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

2018 INTERIM REPORT

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Wan Man Keung *(Chairman)*
Mr. Leung Ka Wai *(Chief Executive Officer)*

Non-Executive Director

Mrs. Kan Wan Wai Yee Mavis

Independent Non-Executive Directors

Mr. Ng Chi Keung Alex
Mr. Cheng Sum Hing
Ms. Ng Ching Ying

BOARD COMMITTEES

Audit Committee

Ms. Ng Ching Ying *(Chairlady)*
Mrs. Kan Wan Wai Yee Mavis
Mr. Cheng Sum Hing

Remuneration Committee

Mr. Ng Chi Keung Alex *(Chairman)*
Mr. Wan Man Keung
Mr. Cheng Sum Hing

Nomination Committee

Mr. Cheng Sum Hing *(Chairman)*
Mr. Wan Man Keung
Mr. Ng Chi Keung Alex

AUTHORISED REPRESENTATIVES

Mr. Leung Ka Wai
Ms. Chow Chi Ling Janice

COMPANY SECRETARY

Ms. Chow Chi Ling Janice

AUDITORS

Deloitte Touche Tohmatsu

COMPLIANCE ADVISER

Ample Capital Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Estera Trust (Cayman) Limited
PO Box 1350
Clifton House
75 Fort Street
Grand Cayman
KY1-1108
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

REGISTERED OFFICE

PO Box 1350
Clifton House
75 Fort Street
Grand Cayman
KY1-1108
Cayman Islands

HEADQUARTERS AND PRINCIPAL OFFICE OF BUSINESS

Unit B, 5/F
Wing Sing Commercial Centre
Nos. 12–16 Wing Lok Street
Hong Kong

COMPANY WEBSITE

http://www.rem-group.com.hk

Management Discussion and Analysis

REM Group (Holdings) Limited (the "Company") was successfully listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 11 May 2018 (the "Listing"). The board (the "Board") of directors (the "Directors") of the Company is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2018, together with the comparative figures for the corresponding period in 2017.

BUSINESS REVIEW AND MARKET PROSPECT

The Group is a renowned manufacturer and supplier of low-voltage electrical power distribution and control devices in Hong Kong, Macau and the People's Republic of China ("PRC"). The Group's business and operating results have remained relatively stable during the six months ended 30 June 2018 with over 80% of its revenue being attributable to the Hong Kong market as is consistent with prior years. The low-voltage electrical power distribution and control devices market in Hong Kong has experienced a steady growth during the past few years, mainly contributed by the growth of macro economy and continuous investment in real estate in Hong Kong. The Directors anticipated that such steady growth will continue as the demand for the Group's products increase along with the sustaining infrastructure construction in Hong Kong and be reflected on the Group's business in the near future.

The Group continues to strengthen its competitive position and believes that it can retain and further enhance its market share in the low-voltage electrical power distribution and control devices industry by maintaining (i) well-founded reputation in the market, (ii) the quality and reliability of its products and services, (iii) experienced and dedicated management team and (iv) long term relationship with customers and suppliers.

FINANCIAL REVIEW

Revenue

The Group's revenue decreased slightly by approximately HK$3.2 million, or approximately 3.6%, from approximately HK$87.9 million for the six months ended 30 June 2017 to approximately HK$84.7 million for the six months ended 30 June 2018. Such decrease was mainly attributable to a decline in sales to customers based in Macau, where practically all of the major Macau projects regarding hotel development were coming to an end and no new large-scale projects were yet commenced.

Cost of Sales

The Group's cost of sales amounted to approximately HK$59.8 million for the six months ended 30 June 2018, representing an increase of approximately 0.2% from HK$59.7 million for the six months ended 30 June 2017. Cost of sales mainly comprised of costs of raw materials and staff costs, which accounted for approximately 80.7% and 13.0% respectively of the Group's total cost of sales for the six months ended 30 June 2018 (six months ended 30 June 2017: approximately 80.5% and 11.2% respectively).

Gross Profit/Gross Profit Margin

The Group's overall gross profit margin decreased by approximately 2.6% from approximately 32.0% during the six months ended 30 June 2017 to approximately 29.4% during the six months ended 30 June 2018. The decrease of gross profit margin was mainly due to (i) decreased revenue of Macau sales (which generally is able to generate higher gross profit margins than for Hong Kong or PRC sales) by approximately 30.8% from approximately HK$14.6 million to approximately HK$10.1 million and (ii) a drop of gross profit margin for Hong Kong sales which is mainly attributable to low gross profit margins at approximately 9–11% generated by two new predominant projects with total sales of approximately HK$10.7 million. For one project, a lower gross profit margin was set in order to attract a new customer to the Group. For the other project, the low gross profit margin is due to high competition in the market, in which the Group is willing to accept a lower gross profit margin in order to seize the project and retain good relationship with the customer, whom is one of the Group's top three customers for last year.

FINANCIAL REVIEW *(Continued)*

Gross Profit/Gross Profit Margin *(Continued)*

Despite the decline, the Directors consider that the gross profit margin has been maintained at a healthy position as such gross profit margin is similar with previous years' margin which ranged from approximately 27% to 32%.

Other income, gains and losses

The Group's other income, gains and losses remained relatively stable at approximately HK$0.5 million for the six months ended 30 June 2018 and 30 June 2017.

Selling and distribution expenses

The Group's selling and distribution expenses slightly increased by approximately 3.6% from approximately HK$4.3 million during the six months ended 30 June 2017 to approximately HK$4.5 million during the six months ended 30 June 2018 and such increase was mainly attributable to a rise in transportation expenses of approximately HK$0.2 million.

General and administrative and other expenses

The Group's general and administrative and other expenses decreased by approximately HK$1.7 million, or approximately 10.2%, from approximately HK$17.1 million for the six months ended 30 June 2017 to approximately HK$15.4 million for the six months ended 30 June 2018. The decrease was mainly due to the combined effect of (i) the decrease in listing expenses by approximately HK$2.4 million, (ii) the increase in staff costs of approximately HK$0.6 million and (iii) the increase in professional fee of approximately HK$0.7 million after the Listing resulting in additional legal and compliance requirements for the Group.

Finance costs

The Group's finance costs increased by approximately 74.6% from approximately HK$0.2 million for the six months ended 30 June 2017 to approximately HK$0.3 million for the six months ended 30 June 2018. The increase in finance costs was mainly attributable to a new bank loan of HK$15 million being drawn during the six months ended 30 June 2018.

Taxation

The Group's income tax expense decreased by approximately 23.5% from approximately HK$3.3 million for the six months ended 30 June 2017 to approximately HK$2.5 million for the six months ended 30 June 2018, which was in line with the decline in taxable profit.

Net profit and adjusted net profit

The Group reported a net profit of approximately HK$2.7 million during the six months ended 30 June 2018, representing a decrease of approximately 29.9% as compared with the net profit of approximately HK$3.8 million generated for the six months ended 30 June 2017. If the non-recurring listing expenses were excluded, the Group's adjusted net profit during the six months ended 30 June 2018 would be approximately HK$8.4 million, representing a decrease of approximately 29.6% from the adjusted net profit of approximately HK$12.0 million for the six months ended 30 June 2017.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group has financed its operations primarily through cash inflows from operating activities and bank borrowings, as well as proceeds received from the Listing. As at 30 June 2018, the Group had cash and cash equivalents of approximately HK$113.7 million (31 December 2017: approximately HK$43.0 million) and had bank borrowings of approximately HK$17.2 million (31 December 2017: approximately HK$4.3 million).

As at 30 June 2018, the working capital (current assets less current liabilities) and total equity attributable to owners of the Group were approximately HK$158.1 million (31 December 2017: approximately HK$64.7 million) and approximately HK$193.0 million (31 December 2017: approximately HK$96.9 million) respectively.

Gearing ratio (total debt including amounts due to related parties and Directors and bank loans/total equity) as at 30 June 2018 was approximately 8.9% (31 December 2017: approximately 14.7%). Such decrease was mainly due to the combined effect of (i) repayment of amounts due to related parties and Directors, (ii) increase in bank borrowings and (iii) increase in equity due to the receipts of listing proceeds upon the Listing and profit generated for the period.

CURRENCY RISK

The Group has minimal exposure to foreign currency risk as most of its business transactions and assets and liabilities are principally denominated in the functional currencies of the relevant group entities. As such, the Group currently does not have any foreign currency hedging policy in respect of foreign currency transactions and assets and liabilities as the Group's risk in foreign exchange is insignificant. However, the Group will continue to monitor closely its exposure to currency movement and take proactive measures.

INTEREST RATE RISK

The Group is exposed to 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 interest rates of these bank deposits and bank borrowings are determined by reference to the respective bank offer rate. 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.

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITION OR DISPOSALS

There were no significant investments held, nor any material acquisitions or disposals of subsidiaries, associates and joint ventures during the six months ended 30 June 2018.

PLEDGE OF ASSETS

As at 30 June 2018, the Group's banking facilities were secured by (i) corporate guarantee provided by the Company for unlimited amounts and (ii) legal charges over a property held by a subsidiary with net carrying amount of approximately HK$2.6 million (31 December 2017: the banking facilities are secured by (i) corporate guarantees provided by subsidiaries of the Group for unlimited amounts, (ii) personal guarantees provided by Mr. Wan Man Keung ("Mr. MK Wan"), Mr. Wun Chi Wai ("Mr. CW Wun") and Mr. Wun Chi Keung ("Mr. CK Wun") for unlimited amounts and (iii) legal charges over a property held by a subsidiary with net carrying amount of approximately HK$2.7 million).

FUTURE PLAN FOR MATERIAL INVESTMENT AND CAPITAL ASSETS

Save as disclosed above and in the prospectus of the Company dated 27 April 2018 (the "Prospectus"), the Group does not have other plans for material investments and capital assets for the six months ended 30 June 2018 and up to the date of this interim report.

CAPITAL COMMITMENTS

The Group did not have material capital commitments as at 30 June 2018 (31 December 2017: Nil).

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 30 June 2018 (31 December 2017: Nil).

EVENTS AFTER THE REPORTING PERIOD

There have been no other material events occurring after the reporting period and up to the date of this interim report.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend to shareholders of the Company (the "Shareholders") for the six months ended 30 June 2018 (six months ended 30 June 2017: Nil).

EMPLOYEES AND REMUNERATION POLICY

The Group had 232 full-time employees as at 30 June 2018 (31 December 2017: 236), among which 48 and 184 were stationed in Hong Kong and the PRC, respectively. Most of the Group's employees were factory workers in the PRC. The total staff costs (including fees, salaries and other allowance, and retirement benefit scheme contributions) for the six months ended 30 June 2018 were approximately HK$13.6 million (six months ended 30 June 2017: approximately HK$12.1 million). The remuneration policy and package of the Group's employees were periodically reviewed. Apart from retirement benefit scheme contributions, salaries increment and discretionary bonuses may be awarded to employees according to the assessment of individual performance. The remuneration policy in place as at 30 June 2018 was in line with the current legislation in the relevant jurisdictions, market conditions and performance of the staff and the Group.

USE OF PROCEEDS FROM THE LISTING

The shares of the Company have been listed on the Stock Exchange since 11 May 2018 (the "Listing Date"). Net proceeds from the Listing were approximately HK$75 million (after deducting the underwriting commission and other listing expenses in connection to the offering). As at 30 June 2018, the net proceeds had been utilised as follows:

	Net proceeds from the Listing (HK$ million)	Actual usage up to 30 June 2018 (HK$ million)	Unutilised amounts as at 30 June 2018 (HK$ million)
Acquisition of a factory in the PRC	58.6	–	58.6
Acquisition of machineries and equipment for the Dongguan factory	13.3	–	13.3
General working capital	3.1	1.6	1.5
	75.0	1.6	73.4

The unutilised proceeds of approximately HK$73.4 million were placed with a licensed bank in Hong Kong.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the period commencing from the Listing Date to 30 June 2018, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") as its code of conduct regarding Director's securities transactions. Specific enquires have been made to all Directors and the Directors have confirmed that they have complied with the required standard of dealings as set out in the Model Code since the Listing Date.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

It is the belief of the Board that good corporate governance plays a vital part in maintaining the success of the Company. The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value accountability. The Company has complied with all the applicable code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules since the Listing Date. The Company will continue to review the current corporate governance structure from time to time and shall make necessary changes when appropriate and report to Shareholders accordingly.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 June 2018, the interests or short positions of the Directors or chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under section 352 of SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Long positions in the ordinary shares of the Company (the "Shares")

Name of Directors	Capacity/Nature of Interests	Total number of Shares and underlying Shares held (Note 1)	Approximate percentage of issued share capital
Mr. Leung Ka Wai ("Mr. KW Leung")	Interest held jointly with others; interest in a controlled corporation (Note 2)	1,350,000,000 (L)	75%
Mr. MK Wan	Beneficiary and settlor of the WAN Union Trust; interest held jointly with others; interest in a controlled corporation (Note 2)	1,350,000,000 (L)	75%

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS *(Continued)*

Long positions in the ordinary shares of the Company (the "Shares") *(Continued)*

Notes:

1. The letter "L" denotes a person's "long position" (as defined under Part XV of the SFO) in such Shares.

2. Unique Best Limited ("Unique Best") is owned by WANs Limited, REM Enterprises Limited ("REM Enterprises") and REM Limited as to 85.14%, 13.33% and 1.53%, respectively. WANs Limited is wholly owned by WAN Union Limited ("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. Yu Chi Kwan ("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.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS *(Continued)*

Long positions in the ordinary shares of associated corporations of the Company

Name of Directors	Capacity/ Nature of Interests	Name of associated corporations	Total number of shares held (Note 1)	Approximate percentage of issued share capital
Mr. KW Leung	Interest held jointly with others; interest in a controlled corporation (Note 2)	Unique Best	20,000 (L)	100%
	Interest held jointly with others (Note 2)	WANs Limited	10,000 (L)	100%
	Beneficial owner (Note 2)	REM Enterprises	1 (L)	100%
Mr. MK Wan	Beneficiary and settlor of the WAN Union Trust; interest held jointly with others; interest in a controlled corporation (Note 2)	Unique Best	20,000 (L)	100%
	Beneficiary and settlor of the WAN Union Trust; interest held jointly with others (Note 2)	WANs Limited	10,000 (L)	100%
	Interest held jointly with others (Note 2)	REM Enterprises	1 (L)	100%

Notes:

1. The letter "L" denotes a person's "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%, 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.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS *(Continued)*

Save as disclosed above, as at 30 June 2018, none of the Directors and chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2018, to the best knowledge of the Directors, the interests or short positions of the persons, other than the Directors or chief executive of the Company as disclosed above, in the Shares or underlying Shares as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Long positions in the Shares

Name of Shareholders	Capacity/Nature of Interests	Total number of Shares and underlying Shares held (Note 1)	Approximate percentage of issued share capital
Unique Best	Beneficial owner (Note 2)	1,350,000,000 (L)	75%
WANs Limited	Interest held jointly with others; interest in a controlled corporation (Note 2)	1,350,000,000 (L)	75%
REM Enterprises	Interest held jointly with others; interest in a controlled corporation (Note 2)	1,350,000,000 (L)	75%
WAN Union	Interest held jointly with others; interest in a controlled corporation (Note 2)	1,350,000,000 (L)	75%
Mr. CW Wun	Beneficiary and settlor of the WAN Union Trust; interest held jointly with others; interest in a controlled corporation (Note 2)	1,350,000,000 (L)	75%
Ms. Lam Yin	Interest of spouse (Note 3)	1,350,000,000 (L)	75%
Ms. Emi Que	Interest of spouse (Note 4)	1,350,000,000 (L)	75%
Ms. Huang Xiao Ying	Interest of spouse (Note 5)	1,350,000,000 (L)	75%

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES *(Continued)*

Long positions in the Shares *(Continued)*

Notes:

1. The letter "L" denotes a person's "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%, 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, as at 30 June 2018, the Directors were not aware of any person (other than the Directors and chief executive of the Company) who had an interest and short position in Shares or underlying Shares as recorded in the register required to be kept by the Company under Section 336 of the SFO.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the six months ended 30 June 2018 and up to the date of this interim report, none of the Directors or their respective associates (as defined in the Listing Rules) had any interest in any business which were in competition or were likely to compete, either directly or indirectly with the Group's business which needs to be disclosed pursuant to Rule 8.10 of the Listing Rules.

SHARE OPTION SCHEME

The Company has adopted a share option scheme on 23 April 2018 (the "Share Option Scheme") as incentive or reward for contributions that the eligible participants have made or may make to the Group. 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 the Prospectus.

There were no share options outstanding under the Share Option Scheme nor were any share options granted, agreed to be granted, exercised, cancelled or lapsed under the Share Option Scheme since its adoption and up to the date of this interim report.

CHANGES IN DIRECTORS' AND CHIEF EXECUTIVE'S INFORMATION

There had been no changes in information of the Directors and the Company's chief executive as set out in the Prospectus and up to the date of this interim report which needs to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

REVIEW BY AUDIT COMMITTEE

The Company established an audit committee (the "Audit Committee") with written terms of reference in compliance with Rule 3.21 of the Listing Rules. The primary duties of the Audit Committee are, among other things, to review and supervise the financial reporting process, risk management and internal control system of the Group, oversee the audit process and select external auditors and assess their independence and qualifications. The audit committee consists of two independent non-executive Directors being Ms. Ng Ching Ying and Mr. Cheng Sum Hing, and one non-executive Director being Mrs. Kan Wan Wai Yee Mavis. The Audit Committee is chaired by Ms. Ng Ching Ying.

The Audit Committee has reviewed the unaudited consolidated interim results and the interim report of the Company for the six months ended 30 June 2018 and agreed to the accounting principles and practices adopted by the Company.

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2018

	Notes	Six months ended 30 June 2018 HK$'000 (unaudited)	 2017 HK$'000 (unaudited)
Revenue	4	**84,698**	87,859
Cost of sales		**(59,839)**	(59,707)
Gross profit		**24,859**	28,152
Other income, gains and losses	5	**465**	538
Selling and distribution expenses		**(4,476)**	(4,322)
General administrative and other expenses		**(15,358)**	(17,099)
Finance costs	6	**(309)**	(177)
Profit before taxation		**5,181**	7,092
Taxation	7	**(2,512)**	(3,282)
Profit for the period	8	**2,669**	3,810
Other comprehensive (expense) income for the period			
Item that may be reclassified subsequently to profit or loss:			
– Exchange differences arising on translation of foreign operations		**(714)**	1,180
Total comprehensive income for the period		**1,955**	4,990
Profit for the period attributable to:			
Owners of the Company		**2,669**	3,793
Non-controlling interests		**–**	17
		2,669	3,810
Total comprehensive income for the period attributable to:			
Owners of the Company		**1,955**	4,907
Non-controlling interests		**–**	83
		1,955	4,990
Earnings per share			
– Basic	10	**0.17 HK cents**	0.27 HK cents

Condensed Consolidated Statement of Financial Position

At 30 June 2018

	Notes	30 June 2018 HK$'000 (unaudited)	31 December 2017 HK$'000 (audited)
Non-current assets			
Property, plant and equipment	11	20,679	21,570
Prepaid lease payments		2,986	3,062
Rental deposits		82	83
Retention receivables		–	8,868
Contract assets	12	12,248	–
		35,995	33,583
Current assets			
Inventories		18,985	24,040
Trade and retention and other receivables	13	62,897	51,194
Contract assets	12	7,346	–
Prepaid lease payments		80	81
Short-term investments		–	568
Financial assets at fair value through profit or loss		559	–
Amounts due from related parties		–	287
Amounts due from directors		15	2,032
Tax recoverable		–	944
Bank balances and cash		113,697	42,962
		203,579	122,108
Current liabilities			
Trade and other payables	14	26,731	41,653
Contract liabilities		441	–
Amounts due to related parties		–	8,987
Amount due to a director		3	970
Tax payable		1,137	1,496
Bank loans	15	17,154	4,267
		45,466	57,373
Net current assets		158,113	64,735
Total assets less current liabilities		194,108	98,318
Non-current liabilities			
Provision for long service payments		696	947
Deferred tax liabilities		438	442
		1,134	1,389
Net assets		192,974	96,929
Capital and reserves			
Share capital	16	18,000	–
Share premium and reserves		174,974	96,929
Total equity		192,974	96,929

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2018

	Attributable to owners of the Company							
	Share capital HK$'000	Share premium HK$'000	Capital reserve HK$'000 (Note)	Translation reserve HK$'000	Retained profits HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2017 (audited)	–	–	1,560	3,833	74,621	80,014	1,115	81,129
Profit for the period	–	–	–	–	3,793	3,793	17	3,810
Other comprehensive income for the period								
– Exchange differences arising on translation of foreign operations	–	–	–	1,114	–	1,114	66	1,180
Total comprehensive income for the period	–	–	–	1,114	3,793	4,907	83	4,990
Acquisition of further interests in subsidiaries	–	–	–	130	1,068	1,198	(1,198)	–
Effect of group reorganisation	–	81,578	(81,578)	–	–	–	–	–
At 30 June 2017 (unaudited)	–	81,578	(80,018)	5,077	79,482	86,119	–	86,119
At 1 January 2018 (audited)	–	81,578	(80,018)	7,249	88,120	96,929	–	96,929
Profit for the period	–	–	–	–	2,669	2,669	–	2,669
Other comprehensive expense for the period								
– Exchange differences arising on translation of foreign operations	–	–	–	(714)	–	(714)	–	(714)
Total comprehensive (expense) income for the period	–	–	–	(714)	2,669	1,955	–	1,955
Capitalisation issue (Note 16(i))	14,400	(14,400)	–	–	–	–	–	–
Issue of shares (Note 16(ii))	3,600	104,400	–	–	–	108,000	–	108,000
Expenses incurred in connection with issue of shares	–	(13,910)	–	–	–	(13,910)	–	(13,910)
At 30 June 2018 (unaudited)	18,000	157,668	(80,018)	6,535	90,789	192,974	–	192,974

Note:

The capital reserve represents the difference between the net assets value of REM Capital Limited ("REM Capital") at the date of which it was acquired by the Company and the share capital of REM Capital pursuant to the Group Reorganisation (defined in note 2).

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2018

	Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Net cash (used in) from operating activities	**(27,668)**	18,322
Investing activities		
Repayments from directors	**4,171**	1,560
Repayments from related parties	**287**	894
Interest received	**42**	59
Advances to directors	**(2,186)**	(944)
Purchase of property, plant and equipment	**(301)**	(580)
Advances to related parties	**–**	(287)
Net cash from investing activities	**2,013**	702
Financing activities		
Proceeds from issue of shares	**108,000**	–
New bank loans raised	**15,000**	–
Expenses incurred in connection with issue of shares	**(13,910)**	–
Repayments to related parties	**(8,987)**	(2,842)
Repayments of bank loans	**(2,113)**	(2,043)
Repayment to a director	**(970)**	(54)
Interest paid	**(309)**	(177)
Advances from related parties	**–**	374
Advance from a director	**–**	36
Net cash from (used in) financing activities	**96,711**	(4,706)
Net increase in cash and cash equivalents	**71,056**	14,318
Cash and cash equivalents at the beginning of period	**42,962**	15,506
Effect of foreign exchange rate changes	**(321)**	199
Cash and cash equivalents at the end of period, represented by banks balances and cash	**113,697**	30,023

1. GENERAL AND BASIS OF PREPARATION

The Company was incorporated and registered as an exempted company with limited liability on 15 March 2017 under the Companies Law of the Cayman Islands and its shares were listed on the Stock Exchange on 11 May 2018. The address of the Company's registered office and the principal place of business are PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman, KY1-1108, Cayman Islands and Unit B, 5th Floor, Wing Sing Commercial Centre, Nos. 12–16 Wing Lok Street, Hong Kong, respectively. The Company's immediate and ultimate holding company are Unique Best and WAN Union, respectively, which were companies incorporated in the British Virgin Islands.

The principal activity of the Company is investment holding and its subsidiaries are primarily engaged in sales and manufacturing of low-voltage electrical power distribution and control devices.

The condensed consolidated financial statements for the six months ended 30 June 2018 have been prepared in accordance with Hong Kong Accounting Standards ("HKASs") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") as well as with the applicable disclosure requirements of Appendix 16 to the Listing Rules.

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

2. GROUP REORGANISATION

In the preparation for the Listing, 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. MK Wan, Mr. CK Wun, Mr. CW Wun and Mr. KW Leung (together referred to as the "Controlling Shareholders"), who have been the controlling shareholders of the Group. Ready Electrical Metal is collectively controlled by Mr. CK Wun, Mr. KW Leung and Ready Engineering Limited ("Ready Engineering"), which Ready Engineering is controlled by Mr. MK Wan and Mr. CW Wun. Ready Enterprise (China) is collectively controlled by Ready Engineering and Ready Electrical Metal. The Controlling Shareholders are acting in concert 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 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. MK Wan upon incorporation.

2. GROUP REORGANISATION *(Continued)*

(iii) On 7 November 2016, 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. KW Leung 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. CK Yu, 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. 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 acquired the 1 share of REM Capital from Mr. MK Wan 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. CK Wun and Mr. KW Leung 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. 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. Ready Engineering is substantially controlled by Mr. MK Wan and Mr. CW Wun.

(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 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.

(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 and REM Limited, with consideration by the allotment and issue 8,513 Shares to WANs Limited, 1,333 Shares to REM Enterprises and 153 Shares to REM Limited.

2. GROUP REORGANISATION *(Continued)*

(x) On 14 June 2017, Unique Best 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 were allotted and issued fully paid at par to WANs Limited, REM Enterprises and REM Limited, respectively on 27 June 2017. On 28 June 2017, Unique Best acquired 8,514 shares, 1,333 shares and 153 shares of the Company from WANs Limited, REM Enterprises and REM Limited at consideration by allotment and issue of 8,514 shares, 1,333 shares and 153 shares to WANs Limited, REM Enterprises and REM Limited, respectively.

(xi) On 29 December 2017, WAN Union was incorporated as a company limited by guarantee and not authorised to issue shares. On 6 January 2018, Mr. MK Wan, Mr. CW Wun and Mr. CK Wun, as settlors, established the WAN Union Trust with WAN Union as the trustee (the "Trustee"). On 10 February 2018, Mr. MK Wan, Mr. CW Wun and Mr. CK Wun 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. MK Wan, Mr. CW Wun and Mr. CK Wun, 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. CK Yu and Mr. Ko Chi Chung are non-controlling shareholders of Ready Electrical Metal and Ready Enterprises (China). Accordingly, the condensed consolidated statements of profit or loss and other comprehensive income, condensed consolidated statements of changes in equity and condensed consolidated statements of cash flows for the period ended 30 June 2017 had 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 period ended 30 June 2017 or since the respective dates of establishment/incorporation, which was a shorter period.

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as appropriate.

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards ("HKFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2018 are the same as those followed in the preparation of the Prospectus.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Application of new and amendments to HKFRSs and an interpretation

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatorily effective for the annual period beginning on or after 1 January 2018 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 "Financial Instruments" with HKFRS 4 "Insurance Contracts"
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

The new HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards which results in changes in accounting policies, amounts reported and/or disclosures as described below.

(a) Impacts and changes in accounting policies upon application of HKFRS 15 "Revenue from Contracts with Customers"

The Group has applied HKFRS 15 for the first time in the current interim period. HKFRS 15 superseded HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related interpretations.

The Group recognises revenue from the following major sources:

- Sales of low-voltage switchboard
- Sales of local motor control panel
- Sales of motor control centre
- Sales of electrical distribution board and control box
- Sales of electrical parts and replacements

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the Standard retrospectively only to contracts that are not completed at 1 January 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 "Revenue" and HKAS 11 "Construction Contracts" and the related interpretations.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Application of new and amendments to HKFRSs and an interpretation *(Continued)*

(a) Impacts and changes in accounting policies upon application of HKFRS 15 "Revenue from Contracts with Customers" (Continued)

Key changes in accounting policies resulting from application of HKFRS 15

HKFRS 15 introduces a 5-step approach when recognising revenue:

- 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 Group satisfies a performance obligation

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

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

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

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

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

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

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

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Application of new and amendments to HKFRSs and an interpretation *(Continued)*

(a) Impacts and changes in accounting policies upon application of HKFRS 15 "Revenue from Contracts with Customers" (Continued)

Key changes in accounting policies resulting from application of HKFRS 15 *(Continued)*

A point in time revenue recognition: measurement of complete satisfaction of a performance obligation

Under the transfer-of-control approach in HKFRS 15, revenue from sales of product is generally recognised when customer acceptance has been obtained, which is the point of time when the customer has the ability to direct the use of the product and obtain substantially all of the remaining benefits of the product.

Contracts with multiple performance obligations

For contracts that contain more than one performance obligations (including the sales of products and transportation of products), the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis.

The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitle in exchange for transferring the promised goods or services to the customer.

Warranties

If a customer has the option to purchase a warranty separately, the Group accounts for the warranty as a separate performance obligation and allocates a portion of the transaction price to that performance obligation.

If a customer does not have the option to purchase a warranty separately, the Group accounts for the warranty in accordance with HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets" unless the warranty provides the customer with a service in addition to the assurance that the product complies with agreed-upon specifications (i.e. service-type warranties).

Summary of effects arising from initial application of HKFRS 15

For contracts of sales of products that have multiple deliverables (including sales of products and transportation of products), revenue is recognised for each of these performance obligations when control over the corresponding goods or services is transferred to the customers. According to HKFRS 15, the transaction price is allocated to the different performance obligations on a relative stand-alone selling price basis. The revenue relating to the undelivered elements of the arrangements is deferred until delivery of these elements. The Directors consider the impact of adopting of HKFRS 15 to revenue in relation to transportation of products for the six months ended 30 June 2018 and retained profits at 1 January 2018 are not material to the Group.

For contracts of sales of products that contain warranties, the Group accounts for the warranty in accordance with HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets" as the Directors consider these are assurance-type warranties.

There is no material impact of transactions to HKFRS 15 on retained profits at 1 January 2018.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Application of new and amendments to HKFRSs and an interpretation *(Continued)*

(a) Impacts and changes in accounting policies upon application of HKFRS 15 "Revenue from Contracts with Customers" (Continued)

Summary of effects arising from initial application of HKFRS 15 *(Continued)*

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 January 2018. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2017	Reclassification	Carrying amounts under HKFRS 15 at 1 January 2018*
	HK$'000	HK$'000	HK$'000
Non-current assets			
Retention receivables	8,868	(8,868)	–
Contract assets (Note 2)	–	8,868	8,868
Current assets			
Trade and retention and other receivables	51,194	(11,420)	39,774
Contract assets (Note 2)	–	11,420	11,420
Current liabilities			
Trade and other payables	41,653	(300)	41,353
Contract liabilities (Note 1)	–	300	300

Notes:

(1) As at 1 January 2018, advances from customers of HK$300,000 in respect of considerations received from sales contracts previously included in trade and other payables were reclassified to contract liabilities.

(2) As at 1 January 2018, retention receivables not yet billed to customers which is conditional until the expiry of defect liability period of HK$20,288,000 in respect of sales contracts previously presented as retention receivables were reclassified to contract assets.

* The amounts in this column are before the adjustments from the application of HKFRS 9.

The Directors consider the application of HKFRS 15 has no material impact on the timing and amounts of revenue recognised in the respective reporting periods.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Application of new and amendments to HKFRSs and an interpretation *(Continued)*

(a) Impacts and changes in accounting policies upon application of HKFRS 15 "Revenue from Contracts with Customers" (Continued)

Summary of effects arising from initial application of HKFRS 15 *(Continued)*

The following table summarises the impacts of applying HKFRS 15 on the Group's condensed consolidated statement of financial position as at 30 June 2018 for each of the line items affected. Line items that were not affected by the changes have not been included.

	As reported HK$'000	Adjustments HK$'000	Amounts without application of HKFRS 15 HK$'000
Non-current assets			
Retention receivables	–	12,248	12,248
Contract assets	12,248	(12,248)	–
Current assets			
Trade and retention and other receivables	62,897	7,346	70,243
Contract assets	7,346	(7,346)	–
Current liabilities			
Trade and other payables	26,731	441	27,172
Contract liabilities	441	(441)	–

(b) Impacts and changes in accounting policies upon application of HKFRS 9 "Financial Instruments"

In the current period, the Group has applied HKFRS 9 "Financial Instruments" and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for (1) the classification and measurement of financial assets and financial liabilities, (2) expected credit losses ("ECL") for financial assets and (3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9. i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. Any difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained profits and other components of equity, without restating comparative information.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Application of new and amendments to HKFRSs and an interpretation *(Continued)*

(b) Impacts and changes in accounting policies upon application of HKFRS 9 "Financial Instruments" (Continued)

Key changes in accounting policies resulting from application of HKFRS 9

Classification and measurement of financial assets

Trade receivables arising from contracts with customers are initially measured in accordance with HKFRS 15.

All recognised financial assets that are within the scope of HKFRS 9 are subsequently measured at amortised cost or fair value, including unquoted equity investments measured at cost less impairment under HKAS 39.

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

In addition, the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

The Directors reviewed and assessed the Group's financial assets as at 1 January 2018 based on the facts and circumstances that existed at that date. Change in classification and measurement on the Group's financial assets and impact thereof is detailed in note 3(b)(i).

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Application of new and amendments to HKFRSs and an interpretation *(Continued)*

(b) Impacts and changes in accounting policies upon application of HKFRS 9 "Financial Instruments" (Continued)

Key changes in accounting policies resulting from application of HKFRS 9 *(Continued)*

Impairment under ECL model

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade receivables, contract assets, other receivables, amounts due from directors and related parties and bank balances). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

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

The Group always recognises lifetime ECL for trade receivables and contract assets. The ECL on these assets are assessed individually for each debtor.

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

Significant increase in credit risk

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

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

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Application of new and amendments to HKFRSs and an interpretation *(Continued)*

(b) Impacts and changes in accounting policies upon application of HKFRS 9 "Financial Instruments" (Continued)

Key changes in accounting policies resulting from application of HKFRS 9 *(Continued)*

Impairment under ECL model (Continued)

Significant increase in credit risk *(Continued)*

- an actual or expected significant deterioration in the operating results of the debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

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

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument determined to have low credit risk if (i) it has a low risk of default, (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of "investment grade" as per globally understood definitions.

The Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

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

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

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

As at 1 January 2018, the Directors reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9. The results of the assessment and the impact thereof are detailed below.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Application of new and amendments to HKFRSs and an interpretation *(Continued)*

(b) Impacts and changes in accounting policies upon application of HKFRS 9 "Financial Instruments" (Continued)

Summary of effects arising from initial application of HKFRS 9

Below illustrates the classification and measurement (including impairment) of financial assets and other items subject to ECL under HKFRS 9 at the date of initial application, 1 January 2018.

(i) Financial assets at FVTPL and/or designated at FVTPL

At the date of initial application, the Group no longer applied designation as measured at FVTPL for the short-term investments which are managed and the performance is evaluated on a fair value basis, as these financial assets are required to be measured at FVTPL under HKFRS 9. As a result, the fair value of the short-term investments were reclassified from short-term investments to financial assets at FVTPL.

The reclassification of short-term investments as at 31 December 2017 reconcile to the opening balance of financial assets at FVTPL as at 1 January 2018 is as follows:

	Short-term investments HK$'000	Financial assets at FVTPL HK$'000
Closing balance at 31 December 2017		
– HKAS 39	568	–
Effect arising from initial application of HKFRS 9		
Reclassification from short-term investments	(568)	568
Opening balance at 1 January 2018	–	568

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Application of new and amendments to HKFRSs and an interpretation *(Continued)*

(b) Impacts and changes in accounting policies upon application of HKFRS 9 "Financial Instruments" (Continued)

Summary of effects arising from initial application of HKFRS 9 *(Continued)*

(ii) Impairment under ECL model

In relation to the impairment of financial assets, HKFRS 9 requires an ECL model, as opposed to an incurred credit loss model under HKAS 39. The ECL model requires an entity to account for ECL and changes in those ECL 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.

In the current period, the Group has applied HKFRS 9 simplified approach to measure ECL using lifetime ECL for trade receivables and contract assets.

Loss allowance for other financial assets at amortised cost mainly comprise of other receivables, amounts due from directors and related parties and bank balances, which are measured on 12m ECL basis and there had been no significant increase in credit risk since initial recognition.

The Directors considered the additional expected credit loss allowance as at 1 January 2018 measured under the ECL model is insignificant.

(c) Impacts on opening condensed consolidated statement of financial position arising from the application of all new standards

As a result of the changes in the entity's accounting policies above, the opening condensed consolidated statement of financial position had to be restated. The following table shows the adjustments recognised for each individual line item.

	31 December 2017 HK$'000 (audited)	HKFRS 15 HK$'000	HKFRS 9 HK$'000	1 January 2018 HK$'000 (restated)
Non-current assets				
Retention receivables	8,868	(8,868)	–	–
Contract assets	–	8,868	–	8,868
Current assets				
Trade and retention and other receivables	51,194	(11,420)	–	39,774
Contract assets	–	11,420	–	11,420
Short-term investments	568	–	(568)	–
Financial assets at FVTPL	–	–	568	568
Current liabilities				
Trade and other payables	41,653	(300)	–	41,353
Contract liabilities	–	300	–	300

Except as described above, the application of amendments to HKFRSs and the interpretation in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

4. 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 both periods.

The executive Directors, 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, and by location of delivery to customers. The executive Directors 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 period 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 period is as follows:

	Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Low-voltage switchboard	**50,276**	33,794
Local motor control panel	**22,575**	25,151
Motor control centre	**6,624**	17,368
Electrical distribution board and control box	**4,442**	11,200
Electrical parts and replacements	**781**	346
	84,698	87,859

The Group's revenue for sales of product are recognised at a point of time when the customer has the ability to direct the use of the product and obtain substantially all the remaining benefits of the product.

Revenue from external customers, based on location of delivery to customers is as follows:

	Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Revenue:		
Hong Kong	**70,251**	71,007
PRC	**4,349**	2,250
Macau	**10,098**	14,602
	84,698	87,859

4. REVENUE AND SEGMENT INFORMATION *(Continued)*

Entity-wide information *(Continued)*

An analysis of the Group's non-current assets other than rental deposits and non-current portion of retention receivables and contract assets is presented below based on their physical geographical location:

	At 30 June 2018 HK$'000 (unaudited)	At 31 December 2017 HK$'000 (audited)
Hong Kong	**3,071**	3,137
PRC	**20,594**	21,495
	23,665	24,632

5. OTHER INCOME, GAINS AND LOSSES

	Six months ended 30 June	
	2018 HK$'000 (unaudited)	2017 HK$'000 (unaudited)
Net exchange gain	**400**	346
Interest income	**42**	59
Increase in fair value of short-term investments	**–**	84
Decrease in fair value of financial assets at FVTPL	**(2)**	–
Others	**25**	49
	465	538

6. FINANCE COSTS

	Six months ended 30 June	
	2018 HK$'000 (unaudited)	2017 HK$'000 (unaudited)
Interest expenses on bank loans	**309**	177

7. TAXATION

	Six months ended 30 June	
	2018 HK$'000 (unaudited)	2017 HK$'000 (unaudited)
Current tax		
Hong Kong Profits Tax	1,096	3,075
PRC Enterprise Income Tax	1,420	209
Deferred tax	(4)	(2)
Income tax expense	2,512	3,282

On 21 March 2018, the Hong Kong Legislative Council passed the Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. The two-tier profits tax rate applies to years of assessment commencing on or after 1 April 2018.

Under the two-tiered profits tax rates regime, the first HK$2 million of profits of qualifying corporation will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. For the period ended 30 June 2018, Hong Kong Profits Tax of the qualified entity is calculated in accordance with the two-tiered profits tax rates regime. The profits of another group entity in Hong Kong not qualifying for the two-tiered profits tax rates regime will continue to be taxed at the flat rate of 16.5% (six months ended 30 June 2017: 16.5%).

Under the Law of PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulations of the EIT Law, the Enterprise Income Tax rate of the Group's subsidiaries in the PRC is 25% for the six months ended 30 June 2018 (six months ended 30 June 2017: 25%).

8. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2018 HK$'000 (unaudited)	2017 HK$'000 (unaudited)
Profit for the period has been arrived at after charging:		
Depreciation of property, plant and equipment	982	884
Release of prepaid lease payments	40	39
Listing expenses (included in general administrative and other expenses)	5,775	8,188

9. DIVIDENDS

The Directors do not recommend payment of any dividend for the six months ended 30 June 2018.

10. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to the owners of the Company is based on the following data:

	Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Earnings for the purpose of basic earnings per share (Profit for the period attributable to owners of the Company)	**2,669**	3,793

	Six months ended 30 June	
	2018	2017
	'000	'000
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,540,879**	1,421,640

The weighted average number of ordinary shares for the purpose of calculating basic earnings per share had 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 for the period ended 30 June 2017, and the capitalisation issue that took place on 11 May 2018 had been effective on 1 January 2017.

No diluted earnings per share is presented as there were no potential ordinary shares in issue during both periods.

11. PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group acquired property, plant and equipment for a cash consideration of HK$301,000 (six months ended 30 June 2017: HK$580,000).

12. CONTRACT ASSETS

Contract assets represent the retention receivables amounting to HK$19,594,000 as at 30 June 2018. 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 aging analysis of contract assets, which are to be transferred to trade receivables based on the expiry of the defect liability period, at the end of the reporting period:

	At 30 June 2018 HK$'000 (unaudited)
Within one year	7,346
After one year	12,248
	19,594

The Group recognised lifetime ECL of contract assets by considering any change in credit quality of each debtor from the date credit was initially granted up to the end of each reporting period and all possible default events over the expected life of the contract assets.

13. TRADE AND RETENTION AND OTHER RECEIVABLES

	At 30 June 2018 HK$'000 (unaudited)	At 31 December 2017 HK$'000 (audited)
Trade receivables	53,753	32,086
Bills receivables	–	294
	53,753	32,380
Retention receivables	–	11,420
Other receivables, prepayment and deposit	9,144	7,394
	62,897	51,194

13. TRADE AND RETENTION AND OTHER RECEIVABLES *(Continued)*

The Group allows an average credit period of 30 to 75 days to its trade customers. The following is an analysis of trade and bill receivables by age, presented based on the invoice date at the end of the report period:

	At 30 June 2018 HK$'000 (unaudited)	At 31 December 2017 HK$'000 (audited)
0–60 days	**42,557**	26,305
61–90 days	**5,784**	4,578
Over 90 days	**5,412**	1,497
	53,753	32,380

14. TRADE AND OTHER PAYABLES

The following is an analysis of trade payables by age, presented based on the invoice date at the end of the reporting period:

	At 30 June 2018 HK$'000 (unaudited)	At 31 December 2017 HK$'000 (audited)
0–60 days	**13,317**	13,495
61–90 days	**6,926**	4,617
Over 90 days	**3,174**	5,856
	23,417	23,968

The other payables mainly consist of payables for listing expenses, value-added tax payable and accrual of staff salaries and benefits.

15. BANK LOANS

During the current interim period, the Group obtained a new secured bank loan amounting to HK$15,000,000 (six months ended 30 June 2017: nil) and made the repayments of bank loans amounting to HK$2,113,000 (six months ended 30 June 2017: HK$2,043,000). The loan carries interest at 1 month HIBOR plus 3% per annum. The bank loan contains a repayment on demand clause and are shown under current liabilities.

As at 30 June 2018, the Group's bank loans were secured by the legal charge over a property owned by the Group.

16. SHARE CAPITAL

	Number of shares '000	Amount HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
At 15 March 2017 (date of incorporation), 30 June 2017 and 1 January 2018	38,000	380
Increase of authorised share capital	9,962,000	99,620
At 30 June 2018	10,000,000	100,000
Issued and fully paid:		
At 15 March 2017 (date of incorporation)	–	–
Issue of shares	10	–
At 30 June 2017 and 1 January 2018	10	–
Capitalisation issue (Note (i))	1,439,990	14,400
Issue of shares on 11 May 2018 (Note (ii))	360,000	3,600
At 30 June 2018	1,800,000	18,000

There was no share capital as at 1 January 2017 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.

Pursuant to the issue of shares and the capitalisation issue approved by shareholders' written resolution dated 23 April 2018, the authorised share capital of the Company was increased from HK$380,000 to HK$100,000,000 divided into 10,000,000,000 shares by the issue of 9,962,000,000 shares of HK$0.01 each.

Notes:

(i) Pursuant to the shareholders' written resolution dated 23 April 2018, the Company issued 1,439,990,000 additional shares, credited as fully paid, to the then shareholders of the Company's shares on the register of members at the close of business on 23 April 2018, by way of capitalisation of HK$14,399,900 crediting to the Company's share premium account.

(ii) On 11 May 2018, in connection with the Listing, the Company issued 360,000,000 ordinary shares at a price of HK$0.3 per share for a total of HK$108,000,000 with issuance costs amounted to HK$13,910,000 being charged to the Company's share premium account.

17. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

The Group's short-term investments and financial assets at FVTPL are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation techniques and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are quoted prices (unadjusted) in active market for identical assets or liabilities;

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial instruments	Fair value as at		Fair value hierarchy	Valuation techniques and key inputs
	30.6.2018 (Unaudited) HK'000	31.12.2017 (Audited) HK$'000		
Short-term Investments				
– unlisted investments managed fund	N/A	568	Level 2	Quoted market price provided by a broker which is a financial institution (Note)
Financial assets at FVTPL				
– unlisted investments managed fund	559	N/A	Level 2	Quoted market price provided by a broker which is a financial institution (Note)

Note:

Quoted market price provided by a broker which is a financial institution and represents the net asset values of the respective funds, based on the quoted price of the underlying investments.

The Directors consider that the carrying amounts of other financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate their fair values.

18. RELATED PARTY TRANSACTIONS

Apart from balances disclosed elsewhere in these condensed consolidated financial statements during the period, the Group had the following transactions with related parties:

	Nature of transactions	Six months ended 30 June 2018 HK$'000 (Unaudited)	2017 HK$'000 (Unaudited)
Sales of goods	Note (i)	–	237
Rental expenses	Note (ii)	108	108

Notes:

(i) The Group entered into transactions with Ready System (Macau) Limited, a related company under the control of Mr. MK Wan, the chairman and an executive Director, during the six months ended 30 June 2017.

(ii) The Group entered into rental agreement with Mr. MK Wan for the use of a workshop.

During the period, the emoluments paid to the key management personnel of the Company, who represent the Directors, was HK$457,000 (six months ended 30 June 2017: HK$448,000).