exercised. Each such notice must be accompanied by a non-refundable remittance for the full amount of the subscription price for Shares in respect of which the notice is given. Within 21 days after receipt of the notice and, where appropriate, receipt of the auditors' or the independent financial adviser's certificate, our Company shall accordingly allot the relevant number of Shares to the grantee (or his legal personal representative) credited as fully paid.

Though there is no specified minimum period under the Share Option Scheme for which an option must be held or the performance target which must be achieved before an option can be exercised under the terms and conditions of the Share Option Scheme, our Directors may make such grant of options, subject to such terms and conditions in relation to the minimum period of such options to be held and/or the performance targets to be achieved as our Directors may determine in their absolute discretion.

**(f) *Restrictions on the time of grant of options***

A grant of options may not be made when inside information has come to the knowledge of our Company until such inside information has been announced in accordance with the requirements of the Listing Rules. In particular, no options may be granted during the period commencing one month immediately before the earlier of (i) the date of the Board meeting for the approval of our Company's interim or annual results and (ii) the deadline for our Company to publish its interim or annual announcement, and ending in the date of such results announcement.

**(g) *Rights are personal to grantees***

An option shall be personal to the grantee and shall not be assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest whatsoever in favour of any third party over or in relation to any option or enter into any agreement to do so.



**(h) *Rights on ceasing employment***

The option period in respect of any option shall automatically terminate and that option (to the extent not already exercised) shall automatically lapse on the date on which the grantee ceases to be an Eligible Participant by reason of a termination of his employment on any one or more of the grounds that he has been guilty of persistent or serious misconduct, or has become bankrupt or has become insolvent or has made any arrangement or composition with his creditors generally, or has been convicted of any criminal offence (other than an offence which in the opinion of our Directors does not bring the grantee or any member of the Group into disrepute).

**(i) *Rights on death***

In the event of the grantee ceasing to be an Eligible Participant by reason of his death before exercising the option in full and where the grantee is any employee of the Group none of the events which would be a ground for termination of his employment under paragraph (h) above arises, his personal representative(s) may exercise the option (to the extent not already exercised) in whole or in part within a period of 12 months following the date of death, or such longer period as our Directors may determine.

**(j) *Cancellation of options***

Where our Company cancels options and offers new options to the same option holder, the offer of such new options may only be made under the Share Option Scheme with available options (to the extent not yet granted and excluding the cancelled options) within the limit approved by the shareholders of our Company as mentioned in paragraph (d) above.

**(k) *Effect of alterations to share capital***

In the event of any alteration in the capital structure of our Company whilst any option remains exercisable or the Share Option Scheme remains in effect, and such event arises from a capitalisation of profits or reserves, rights issue or other offer of securities to holders of Shares (including any securities convertible into share capital or warrants or options to subscribe for any share capital of our Company, but excluding options under the Share Option Scheme and options under any other similar employee share option scheme of our Company), consolidation, sub-division or reduction of the share capital of our Company or otherwise howsoever, then, in any such case (other than in the case of capitalisation of profits or reserves) our Company shall instruct the auditors or an independent financial adviser to certify in writing:

- (A) the adjustment, if any, that ought in their opinion fairly and reasonably to be made either generally or as regards any particular grantee, to:
  - (i) the number or nominal amount of Shares to which the Share Option Scheme or any option(s) relates (insofar as it is/they are unexercised); and/or

- (ii) the subscription price; and/or
- (iii) the maximum number of Shares referred to in paragraph d(i); and/or
- (iv) the method of the exercise of the option(s).

and an adjustment as so certified by the independent financial adviser or the auditors shall be made, provided that:

- (i) any such adjustment must give a grantee the same proportion of the equity capital as that to which that person was previously entitled;
  - (ii) any such adjustment shall be made on the basis that the aggregate subscription price payable by a grantee on the full exercise of any option shall remain as nearly as possible the same (but shall not be greater than) as it was before such event;
  - (iii) no such adjustment shall be made if the effect of which would be to enable a Share to be issued at less than its nominal value;
  - (iv) the issue of securities of our Company as consideration in a transaction shall not be regarded as a circumstance requiring any such adjustment; and
  - (v) to the advantage in any respect of the grantee without specific prior approval of the Shareholders.
- (B) in respect of any such adjustment, other than any made on a capitalisation issue, the independent financial advisers or the auditors must confirm to our Directors in writing that the adjustment so made satisfies the requirements of the relevant provisions of the Listing Rules and any guidance/interpretation of the Listing Rules issued by the Stock Exchange from time to time.

***(l) Rights on a general offer***

If a general or partial offer is made to all the holders of Shares, or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror, our Company shall use all its reasonable endeavours to procure that such offer is extended to all the grantees on the same terms, mutatis mutandis, and assuming that they will become, by the exercise in full of the options granted to them, shareholders of our Company. If such offer becomes or is declared unconditional, the grantee shall, notwithstanding any other term on which his options were granted, be entitled to exercise the option (to the extent not already exercised) to its full extent or to the extent specified in the grantee's notice to our Company at any time thereafter and up to the close of such offer (or any revised offer).

***(m) Rights on winding up***

In the event a notice is given by our Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall on the same date as it despatches such notice to each member of our Company give notice thereof to all grantees (containing an extract of the provisions of this paragraph) and thereupon, each grantee or his personal representative(s) shall be entitled to exercise all or any of his options (to the extent not already exercised) at any time not later than two business days prior to the proposed general meeting of our Company by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given whereupon our Company shall as soon as possible and, in any event, no later than the Business Day immediately prior to the date of the proposed general meeting referred to above, allot and issue the relevant Shares to the grantee credited as fully paid.

***(n) Rights on a compromise or arrangement***

Other than a general or partial offer or a scheme of arrangement contemplated in paragraph (o) below, in the event of a compromise or arrangement between our Company and its members or creditors being proposed for the purpose of or in connection with a scheme for the reconstruction or amalgamation of our Company, our Company shall give notice thereof to all grantees on the same date as it gives notice of the meeting to its members or creditors to consider such a scheme or arrangement and any grantee or his personal representative(s) may by notice in writing to our Company accompanied by a remittance of the full amount of the subscription price in respect of which the notice is given (such notice to be received by our Company not later than two Business Days prior to the proposed meeting) exercise the option (to the extent not already exercised) either to its full extent or to the extent specified in such notice.

***(o) Rights on a scheme of arrangement***

If a general or partial offer by way of scheme of arrangement is made to all the holders of Shares, or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror, our Company shall use all its reasonable endeavours to procure that such offer is extended to all the grantees on the same terms, mutatis mutandis, and assuming that they will become, by the exercise in full of the options granted to them, shareholders of our Company. If such scheme of arrangement is formally proposed to the shareholders in our Company, the grantee shall, notwithstanding any other term on which his options were granted, be entitled to exercise the option (to the extent not already exercised) to its full extent or to the extent specified in the grantee's notice to our Company at any time thereafter and the record date for entitlements under the scheme of arrangement.

*(p) Ranking of Shares*

Shares to be allotted and issued upon the exercise of an option will be subject to all the provisions of the Articles for the time being in force and will rank pari passu in all respects with the existing fully paid Shares in issue on the date on which the option is duly exercised or, if that date falls on a day when the register of members of our Company is closed, the first day of the reopening of the register of members and accordingly will entitle the holders thereof to participate in all dividends or other distributions paid or made on or after the exercise date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be before the exercise date. A Share allotted upon the exercise of an option shall not carry voting rights until the name of the grantee has been duly entered onto the register of members of our Company as the holder thereof.

*(q) Duration and administration of the Share Option Scheme*

The Share Option Scheme shall be valid and effective commencing from the adoption date of the Share Option Scheme until the termination date as provided therein (which being the close of business of our Company on the date which falls ten years from the date of the adoption of the Share Option Scheme), after which period no further options will be granted but the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any options granted or exercised prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme. The Share Option Scheme shall be subject to the administration of our Directors whose decision on all matters arising in relation to the Share Option Scheme or its interpretation or effect shall (save as otherwise provided herein and in the absence of manifest error) be final and binding on all persons who may be affected thereby.

*(r) Alternations to the terms of the Share Option Scheme*

- (i) The provisions relating to the matters set out in Rule 17.03 of the Listing Rules cannot be altered to the advantage of Eligible Participant without the prior approval of our Company's shareholders in general meeting;
- (ii) any alteration to the terms and conditions of the provisions of the Share Option Scheme which are of a material nature or any change to the terms of options granted must be approved Shareholders in general meeting, except where the alterations take effect automatically under the existing terms of the Share Option Scheme;
- (iii) any change to the authority of our Directors or administrator of the Share Option Scheme in relation to any alteration to the terms of the Share Option Scheme must be approved by our Company's shareholders in general meeting; and

- (iv) the amended terms of the Share Option Scheme or the options must still comply with the relevant requirements of the Listing Rules and any guidance/interpretation of the Listing Rules issued by the Stock Exchange from time to time.

(s) *Conditions of the Share Option Scheme*

The Share Option Scheme is conditional upon:

- (i) the Listing Committee granting the listing of, and permission to deal in, any Shares to be issued by our Company pursuant to the exercise of options in accordance with the terms and conditions of the Share Option Scheme;
- (ii) commencement of dealings of Shares on the Stock Exchange; and
- (iii) the passing of the necessary resolution to approve and adopt the Share Option Scheme by our Shareholder(s) in general meeting or by way of written resolution and to authorise our Directors to grant options at their absolute discretion thereunder and to allot, issue and deal with Shares pursuant to the exercise of any options granted under the Share Option Scheme.

(t) *Grant of options to connected persons or any of their associates*

Each grant of options to a Directors, chief executive or substantial shareholder (as defined in the Listing Rules) or an independent non-executive Director, or any of their respective associates must be approved by the independent non-executive Directors (excluding the independent non-executive Director who is the proposed grantee of the option (if any)). Where any grant of options to a substantial Shareholder or an independent non-executive Director of our Company, or any of their respective associates, would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

- (i) representing in aggregate over 0.1% of the Shares in issue; and
- (ii) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK\$5 million,

such further grant of options must be approved by our Shareholders. Our Company must send a circular to its Shareholders. The grantee, his associates and all core connected persons of our Company must abstain from voting at such general meeting, except that such grantee, his associates or core connected person of the Company may vote against the relevant resolution at the general meeting provided that his intention to do so has been

stated in the circular. Any vote taken at the meeting to approve the grant of such options must be taken on a poll. The circular must contain:

- (i) details of the number and terms (including the subscription price) of the options to be granted to each Eligible Participant, which must be fixed before the Shareholders' meeting and the date of the meeting of the Board for proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price;
- (ii) a recommendation from the independent non-executive Directors (excluding any independent non-executive Director who is the proposed grantee of the options) to the independent Shareholders as to voting; and
- (iii) the information as may be required under the Listing Rules from time to time.

Shareholders' approval is also required for any change in the terms of options granted to an Eligible Participant who is a substantial shareholder (as defined in the Listing Rules) of our Company or an independent non-executive Director, or any of their respective associates.

**(u) *Lapse of option***

The Option Period (as defined in the Share Option Scheme) in respect of any option shall automatically terminate and that option (to the extent not already exercised) shall automatically lapse on the earliest of:

- (i) the expiry of the Option Period;
- (ii) the expiry of any of the periods referred to in paragraphs (h), (i) or (n), where applicable;
- (iii) subject to the court of competent jurisdiction not making an order prohibiting the offeror from acquiring the remaining shares in the offer, the expiry of the period referred to in paragraph (l);
- (iv) subject to the scheme of arrangement becoming effective, the expiry date of the period referred to in paragraph (o);
- (v) the date on which the grantee ceases to be an Eligible Participant for any reason other than his death or the termination of his employment or engagement on one or more grounds specified in (vi) below;
- (vi) the date on which the grantee of an option ceases to be an Eligible Participant by reason of the termination of his employment or engagement on grounds including, but not limited to, misconduct, bankruptcy, insolvency and conviction of any criminal offence;

- (vii) the date of the commencement of the winding-up of our Company referred to in paragraph (m);
- (viii) the date on which the grantee commits a breach of paragraph (g); or
- (ix) the date on which the option is cancelled by the Board as set out in paragraph (j).

(v) ***Termination***

Our Company may by an ordinary resolution in general meeting at any time terminate the operation of the Share Option Scheme and in such event no further options will be offered but in all other respects the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any options granted prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme and options granted prior to such termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

(w) ***Miscellaneous***

Any dispute arising in connection with the number of Shares of an option, any of the matters referred to in paragraph (k) above shall be referred to the decision of the auditors who shall act as experts and not as arbitrators and whose decision shall, in the absence of manifest error, be final, conclusive and binding on all persons who may be affected thereby.

(x) ***Present status of the Share Option Scheme***

Application has been made to the Listing Committee of the Stock Exchange for the approval of the Share Option Scheme, the subsequent grant of options under the Share Option Scheme and the listing of, and permission to deal in, the Shares to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme which shall represent 10% of the Share in issue upon completion of the Share Offer and Capitalisation Issue.

As at the date of this prospectus, no options have been granted or agreed to be granted under the Share Option Scheme.

(y) ***Value of options***

Our Directors consider it inappropriate to disclose the value of options which may be granted under the Share Option Scheme as if they had been granted as at the Latest Practicable Date. Any such valuation will have to be made on the basis of certain option pricing model or other methodology, which depends on various assumptions including, the exercise price, the exercise period, interest rate, expected volatility and other variables. As no options have been granted, certain variables are not available for calculating the value of

the options. Our Directors believe that any calculation of the value of the options as at the Latest Practicable Date based on a number of speculative assumptions would not be meaningful and would be misleading to investors.

Our Board confirms that the Board will not approve the exercise of any option if as a result which our Company will not be able to comply with the public float requirements under the Listing Rule.

## **E. OTHER INFORMATION**

### **1. Estate duty, tax and other indemnity**

#### *Indemnity on estate duty and taxation*

Our Controlling Shareholders have pursuant to the Deed of Indemnity, given indemnities on a joint and several basis in favour of our Company (for ourselves and as trustee as our subsidiaries) in connection with, among others, any taxation which might be payable by any member of our Group in respect of any income, profits or gains earned, accrued or received or alleged to have been earned, accrued or received on or before the effective date, that is the date on which the Share Offer and Capitalisation Issue becomes unconditional.

Our Controlling Shareholders have also, under the Deed of Indemnity, agreed and undertaken to each of the members of our Group and at all times keep the same indemnified on demand from and against any costs, expenses, losses, damages, claims or penalties that our Group may suffer or incur, as a result of or in connection with, among others, our Group's non-compliance matters as such matters subsist on or prior to the effective date, that is the date on which the Share Offer and Capitalisation Issue becomes unconditional.

Our Controlling Shareholders will however, not be liable under the Deed of Indemnity for taxation where:

- (a) to the extent (if any) to which provision, reserve or allowance has been made for such taxation liabilities and claims in the audited combined accounts of our Company for the Track Record Period as set out in Appendix I to this prospectus;
- (b) to the extent such taxation liabilities and claims falling on any of the members of our Group in respect of their current accounting periods or any accounting period commencing on or after the effective date would not have arisen but for some act or omission of, or transaction voluntarily effected by, any of the members of our Group (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) with the prior written consent or agreement or acquiescence of our Controlling Shareholders other than any such act, omission or transaction:
  - (i) carried out or effected in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets after the effective date, or



- (ii) carried out, made or entered into pursuant to a legally binding commitment created on or before the effective date or pursuant to any statement of intention made in this prospectus; or
- (c) to the extent of any provision, reserve or allowance made for such taxation liabilities in the accounts which is finally established to be an over-provision or an excessive reserve or allowance, in which case our Controlling Shareholders' liability (if any) in respect of such taxation liabilities shall be reduced by an amount not exceeding such provision, reserve or allowance, provided that the amount of any such provision, reserve or allowance applied pursuant to this paragraph to reduce our Controlling Shareholders' liability in respect of such taxation liabilities shall not be available in respect of any such liability arising thereafter and for the avoidance of doubt, such over-provision or excess provision, reserve or allowance shall only be applied to reduce the liability of our Controlling Shareholders under the Deed of Indemnity and none of the members of our Group shall in any circumstances be liable to pay our Controlling Shareholders any such excess; or
- (d) to the extent that any taxation liabilities and claims arises or is incurred as a result of the imposition of such taxation liabilities as a consequence of any retrospective change in the law, rules and regulations or the interpretation or practice thereof by the Hong Kong Inland Revenue Department or any other relevant authority (whether in Hong Kong, the Cayman Islands and the BVI, or any other part of the world) coming into force after the effective date or to the extent that such taxation liabilities and claims arise or is increased by an increase in rates of such taxation liabilities after the effective date with retrospective effect.

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries under the laws of the Cayman Islands, the BVI and Hong Kong, being jurisdictions in which one or more of the companies comprising our Group are incorporated.

## **2. Litigation**

As at the Latest Practicable Date, no member of our Group is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to our Directors to be pending or threatened by or against our Company.

## **3. Sponsor**

The Sponsor is independent from our Company pursuant to Rule 3A.07 of the Listing Rules. The fees to be paid to the Sponsor in relation to its role as sponsor in the Listing is HK\$3.8 million. The Sponsor has made an application on our behalf to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, our Shares in issue and to be issued pursuant to the Capitalisation Issue, the Offer Shares and any Shares which may be issued pursuant to the exercise of the Over-allotment Option or any options granted under the Share Option Scheme.

**4. Compliance adviser**

In accordance with the requirements of the Listing Rules, our Company has appointed Ample Capital Limited as our compliance adviser to provide consultancy services to our Company to ensure compliance with the Listing Rules for a period commencing on the Listing Date and ending on the date on which our Company complies with the Listing Rules in respect of its financial results for the first full financial year ending 31 December 2019.

**5. Promoter**

Our Company has no promoter.

**6. Preliminary expenses**

The estimated preliminary expenses of our Company are approximately US\$4,788 and are payable by our Company.

**7. Qualifications of experts**

The following are the respective qualifications of the experts who have given their opinion or advice which is contained in this prospectus, all of which are dated the date of this prospectus:

<b>Name</b>	<b>Qualification</b>
Ample Capital Limited	Corporation licensed by the SFC to carry on type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO
Deloitte Touche Tohmatsu	Certified Public Accountants
Appleby	Cayman Islands attorneys-at-law
Li & Partners (Shenzhen)	PRC legal advisers
MdME Lawyers	Macau legal advisers
Ms. Queenie W. S. Ng	Hong Kong barrister-at-law
RSM Tax Advisory (Hong Kong) Limited	Tax Consultant
Roma Appraisals Limited	Independent Valuer
Frost & Sullivan International Limited	Industry consultant

**8. Consents of experts**

Each of the experts named above has given and has not withdrawn their respective written consents to the issue of this prospectus with the inclusion of its report and/or opinion (as the case may be) and references to its name included in the form and context in which it, respectively appears.

None of the experts named above has any shareholding interests in our Group or any right or option (whether legally enforceable or not) to subscribe for, or to nominate persons to subscribe for, securities in any member of our Group.

**9. Binding effect**

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of Sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

**10. Agency fees or commissions**

The Underwriters will receive an underwriting commission, and the Sponsor will receive a documentation fee, as referred to in the paragraph headed “Underwriting – Underwriting arrangements and expenses – Commission and expenses” in this prospectus.

**11. Registration procedures**

The register of members of our Company will be maintained in the Cayman Islands by Estera Trust (Cayman) Limited and a branch register of members of our Company will be maintained in Hong Kong by Tricor Investor Services Limited. Save where our Directors otherwise agree, all transfers and other documents of title to Shares must be lodged for registration with, and registered by, our Company’s branch share registrar in Hong Kong and may not be lodged in the Cayman Islands. All necessary arrangements have been made to enable the Shares to be admitted into CCASS for clearing and settlement.

**12. Particulars of the Selling Shareholder**

The Selling Shareholder is Unique Best, a company incorporated in the BVI with limited liability on 14 June 2017 with registered office at Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, the BVI. Unique Best is directly owned as to 85.14% by WANs Limited, 13.33% by REM Enterprises and 1.53% by REM Limited. It is an investment holding company.

**13. Miscellaneous**

- (a) Save as disclosed in this Appendix, within the two years immediately preceding the date of this prospectus:
  - (i) no share or loan capital of our Company or any of our subsidiaries has been issued, agreed to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration other than cash;

- (ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
  - (iii) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share capital of our Company or any of its subsidiaries;
  - (iv) no founder, management or deferred shares of our Company or any of our subsidiaries have been issued or agreed to be issued; and
  - (v) no commission has been paid or is payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any share in our Company or any of our subsidiaries.
- (b) Our Directors confirm that, save for the Listing expenses as set out in the paragraph headed “Financial Information – Listing expenses” and the recent development of our Group as set out in the paragraph headed “Financial Information – Recent developments subsequent to the Track Record Period” in this prospectus, there has been no material adverse change in the financial or trading position or prospects of our Group since 31 December 2017 (being the date for which the latest audited combined financial statements of the Group were made up) and up to the date of this prospectus.
- (c) None of the persons named in the paragraph headed “E. Other information – 7. Qualifications of experts” in this appendix:
- (i) is interested beneficially or non-beneficially in any shares in any member of the Group; or
  - (ii) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of the Group;
- (d) no company within our Group is presently listed on any stock exchange or traded on any trading system;
- (e) our Company has no outstanding convertible debt securities;
- (f) there are no arrangements in existence under which future dividends are to be or agreed to be waived; and
- (g) there has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 24 months preceding the date of this prospectus.

**14. Bilingual prospectus**

The English language and Chinese language versions of this prospectus are being published separately in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong). The English text of this prospectus shall prevail over the Chinese text.

**A. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG**

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were:

- (a) a copy of each of the **WHITE, YELLOW** and **GREEN** Application Forms;
- (b) the written consents referred to in the paragraph headed “Statutory and General Information – E. Other Information – 8. Consents of experts” in Appendix V to this prospectus;
- (c) a copy of each of the material contracts referred to in the paragraph headed “Statutory and General Information – B. Further information about the business of our Group – 1. Summary of material contracts” in Appendix V to this prospectus; and
- (d) the statement of particulars of the Selling Shareholder as set out in the paragraph headed “Statutory and General Information – E. Other information – 12. Particulars of the Selling Shareholder” in Appendix V to this prospectus.

**B. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at the office of Fairbairn Catley Low & Kong at 23/F, Shui On Centre, 6-8 Harbour Road, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) the Memorandum of Association and the Articles of Association;
- (b) the accountants’ report of our Group prepared by Deloitte Touche Tohmatsu, the text of which is set out in Appendix I to this prospectus;
- (c) the report from Deloitte Touche Tohmatsu in respect of the unaudited pro forma financial information of our Group, the text of which is set out in Appendix II to this prospectus;
- (d) the letter, the summary of values and valuation certificates related to our property interests prepared by Roma Appraisals Limited, the texts of which are set out in Appendix III to this prospectus;
- (e) the audited consolidated financial statements of our Group for each of the three financial years ended 31 December 2017;
- (f) the Macau legal opinion dated the prospectus date issued by MdME Lawyers, our Macau Legal Advisers in respect of certain aspects of our Group’s Macau related business operations;

- (g) the PRC legal opinion dated the prospectus date issued by Li & Partners (Shenzhen), our PRC Legal Advisers in respect of certain aspects of our Group's business operation and property interests in the PRC;
- (h) the Companies Law;
- (i) the letter prepared by Appleby summarising certain aspects of the Companies Law referred to in Appendix IV to this prospectus;
- (j) the material contracts referred to in the paragraph headed "Statutory and General Information – B. Further information about the business of our Group – 1. Summary of material contracts" in Appendix V to this prospectus;
- (k) the written consents referred to in the paragraph headed "Statutory and General Information – E. Other information – 8. Consents of experts" in Appendix V to this prospectus;
- (l) the service contracts with each of our Directors referred to in the paragraph headed "Statutory and General Information – C. Further information about our Directors and Substantial Shareholders – 3. Particulars of Directors' service contracts and Directors' remuneration" in Appendix V to this prospectus;
- (m) the legal advice prepared by Ms. Queenie W.S. Ng, a barrister-at-law in Hong Kong, dated the prospectus date;
- (n) the Frost & Sullivan Report;
- (o) the transfer pricing review report issued by RSM Tax Advisory (Hong Kong) Limited;
- (p) the rules of the Share Option Scheme; and
- (q) the statement of particulars of the Selling Shareholder.

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**REM Group (Holdings) Limited**  
全達電器集團（控股）有限公司