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
ANNUAL 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

Chairman's Statement

Dear Shareholders,

On behalf of the board (the "Board") of Directors (the "Directors"), I am pleased to present the annual report of REM Group (Holdings) Limited (the "Company") and its subsidiaries (collectively, the "Group") for the year ended 31 December 2018 (the "Year 2018") to the shareholders of the Company (the "Shareholders").

The shares of the Company (the "Share") were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 11 May 2018 (the "Listing"), representing a significant milestone for the further development of the Group. I am most grateful for all staff members, business partners and professional parties for their contribution towards the successful Listing. We believe that the Listing further enhanced our corporate image as well as provide additional funding capital for the Group to facilitate its future growth and business development in the low-voltage electrical power distribution and control devices market in Hong Kong, Macau and the People's Republic of China (the "PRC").

The Group's revenue decreased by approximately 6.2% for the Year 2018, mainly due to a drop in sales for the combined Hong Kong and Macau region. Such decline in sales were mainly attributable to delays of the site's construction progress for individual projects which hindered the Group's planned production and delivery schedule.

The Group anticipates that it'll be able to raise sales by seeking to gradually increase our productivity with the acquisition of new plants and machinery for both our Dongguan and Guangzhou factory while strengthening our model of production in the coming year which will enhance our overall operational efficiency.

Looking forward to 2019, we remain positive about the prospects of the low-voltage electrical power distribution and control devices market, driven by the Hong Kong government's continued commitment to large investments in infrastructure constructions and the continuous urbanization in the PRC. Despite the growing competitiveness in tendering for new projects in the Hong Kong and Macau market, we believe that we hold an advantage due to the long-established relationships with our customers and suppliers and the commitment of our management team to provide quality products which plays a vital role in the continuous building up of our reputation and maintaining the Group's competitiveness in the market.

We are optimistic about our business development and shall continue to capture market opportunities, especially in identifying and bidding for large projects in the PRC to further expand and strengthen our PRC customer base, so as to achieve a sustainable business growth and long-term benefits of our Shareholders.

Lastly, on behalf of the Board, I would like to take this opportunity to express my sincere appreciation to our Shareholders, investors and business partners for their continuous trust and support, as well as the management team and all our staff for their hard work and dedication during the past year.

Wan Man Keung
Chairman

Hong Kong
28 March 2019

BUSINESS REVIEW

The Group is a renowned manufacturer and supplier of low-voltage electrical power distribution and control devices in Hong Kong, Macau and the PRC.

Despite the steady growth of the low-voltage electrical power distribution and control devices market in Hong Kong, Macau and the PRC during the recent years, the Group's business and operating results (excluding non-recurring Listing expenses) have experienced a dip in the Year 2018 as compared with the year ended 31 December 2017 (the "Year 2017"). This is the direct result from a decline in the Group's sales by approximately 6.2%, from approximately HK$198.5 million in the Year 2017 to approximately HK$186.3 million in the Year 2018 caused by delays of the site's construction progress for individual projects which disrupted the Group's production schedule, combined with a rise in the Group's post-listing expenses such as various professional fee and non-executive Directors' fee of approximately HK$4.4 million.

Revenue attributed to sales in Hong Kong, Macau and the PRC amounted to approximately HK$147.6 million, approximately HK$19.2 million and approximately HK$19.5 million, respectively for the Year 2018 (Year 2017: approximately HK$144.0 million, approximately HK$42.2 million and approximately HK$12.3 million, respectively). The significant drop in sales in Macau of approximately HK$23.0 million were due to the completion of practically all of the major projects in Macau regarding hotel development as the majority of the products were already delivered in the Year 2017. There were only two relatively large-scaled projects which contributed towards sales in Macau for the Year 2018, with revenue of approximately HK$3.5 million and approximately HK$6.8 million recognised in relation to the reconstruction of a hotel as a result of a fire damage incident and the development of a theme park, respectively. The drop in sales in Macau were offset by a rise in sales in Hong Kong and the PRC by approximately HK$3.6 million and approximately HK$7.2 million, respectively. The rise of revenue in Hong Kong by approximately 2.5% is attributed to the increased production and delivery of products for projects in Hong Kong in general while the rise in sales in the PRC is mainly attributed to the commencement of two projects awarded by two different customers but related to the same urban complex construction which is a commercial center consisting of a shopping mall and a commercial building in Kunming, which generated total revenue of approximately HK$12.8 million during the Year 2018.

MARKET PROSPECT

The continued interest rate hikes and emergence of US-China trade frictions over tariff had posed uncertainties to the global business environment. Yet the Group is cautiously optimistic about the low-voltage electrical power distribution and control devices market in Hong Kong, Macau and the PRC as low-voltage electrical distribution and control devices have a wide application in practically all buildings and facilities. The design, installation, operation and maintenance of such devices generally comply with the internal structure of buildings and facilities. Along with community development and adoption of innovative architectural design of buildings as well as modernised facilities (e.g. data centers, urban complex development in the PRC, further development of public transportation systems in Hong Kong), the demand for tailor made devices is expected to steadily grow in Hong Kong, Macau and the PRC.

The prospect of the market in which the Group operates remains promising, particularly for the PRC market in which the Group has already successfully won several tenders for large-scale development projects.

However, the Group's performance is still largely dependent on several factors, including the timing and progress of construction sites for individual projects, the pricing of the Group's products amidst intense competition and price fluctuation of principal raw materials used in the production of the Group's products.

Management shall seek to counteract the negative impacts of these factors on the Group's results via setting up various policies, including implementing a new staff bonus policy to reward staff for attaining higher gross profits for individual projects, either by means of achieving greater sales or reducing costs, as well as putting in place new procedures to better monitor and manage the Group's production and delivery process so as to achieve a more stable revenue stream in future.

FINANCIAL REVIEW

Revenue

The Group's revenue decreased by approximately 6.2%, from approximately HK$198.5 million for the Year 2017 to approximately HK$186.3 million in the Year 2018. Such decrease was mainly attributable to a decline in sales to customers based in Macau of approximately HK$23.0 million, offset by a rise in sales in Hong Kong and the PRC by approximately HK$3.6 million and approximately HK$7.2 million respectively.

Cost of sales

The Group's cost of sales amounted to approximately HK$134.9 million for the Year 2018, representing a decrease of approximately 4.7% from approximately HK$141.6 million for the Year 2017. Cost of sales mainly comprised of costs of raw materials and staff costs, which accounted for approximately 81.9% and 12.3% respectively of the Group's total cost of sales for the Year 2018 (Year 2017: approximately 82.2% and 10.3% respectively).

Gross profit/Gross profit margin

The Group's gross profit decreased by approximately 9.7% from approximately HK$56.9 million for the Year 2017 to approximately HK$51.4 million for the Year 2018. The overall gross profit margin of the Group was approximately 27.6% for the Year 2018, representing a slight decrease of 1.1% as compared with that of approximately 28.7% for the Year 2017. The Group was able to generate higher gross profit margins from sales in Macau due to the distant location of the job sites and tight timeframes for the scheduled delivery of products requested for a majority of the Macau jobs in the past. For the Year 2018, only approximately 10.3% of the Group's revenue were contributed from sales in Macau as compared with approximately 21.3% for the Year 2017, representing a drop of revenue from sales in Macau of approximately HK$23.0 million. The decrease in gross profit margin was therefore due to a lower portion of revenue being generated from such higher gross profit margin projects based in Macau.

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 31%.

Other income, gains and losses

The Group's other income, gains and losses increased by approximately HK$1.3 million, or approximately 238.2%, from approximately HK$0.6 million for the Year 2017 to approximately HK$1.9 million for the Year 2018. Such increase was mainly attributable to net exchange gain of approximately HK$1.6 million being recorded as a result of an appreciation of Renminbi against United States Dollar during the Year 2018, as oppose to a net exchange loss of approximately HK$0.2 million arising from other foreign currency transactions being recorded for the Year 2017.

Selling and distribution expenses

The Group's selling and distribution expenses remained relatively stable, with a slight decrease of approximately 1.6% being recorded, from approximately HK$7.6 million for the Year 2017 to approximately HK$7.4 million for the Year 2018.

Administrative and other expenses

The Group's administrative and other expenses decreased by approximately HK$2.5 million, or approximately 8.0%, from approximately HK$31.6 million for the Year 2017 to approximately HK$29.1 million for the Year 2018. The decrease was mainly due to the combined effects of (i) the decrease in Listing expenses by approximately HK$6.0 million, (ii) the increase in staff costs (including Directors' remuneration) of approximately HK$0.6 million, and (iii) the increase in professional fee of approximately HK$3.6 million after the Listing resulting in additional legal and compliance requirements for the Group.

Finance costs

The Group's finance costs increased by approximately 44.9% from approximately HK$0.3 million for the Year 2017 to approximately HK$0.4 million for the Year 2018. The increase in finance costs was mainly attributable to a new bank loan of HK$15 million being drawn during the Year 2018 but had been fully repaid during the Year 2018.

Taxation

The Group's income tax expense increased slightly by approximately 0.3% from approximately HK$5.5 million for the Year 2017 to approximately HK$5.6 million for the Year 2018, despite a decline in taxable profit for the Year 2018. This is mainly due to a rise in the PRC taxable profit, which is subject to a higher tax rate, along with a decline in the taxable profit in Hong Kong, which is subject to a lower tax rate.

Profit for the year attributable to the owners of the Company

Profit for the year attributable to the owners of the Company decreased by approximately HK$2.3 million or 18.3% from approximately HK$12.4 million for the Year 2017 to approximately HK$10.2 million for the Year 2018. Such decrease was mainly due to a drop of sales recorded for the Year 2018, along with the combined effects of the lesser changes to other income, administrative and other expenses, and taxation as already described above.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group has financed its operations primarily through cash inflows from operating activities and bank borrowings. As at 31 December 2018, the Group had cash and cash equivalents of approximately HK$90.5 million (31 December 2017: approximately HK$43.0 million) and had bank borrowings of approximately HK$0.3 million (31 December 2017: approximately HK$4.3 million). Upon the completion of the Listing after deducting the underwriting commission and other listing expenses in connection thereto, the Group had raised net proceeds from the Listing of approximately HK$75.0 million.

As at 31 December 2018, the working capital (current assets less current liabilities) and total equity attributable to owners of the Company were approximately HK$163.4 million (31 December 2017: approximately HK$64.7 million) and approximately HK$196.6 million (31 December 2017: approximately HK$96.9 million).

Gearing ratio (total debt including amounts due to related parties and Directors and bank loans/total equity) as at 31 December 2018 was approximately 0.1% (31 December 2017: approximately 14.7%). Such decrease was mainly due to the combined effects of (i) full repayment of amounts due to related parties and Directors as at 31 December 2017, (ii) repayment of bank borrowings, and (iii) increase in equity due to the receipts of listing proceeds upon the Listing and profit generated for the Year 2018.

TRADE AND BILL RECEIVABLES

The Group's average receivable turnover days for the Year 2018 increased to approximately 103.6 days as compared to that of approximately 97.0 days for the Year 2017. The main reason for the increase is because the Group has a high ending balance of trade and bill receivables as at 31 December 2018. This is due to a large quantity of products being delivered in the last quarter of the Year 2018, especially for December, which led to significant sales being recorded during the last month and last quarter of the Year 2018. As the Group generally grants its customers credit terms of 30 to 75 days, this resulted in a much larger trade receivables balance as at 31 December 2018. Despite a rise in the receivable turnover days, the settlement of outstanding trade receivables during the Year 2018 was satisfactory and aside from impairment loss of approximately HK$0.6 million recognised, the Group did not consider there to be default on any of its trade receivables balance as at 31 December 2018.

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITION OR DISPOSALS

There were no significant investments held, nor any material acquisitions or disposals during the Year 2018.

PLEDGE OF ASSETS

As at 31 December 2018, the Group's banking facilities were secured by corporate guarantees provided by the Company for unlimited amounts (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. Wun Chi Wai and Mr. Wun Chi Keung 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 in this report 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 as at 31 December 2018 and up to the date of this report.

CAPITAL COMMITMENTS

The Group had no material capital commitments as at 31 December 2018 (31 December 2017: Nil).

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 31 December 2018 (31 December 2017: Nil).

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.

PRINCIPAL RISK AND UNCERTAINTY

The Group's business operations are conducted in Hong Kong, Macau and the PRC. Accordingly, the Group's business, financial condition, results of operations and prospects are affected significantly by market risks and general economic, political and legal developments in these jurisdictions.

Furthermore, the projects undertaken by the Group are awarded on a project-by-project basis through tendering and hence are non-recurring in nature. There is no assurance that the Group's customers will continue to make purchases from the Group and failure to maintain the success rate for obtaining new projects could materially affect the Group's financial performance. Other principal risks include fluctuations in purchase prices of the Group's principal raw materials used in production and disruption to the operations of the Group's production facilities, both of which would adversely affect the Group's operations and financial performance.

The Group is also exposed to certain market risks such as currency risk, interest rate risk, credit risk, liquidity risk, etc. The details are set out in note 29 to the consolidated financial statements.

The Group believes that risk management is the responsibility of everyone within the Group and has implemented a risk management system to mitigate the risks in daily operations. Risk management is led by the Directors at the top, who take both macro and micro economic conditions into account before making business decisions, and also aims to develop risk awareness and control responsibility as the Group's culture and the foundation of the Group's internal controls system.

RELATIONSHIPS WITH CUSTOMERS, SUPPLIERS AND EMPLOYEES

Management recognises that employees, customers, suppliers and business partners are the keys to the sustainable development of the Group. The Group maintains long-term relationships with its customers and suppliers, with most of its major customers and suppliers having established more than 10 years of working relationship with the Group, and some going over 15 years. The Group is generally invited by its customers to submit quotations or tenders for potential projects. The pricing on projects is determined by reference to the estimated costs plus a profit margin having taken into consideration the relationship with or potential prospect of the customer, project type and size, target completion date and the Group's production schedule and availability of resources. The Group endeavours to maintain its presence and keep abreast of opportunities in the market by continuous communication and working with customers and by responding to all tender invitations. The Group has built up a stable pool of suppliers over its operating history of over 20 years, which allows the Group to effectively maintain the quality of raw materials sourced. The Group assigns a project team to each project to follow the working progress of the project, ongoing communications with the customers as to their requests and to ensure that all safety and other applicable regulatory compliance requirements are met. The Group also maintains a very stable and experienced management team and an amicable long-term relationship with its employees. The Group ensures that all the employees are reasonably remunerated by regular review of their salary package. The Group's experienced management team, coupled with dedicated and skilled employees, are one of its key drives in delivering high quality and reliable products to customers in order to attain high customer satisfaction and maintain its fine reputation in the market.

EMPLOYEES AND REMUNERATION POLICY

The Group had 225 full-time employees as at 31 December 2018 (31 December 2017: 236), among which 47 and 178 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 both Directors and other staff) for the Year 2018 were approximately HK$29.3 million (Year 2017: approximately HK$26.9 million). The Group believes that employees are important assets and their contribution and support are valued at all times. The remuneration policy and package of the Group's employees were periodically reviewed in order to attract and retain high caliber and competent staff. Apart from retirement benefit scheme contributions, salaries increment and discretionary bonuses are also awarded to employees according to industry benchmark, the assessment of individual performance as well as with reference to the performance of the Group. The remuneration policy in place as at 31 December 2018 was in line with the current legislation in the relevant jurisdictions, market conditions and performance of the staff and the Group. The Company has adopted a share option scheme as an incentive to Directors and employees.

USE OF PROCEEDS FROM THE LISTING

The Shares have been listed on the Stock Exchange since 11 May 2018 (the "Listing Date"). Net proceeds from the Listing were approximately HK$75.0 million (after deducting the underwriting commission and other listing expenses in connection to the Listing). Subsequent to the Listing, these proceeds will be used for the purposes in accordance with the future plans as disclosed in the Prospectus and as set out below:

Description	As disclosed in Prospectus (HK$ million)	Percentage of net proceeds	Net proceeds from the Listing (HK$ million)	Actual usage up to 31 December 2018 (HK$ million)	Balance as at 31 December 2018 (HK$ million)
Acquisition of a factory in the PRC	70.1 (Note)	78.2%	58.6	–	58.6
Acquisition of machineries and equipment for the factory of DG Quanda ("DG Factory")	15.9	17.7%	13.3	–	13.3
General working capital	3.7	4.1%	3.1	3.1	–
Total	89.7	100%	75.0	3.1	71.9

Note:

As set out in the Prospectus, approximately HK$56.0 million will be utilised during the six months ended 31 December 2018, approximately HK$25.7 million will be utilised during the six months ending 30 June 2019 and approximately HK$4.3 million will be utilised during the six months ending 30 June 2010.

Comparison of business objectives with actual business progress and use of proceeds

As at 31 December 2018, there had not yet been any material business progress in respect of business objectives set out in the Prospectus. The unutilised proceeds of approximately HK$71.9 million were placed with a licensed bank in Hong Kong.

Implementation plans as disclosed in Prospectus	Scheduled activities for the period from 18 April 2018 to 31 December 2018 as disclosed in the Prospectus	Actual activities achieved for the period 18 April 2018 to 31 December 2018
To acquire a factory in the Guangdong Province, the PRC	– To search the suitable site for the new factory – If applicable, to confirm the acquisition of the new factory and commence the refurbishment	– Contacted property agents to source for suitable factories for sale-principally about 11,000 sq.m. for industrial use in the Humen Town, Dongguan City, Guangdong Province, the PRC, which is to be located closer to the DG factory – As at 31 December 2018, the factories available were beyond the Group's budget and no suitable sites were available to be shortlisted – Explored other options, including rental of a temporary factory (see below for further details)

Implementation plans as disclosed in Prospectus	Scheduled activities for the period from 18 April 2018 to 31 December 2018 as disclosed in the Prospectus	Actual activities achieved for the period 18 April 2018 to 31 December 2018
To acquire and replace machines and equipment in the DG factory	– To seek quotations of the machines and equipment to be acquired – To acquire and install the machines and equipment	– Considered and enquired as to the different models of machines and equipment which are cheaper alternatives – Physically observed the functioning of the machines at site to consider the benefits, shortcomings and suitability of the targeted machines to the DG factory for comparison with other alternatives – Decided on the models and obtained quotations from suppliers for a majority of the planned acquisitions – The new component of the machines and equipment to be acquired will serve the same purpose of enhancing the productivity but will lower the total investment cost and depreciation charge for DG Quanda – Completed the drawings for the floorplan for relocation of existing machineries and fitting of the new machineries and equipment and scheduled a new timeline for the acquisition of the new machineries and equipment and the relevant renovation works to the DG factory – The new component of the machines and equipment will be gradually acquired and put into use in several stages so as to minimize the disruption to production of the DG factory which is already operating near full capacity

Subsequent to the Listing, the Group has made a number of attempts to search for suitable factories for sale in the Humen Town for setting up a new factory. However, the level of prices of the available factories in Humen Town were continuously rising. In view of this, the Directors have recently started searching for suitable factories in other areas nearby the Group's existing Dongguan factory. Since the Directors expect that the Group may not be able to locate an appropriate factory unit in the immediate future. Alternatively, the Group had leased a factory in Humen Town first to cope with the job orders which the Group have secured after the Listing and also to further expand the Group's market share in the PRC so as to benefit from the growing low-voltage electrical power distribution and control devices market in the PRC. In the meantime, the Group would continue to search for suitable factories with reasonable price in Humen Town and elsewhere within the Guangdong Province.

Subsequent to the year ended 31 December 2018, the Group has entered into several contracts for (1) rental of a temporary factory in Humen Town for a term of 2 years; (2) acquisition of new machineries for its existing Dongguan factory and the leased Humen Town factory; and (3) consultancy services for the design and the technical know-how of a new production line and busbar management system for the automatic assembling and installation of low-voltage switchboards to be stationed at the leased Humen Town factory, the layout and set up of the factory to accommodate for this new production line and the automation on copper storage, and the related training to be provided to the staff. The amounts of the proceeds contracted and actually used up as at the date of this report is as follows:–

Description	Planned use of proceeds up to 31 December 2018 as disclosed in Prospectus (HK$ million)	Contracted usage up to the date of this report (HK$ million)	Actual usage up to the date of this report (HK$ million)	Unutilised proceeds will be applied in 2019 (HK$ million)
Acquisition of a factory in the PRC:				
– Consideration of the new factory and the related commission, deed tax, stamp duty and professional fees	33.5	–	–	–
– Acquisition of machineries and equipment	–	1.4	–	2.9
– Rental of temporary factory in Humen Town pending for acquisition of the new factory and the related renovation and relocation expenses	–	1.5	–	1.7
– Consultancy fee for the design and the technical know-how of a new production line and busbar management system for the manufacturing of low-voltage switchboards	–	1.5	0.5	1.5
Acquisition of machineries and equipment for the Dongguan factory	13.3	2.2	0.1	5.5
Total	46.8	6.6	0.6	11.6

At the date of this report, the Directors do not anticipate any changes to the principal plan as to the use of proceeds.

EVENTS AFTER THE REPORTING PERIOD

There have been no other material events occurring after 31 December 2018 and up to the date of this report.

EXECUTIVE DIRECTORS

WAN Man Keung

Mr. Wan Man Keung ("Mr. Wan"), aged 57, is an executive Director and the Chairman of the Board and is responsible for the overall strategic planning and daily management of the Group's business development and operations. Mr. Wan, together with, among others, Mr. Leung Ka Wai, founded the Group on 25 August 1992. He was the Company's non-executive Director for the period between 29 June 2017 and 11 January 2018, and was redesignated as an executive Director on 12 January 2018. He was appointed as the Chairman of the Board on 29 June 2017 and as a member of the remuneration committee of the Company (the "Remuneration Committee") and nomination committee of the Company (the "Nomination Committee") on 23 April 2018. He is also a director of all subsidiaries of the Group and the legal representative of two PRC companies, namely Dongguan Quanda Electrical Equipment Limited ("DG Quanda") and Guangzhou Quanda Electrical Metal Products Limited ("GZ Quanda"). Mr. Wan has more than 26 years of experience in the low-voltage electrical power distribution and control devises industry. Mr. Wan completed form three education in 1978. 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 B electrical worker. He 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. Mr. Wan is a cousin of Mrs. Kan Wan Wai Yee Mavis.

For Mr. Wan's interest in the Shares within the meeting of Part XV of the SFO, please refer to the section headed "Report of the Directors" in this report.

LEUNG Ka Wai

Mr. Leung Ka Wai ("Mr. Leung"), aged 50, is an executive Director and the chief executive officer of the Group and is responsible for overseeing the daily management of the Group's business development and operations. Mr. Leung is one of the founders of the Group and was appointed as an executive Director and the Group's chief executive officer on 29 June 2017 and 12 January 2018, respectively. He is also a director of Ready Electrical Metal Work Limited ("Ready Electrical Metal"), Ready Enterprise (China) Limited, Ready Development (China) Limited, DG Quanda, GZ Quanda and Dongguan Ready Electrical Equipment Limited. Mr. Leung has over 26 years of experience in the low-voltage electrical power distribution and control devices industry. Mr. Leung completed form five education in 1985. He 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.

For Mr. Leung's interest in the Shares within the meeting of Part XV of the SFO, please refer to the section headed "Report of the Directors" in this report.

NON-EXECUTIVE DIRECTOR

KAN Wan Wai Yee Mavis

Mrs. Kan Wan Wai Yee Mavis ("Mrs. Kan"), aged 62, was appointed as a non-executive Director and a member of the audit committee of the Company (the "Audit Committee") on 29 June 2017 and 23 April 2018, respectively and is responsible for providing strategic advice to the Group's internal control and corporate governance. Mrs. Kan completed the program of diploma in management studies organized jointly by the Hong Kong Management Association and Hong Kong Polytechnic (currently known as The Hong Kong Polytechnic University) in June 1988. She 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 member of The Association of Chartered Certified Accountants. Between June 1977 and December 1980, Mrs. Kan worked for The Hong Kong 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. Mrs. Kan is the cousin of Mr. Wan.

INDEPENDENT NON-EXECUTIVE DIRECTORS

NG Chi Keung Alex

Mr. Ng Chi Keung Alex ("Mr. Ng"), aged 61, was appointed as an independent non-executive Director, chairman of the Remuneration Committee and a member of the Nomination Committee on 23 April 2018. He is responsible for supervising and providing independent judgment to the Board, the Remuneration Committee and the Nomination Committee. 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. 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 40 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, Hongkong & Whampoa Dock Company Limited as a senior project co-ordinator from April 1985 to March 1994, Hutchison Whampoa Properties Limited as the chief project manager from April 1994 to March 2015, and Hutchison Property Group Limited as the chief project manager from April 2015 to December 2016.

CHENG Sum Hing

Mr. Cheng Sum Hing ("Mr. Cheng"), aged 62, was appointed as an independent non-executive Director, chairman of the Nomination Committee and a member of the Audit Committee and the Remuneration Committee on 23 April 2018. He is responsible for supervising and providing independent judgment to the Board, the Audit Committee, the Remuneration Committee and the Nomination Committee. 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. He was admitted as a fellow of The Hong Kong Institute of Surveyors in November 2003. Mr. Cheng has more than 41 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 was a director of the Hong Kong Green Building Council Limited from January 2012 to December 2017 and is currently serving as a director of BEAM Society Limited.

NG Ching Ying

Ms. Ng Ching Ying ("Ms. Ng"), aged 43, was appointed as an independent non-executive Director and the chairlady of the Audit Committee on 23 April 2018. She is responsible for supervising and providing independent judgment to the Board and the Audit Committee. Ms. Ng obtained a bachelor degree of business administration with honours in accounting from the Hong Kong Baptist University in December 1997. 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.

SENIOR MANAGEMENT

CHOW Chi Ling Janice

Ms. Chow Chi Ling Janice ("Ms. Chow"), aged 36, is the Group's 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 the Group. 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. She is currently a certified public accountant of the Hong Kong Institute of Certified Public Accountants. Ms. Chow joined the Group in January 2017 as the chief financial officer of Ready Electrical Metal and was appointed as the Company's company secretary on 29 June 2017. Prior to joining the 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 a consulting manager.

LIU Kwok Wai

Mr. Liu Kwok Wai ("Mr. Liu"), aged 43, is the senior contracts manager of the Group and is responsible for overseeing the daily operation of and coordination in the Group's projects. Mr. Liu is also the supervisor of GZ Quanda and DG Quanda. 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. 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 20 years of experience in the electrical engineering industry. He was employed by the 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. Prior to joining the Group, he worked for Mpower Engineering Ltd. from July 1998 to July 2001 with his last position as an executive engineer.

TO Kwai Sang

Mr. To Kwai Sang ("Mr. To"), aged 46, is the senior technical manager of the Group and is responsible for overseeing the import and export of materials, and monitoring shop drawing for production and manufacturing status for the Group's projects. Mr. To obtained a bachelor degree in electrical engineering from The Hong Kong Polytechnic University in November 1998. 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 20 years of experience in the electrical engineering industry. He joined the Group in November 1998 and was employed by the 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 and in January 2018, he was further promoted as the senior technical manager. Prior to joining the Group, he worked for Wong's Circuits (P.T.H.) Ltd. from July 1992 to September 1995.

CORPORATE GOVERNANCE PRACTICES

The Board recognises that transparency and accountability are important to the Company as a listed company. Since its Listing, the Company is committed in establishing and maintaining good corporate governance practices and procedures. The Directors believe that good corporate governance provides a framework that is essential for effective management, successful business growth and a healthy corporate culture in return to the benefits of the Shareholders as a whole.

The Board has adopted and complied with the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules. Upon the Listing Date and up to 31 December 2018 (the "Reporting Period"), the Board is of the opinion that the Company has complied with all the code provisions of the CG Code.

The Board will continue reviewing the Company's corporate governance practices in order to enhance its corporate governance standard, to comply with the increasingly tightened regulatory requirements from time to time, and to meet the rising expectation on the Company.

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") contained in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions of the Company by the Directors.

Having made specific enquiry of all the Directors, they confirmed that they had complied with the required standard set out in the Model Code regarding securities transactions by Directors throughout the period from the Listing Date up to the date of this report.

THE BOARD OF DIRECTORS

The overall management of the Group's business is vested in the Board. Key responsibilities of the Board include the formulation of the Group's overall strategies and policies, the setting of performance targets, the evaluation of business performance and the oversight of management.

As at 31 December 2018 and up to the date of this report, the Board comprised 6 Directors, including 2 executive Directors, 1 non-executive Director and 3 independent non-executive Directors. The list of all Directors are set out below:

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

Independent non-executive Directors are appointed for a term of three years. For a Director to be considered independent, the Board must determine the Director does not have any direct or indirect material relationship with the Group. In determining the independence of the Directors, the Board follows the requirements set out in the Listing Rules.

Biographical details and the relationships among the members of the Board are disclosed under "Biographical Details of Directors and Senior Management" on pages 13 to 16 of this report.

Chairman and Chief Executive Officer

The Company fully supports the division of responsibility between the Chairman of the Board and the Chief Executive Officer to ensure a balance of power and authority.

The positions of the Chairman and Chief Executive Officer were held by Mr. Wan Man Keung and Mr. Leung Ka Wai, respectively. Their respective responsibilities are clearly defined and set out in writing.

The Chairman is responsible for providing leadership to, and overseeing the functioning of the Board to ensure that the Board acts in the best interests of the Group and Board meetings are planned and conducted effectively. The Chairman is primarily responsible for approving the agenda for each Board meeting, taking into account, where appropriate, matters proposed by other Directors for inclusion in the agenda. With the support of the Company Secretary and other senior management, the Chairman seeks to ensure that all Directors are properly briefed on issues arising at Board meetings and receive adequate and reliable information in a timely manner. The Chairman also actively encourages Directors to fully engage in the Board's affairs and make contribution to the Board's functions.

The Chief Executive Officer focuses on implementing objectives, policies and strategies approved and delegated by the Board. He is in charge of the Company's day-to-day management and operations. The Chief Executive Officer is also responsible for developing strategic plans and formulating the organisational structure, control systems and internal procedures and processes for the Board's approval.

Independent Non-Executive Directors

In compliance with Rules 3.10 and 3.10A of the Listing Rules, the Company has appointed three independent non-executive Directors, representing more than one-third of the Board. At least one of them possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each of the independent non-executive Directors in respect of his/her independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. Accordingly, the Company considers all independent non-executive Directors to be independent.

APPOINTMENTS, RE-ELECTION AND REMOVAL OF DIRECTORS

Each of the executive Directors has entered into a service contract with the Company for a fixed term of three years and are subject to retirement by rotation in accordance with the Company's Articles of Association (the "Articles").

Each of the non-executive Director and the independent non-executive Directors has entered into a letter of appointment for a fixed term of three years and are subject to retirement by rotation in accordance with the Articles.

In accordance with article 112 of the Articles, any Director appointed by the Board 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 and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

In accordance with articles 108 and 112 of the Articles, all the Directors will retire from office as Directors at the forthcoming annual general meeting of the Company, being eligible, and offer themselves for re-election.

Responsibilities, Accountabilities and Contributions of the Board and Management

The Board is responsible for leadership and control of the Company and oversees the Group's businesses, strategic decisions and performance and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. Directors of the Board take decisions objectively in the interests of the Company.

All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

The Board is scheduled to meet for at least four times a year. Between scheduled meetings, senior management of the Group provides the Directors with information on a timely basis on the activities and development in the businesses of the Group and when required, additional Board meetings are held.

All Directors have full and timely access to all the information of the Company as well as the services and advice from the Company Secretary and senior management. The Directors may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

The Directors should disclose to the Company details of other offices held by them and the Board regularly reviews the contribution required from each Director to perform his/her responsibilities to the Company.

The Board reserves its decision on all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and co-ordinating the daily operation and management of the Company are delegated to the management.

BOARD COMMITTEES

As an integral part of good corporate governance practices, the Board had established three committees namely, the Audit Committee, Remuneration Committee and Nomination Committee, for overseeing particular aspects of the Group's affairs. Each of these committees comprises mostly independent non-executive Directors who have been invited to serve as members. These committees are governed by the respective terms of reference approved by the Board. The terms of reference of these committees are posted on the websites of the Company and the Stock Exchange and available to Shareholders upon request.

Audit Committee

The Audit Committee consists of two independent non-executive Directors and one non-executive Director with Ms. Ng Ching Ying, an independent non-executive Director, as the chairlady. Other members are Mrs. Kan Wan Wai Yee Mavis and Mr. Cheng Sum Hing. At the discretion of the Audit Committee, executive Directors and/or senior management personnel overseeing the Group's finance may be invited to attend meetings. The Audit Committee normally meets two times a year. The Audit Committee also meets the external auditors twice without the presence of the executive Directors. The duties of the Audit Committee include, among other things, reviewing and monitoring the financial and internal control aspects, risk management system, audit plan and relationship with external auditors, and arrangements to enable employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company. The Audit Committee reviews the truth and fairness of the Group's interim and annual financial statements, discusses with the external auditors the nature and scope of audit before the audit commences as well as the findings and recommendations raised by the auditors during and after completion of the audit. The Audit Committee conducts an assessment, at least annually, of the effectiveness of the Group's internal controls and financial controls system, risk management system, scope of work and appointment of external auditors and arrangements for employees to raise concerns about possible improprieties. This allows the Board to monitor the Group's overall financial position and to protect its assets. The chairlady of the Audit Committee summarises activities of the Audit Committee, highlights issues arising therefrom, and provides recommendations for reporting to the Board after each meeting.

Attendance record of meeting during the Reporting Period is set out on page 23 of this report.

The Audit Committee schedules to hold at least two meetings a year. During the Reporting Period, the Audit Committee held one meeting to review and supervise the financial reporting process, to review the internal control system of the Group and to review the interim results of the Group as well as to recommend to the Board for their consideration and approval. The Audit Committee of the Company was of the opinion that the preparation of such results complied with applicable accounting standards and that adequate disclosure has been made.

Nomination Committee

The Nomination Committee consists of one executive Director and two independent non-executive Directors with Mr. Cheng Sum Hing, an independent non-executive Director, as the chairman. Other members are Mr. Wan Man Keung, an executive Director and Mr. Ng Chi Keung Alex, an independent non-executive Director.

The Nomination Committee schedules to hold at least one meeting a year. The principal duties of the Nomination Committee include reviewing the Board composition, developing and formulating relevant procedures for the nomination and appointment of directors, making recommendations to the Board on the appointment and succession planning of Directors, and assessing the independence of independent non-executive Directors.

In assessing the Board composition, the Nomination Committee would take into account various aspects set out in the board diversity policy, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and industry and regional experience. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's character, qualifications, experience, independence and other relevant criteria necessary to complement the corporate strategy and achieve board diversity, where appropriate, before making recommendation to the Board.

Attendance record of meeting during the Reporting Period is set out on page 23 of this report.

The main works performed by the Nomination Committee during the Reporting Period included reviewing the structure and composition (including the skills, knowledge and experience) of the Board as well as reviewing board diversity policy and recommending the same to the Board for approval.

The Nomination Committee considered that an appropriate balance of diversity perspectives of the Board is maintained.

Remuneration Committee

The Remuneration Committee consists of one executive Director and two independent non-executive Directors with Mr. Ng Chi Keung Alex, an independent non-executive Director, as the chairman. Other members are Mr. Wan Man Keung, an executive Director, and Mr. Cheng Sum Hing, an independent non-executive Director. At the discretion of the Remuneration Committee, executive Directors and/or senior management personnel overseeing the Group's human resources function may be invited to attend meetings.

The primary objectives of the Remuneration Committee include making recommendations on and approving the remuneration policy and structure and remuneration packages of the executive Directors and the senior management.

The Remuneration Committee is also responsible for establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration. Remuneration will be determined by reference to the performance of the individual and the Company as well as market practice and conditions.

The Remuneration Committee schedules to hold at least one meeting a year for reviewing the remuneration policy and structure of the Company and determination of the annual remuneration packages of the executive Directors and the senior management and other related matters. The human resources department is responsible for collection and administration of the human resources data and making recommendations to the Remuneration Committee for consideration. The Remuneration Committee shall consult with the Chairman and/or the Chief Executive Officer of the Company about these recommendations on remuneration policy and structure of the Company and remuneration packages.

Attendance record of meeting during the Reporting Period is set out on page 23 of this report.

The main works performed by Remuneration Committee during the Reporting Period included reviewing the remuneration packages of the executive Directors, non-executive Director, independent non-executive Directors and senior management for the Year 2018.

Details of the remuneration of each Director and the 5 highest paid employees for the Year 2018 are set out in note 12 to the financial statements, respectively. The remuneration of the senior management for the Year 2018 is listed below by band:

Band of Remuneration (HK$)	Number of Persons
HK$Nil to HK$1,000,000	3

Corporate Governance

The Board is also responsible for performing the functions set out in the code provision D.3.1 of the CG Code.

The Board reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance with the Model Code and Employee Written Guidelines, and the Company's compliance with the CG Code and disclosure in this report.

Attendance Record of Directors and Committee Members

Regular Board meetings should be held at least four times a year involving active participation, either in person or through electronic means of communication, of a majority of Directors.

As the Company was listed on the Stock Exchange since 11 May 2018, the relevant standards were not applicable to the Company during 1 January 2018 to 10 May 2018.

The attendance record of each Director at the Board and Board committee meetings of the Company held during the Reporting Period is set out in the table below:

	Attendance/Number of Meetings			
Name of Director	**Board**	**Audit committee**	**Remuneration committee**	**Nomination committee**
Mr. Wan Man Keung	2/2		1/1	1/1
Mr. Leung Ka Wai	2/2			
Mrs. Kan Wan Wai Yee Mavis	2/2	1/1		
Mr. Ng Chi Keung Alex	2/2		1/1	1/1
Mr. Cheng Sum Hing	2/2	1/1	1/1	1/1
Ms. Ng Ching Ying	2/2	1/1		

During the Reporting Period, no general meeting was held.

BOARD DIVERSITY POLICY

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

During the Reporting Period and as at the date of this report, the Board comprises six Directors, two of which are female. The following tables further illustrate the diversity of the Board members as of the date of this report:

	Age Group		
Name of Director	**40-49**	**50–59**	**60–69**
Mr. Wan Man Keung		✓	
Mr. Leung Ka Wai		✓	
Mrs. Kan Wan Wai Yee Mavis			✓
Mr. Ng Chi Keung Alex			✓
Mr. Cheng Sum Hing			✓
Ms. Ng Ching Ying	✓		

Name of Director	Professional Experience Low-voltage electrical power distribution and control devices industry	Engineering industry	Quantity surveying industry	Accounting and Finance
Mr. Wan Man Keung	✓			
Mr. Leung Ka Wai	✓			
Mrs. Kan Wan Wai Yee Mavis				✓
Mr. Ng Chi Keung Alex		✓		
Mr. Cheng Sum Hing			✓	
Ms. Ng Ching Ying				✓

CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

Directors shall keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that their contribution to the Board remains informed and relevant.

Every newly appointed Director has received formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements. Such induction shall be supplemented by visits to the Company's key plant sites or meetings with senior management of the Company.

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills. Internally-facilitated briefings for Directors would be arranged and reading material on relevant topics would be provided to Directors where appropriate. All Directors are encouraged to attend relevant training courses at the Company's expenses.

During the Year 2018, the Company has organised a training for all the Directors which covered various relevant topics, including the duties and responsibilities of directors, corporate governance, updates to the Listing Rule, the CG Code and the Model Code, as well as revisiting the continuing obligations of the Company and the Directors as a listed company. In addition, the Company has provided related reading materials to the Directors for their reference and learning purposes, including directors' manual, legal and regulatory update and publications issued by the Stock Exchange. The Directors have also attended additional professional seminars on an individual basis during the Year 2018.

The record of continuing professional development relating to director's duties and regulatory and business development that have been received by the Directors during the Reporting Period and up to date of this report are summarised as follows:

Name of Director	Training activities including in-house activities/briefings, seminars/talks held by professional organisations and/or reading materials on relevant topics
Executive Directors	
Mr. Wan Man Keung	✓
Mr. Leung Ka Wai	✓
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	✓

All the Directors provided the Company a record of training they received in the Year 2018.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the Group's consolidated financial statements for the Reporting Period.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the independent auditors of the Company about their reporting responsibilities on the consolidated financial statements is set out in the Independent Auditors' Report on pages 50 to 53 of this report.

Where appropriate, a statement from the Audit Committee explaining its recommendation regarding the selection, appointment, resignation or dismissal of external auditors and the reasons why the Board has taken a different view from that of the Audit Committee.

AUDITORS' REMUNERATION

The Audit Committee has reviewed and ensured the independence and objectivity of the external auditors, Deloitte Touche Tohmatsu. Details of the fees paid or payable to Deloitte Touche Tohmatsu for the Year 2018 are as follows:

Nature of services	Amount HK$'000
Audit services	1,810
Non-audit services (include acting as reporting accountant for the Listing)	1,335
	3,145

RISKS MANAGEMENT AND INTERNAL CONTROLS

The Board has the responsibility to maintain effective risk management and internal control systems in order to safeguard the Group's assets and investments and the Shareholders' interest and conducts a review on an annual basis. The Board acknowledges that such risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss. The Board conducted review of the effectiveness of the risk management and internal control systems of the Company in aspects of the Group's financial, operational, compliance controls and risk management functions through the effort of the Audit Committee.

The Group currently has no internal audit function and the Board reviewed that it is more cost effective to engage an external independent consultant instead of recruiting a team of internal audit staff to perform such annual review function. During the Year 2018, LIF Consultants Limited (the "Consultant") was engaged to review the effectiveness of the risk management and internal control systems. The Consultant worked closely with the Group to identify risk components and risk owners in different aspects through interviews with and workshops provided to Group's management. Also, the Consultant assisted the Group to evaluate the adequacy of the existing mitigation plans. In addition, an independent review was conducted by the Consultant under the Committee of Sponsoring Organisation of the Treadway Commission's 2013 framework ("COSO") to identify weaknesses and enhance the effectiveness and efficiency of the internal control system of the Group. Last but not least, findings and recommendations resulting from the review were reported to and discussed with the Audit Committee and the Board, and the Consultant concluded that no significant area of concern that may affect the financial, operational, compliance control and risk management of the Group has been identified.

The Board has the overall responsibility to maintain the adequacy of resources, staff qualifications and experience, training programs and budget of the Company's accounting and financial reporting function and the Board had reached the conclusion that the Group's risk management and internal control systems were in place and effective.

The Company has developed its disclosure policy which provides a general guide to the Company's Directors, officers, senior management and relevant employees in handling confidential information, monitoring information disclosure and responding to enquiries.

DISCLOSURE OF INSIDE INFORMATION

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

COMPANY SECRETARY

The Company has appointed Ms. Chow Chi Ling Janice, who is an employee of the Group as its company secretary. Ms. Chow has confirmed that for the Year 2018, she has taken no less than 15 hours of relevant professional training. The biography of Ms. Chow is set out in the section headed "Biographical Details of Directors and Senior Management" of this report.

SHAREHOLDERS' RIGHTS

Pursuant to article 64 of the Articles, an extraordinary general meeting shall also be convened on the requisition of one or more Shareholders holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the company secretary for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

There are no provisions in the Articles or the Cayman Islands Company Law for Shareholders to move new resolution at general meetings. Shareholders who wish to move a resolution may request the Company to convene a general meeting in accordance with the procedures set out in the preceding paragraph. As regards proposing a person for election as a Director, please refer to the "Procedure for Nomination of Directors by Shareholders" of the Company which is posted on the Company's website.

Enquiries to the Board

Shareholders may send their enquiries or requests to the Board through the Company's principal place of business in Hong Kong at Unit B, 5/F, Wing Sing Commercial Centre, Nos. 12–16 Wing Lok Street, Hong Kong or via email at enquiry@rem-group.com.hk. Enquiries are dealt with in an informative and timely manner.

CONSTITUTIONAL DOCUMENTS

There was no change to the Company's constitutional documents from the Listing Date to 31 December 2018. The Articles is available on the websites of the Company and the Stock Exchange.

The Board is pleased to present the first annual report and the audited consolidated financial statements of the Group for the Year 2018.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activities of the Group are sales and manufacturing of low-voltage electrical power distribution and control devices in Hong Kong, Macau and the PRC. The principal activities of the Company's subsidiaries are set out in note 34 to the consolidated financial statements.

BUSINESS REVIEW

A review on the Group's business for the Year 2018 is set out in the "Management Discussion and Analysis" section of this report.

GROUP REORGANISATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law on 15 March 2017. In preparation of the Listing, the Group underwent the reorganisation pursuant to which the Company became the holding company of the subsidiaries now comprising the Group on 26 May 2017. For details of the reorganisation, please refer to note 2 to the consolidated financial statements.

INITIAL PUBLIC OFFERING

The Shares have been listed and traded on the Main Board of the Stock Exchange since 11 May 2018. The net proceeds from the placing and public offer was approximately HK$75.0 million (after deducting all listing related expenses). Please refer to the "Management Discussion and Analysis" section in this report for more details of the use of proceeds as at 31 December 2018.

RESULTS AND DIVIDENDS

The results of the Group for the Year 2018 are set forth in the consolidated statement of profit or loss and other comprehensive income on page 54 of this report. The Board does not recommend the payment of a final dividend for the Year 2018 (Year 2017: Nil).

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last four years is set out on page 118 of this report. Such summary does not form part of the audited consolidated financial statements for the Year 2018.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the Year 2018 are set out in note 14 to the consolidated financial statements.

SHARE CAPITAL

Details of the Company's share capital are set out in note 27 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles or the laws of the Cayman Islands, which would oblige the Company to offer new Shares on a pro-rata basis to Shareholders.

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

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the Year 2018.

RESERVES AND DISTRIBUTABLE RESERVES

As at 31 December 2018, the Company's reserves available for distribution to Shareholders amounted to approximately HK$138.8 million (31 December 2017: approximately HK$72.1 million).

Movements of the reserves of the Company and of the Group during the Year 2018 are set out in note 35 to the consolidated financial statements and in the consolidated statement of changes in equity on page 57, respectively.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2018, the five largest customers of the Group accounted for approximately 59.5% of the total revenue of the Group and the largest customer accounted for approximately 16.0% of the total revenue of the Group.

The aggregate purchases attributable to the Group's largest supplier and five largest suppliers accounted for approximately 22.0% and 52.3% of the Group's total purchases for the year ended 31 December 2018, respectively.

None of the Directors, their associates, or any Shareholder (which to the knowledge of the Directors own more than 5% of the Company's issued share capital) has any interest in any of the Group's five largest suppliers and customers.

DIRECTORS

The Directors since the Listing and up to the date of this report are as follow:

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

In accordance with the Articles, all Directors are subject to retirement by rotation at least once every three years and any new Director appointed by the Board to fill a causal vacancy or as an addition to the Board shall submit himself/herself for re-election by shareholders at the next following general meeting after appointment.

DIRECTORS' INTEREST IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as those disclosed in note 33 to the consolidated financial information, no other transactions, arrangements or contracts of significance, to which the Company or any of its subsidiaries was a party and in which a Director or an entity connected with him/her had a material interest, whether directly or indirectly, subsisted at the end of the Year 2018 or at any time during the Year 2018.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service contract with the Company for a fixed term of three years and are subject to retirement by rotation in accordance with the Articles.

Each of the non-executive Director and the independent non-executive Directors has entered into a letter of appointment for a fixed term of three years and are subject to retirement by rotation in accordance with the Articles.

Apart from the foregoing, none of the Directors being proposed for re-election at the forthcoming annual general meeting has a service contract or a letter of appointment with the Company or any member of the Group, which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REMUNERATION

The emoluments of the Directors of the Company are decided by the Remuneration Committee, having regard to the Group's operating results, individual performance and comparable market statistics. Details of the Directors' remuneration are set out in note 12 to the consolidated financial statement.

PERMITTED INDEMNITY PROVISION

Pursuant to the Articles, the Directors and other officers shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which they shall or may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duties or supposed duties in their respective offices, except such (if any) as shall be incurred or sustained through their own fraud or dishonesty.

The Company has arranged for appropriate insurance coverage for the Directors' and officers' liabilities in respect of legal actions against the Directors and officers of the Group, thereby sustained or incurred, arising from or incidental to execution of duties of his/her offices.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the Year 2018 and up to the date of this 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.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the Year 2018 was the Company, its holding companies, or any of its subsidiaries a party to any arrangement to enable the Directors or their associates to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2018, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares or debentures of the Company and its associated corporations, within the meaning of the Securities and Futures Ordinance (the "SFO"), which had to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have taken under such provisions), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code contained in the Listing Rules, once the Shares are listed, were as follows:

Long positions in 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. Wan Man Keung ("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%

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. Wun Chi Wai ("Mr. CW Wun") and Mr. Wun Chi Keung ("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.

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.

Save as disclosed above, as at 31 December 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 31 December 2018, to the best knowledge of the Directors, the interests or short positions of the persons, other than the Directors or chief executives of the Company, 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%

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 31 December 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.

CONNECTED TRANSACTION

The Company had no connected transactions or continuing connected transactions which requires compliance with any of the reporting, announcement or independent shareholders' approval requirements under Chapter 14A of the Listing Rules during Year 2018.

RELATED PARTY TRANSACTIONS

The Directors confirm that the related party transactions of the Group during the Year 2018 as set out in note 33 to the consolidated financial statements were continuing connected transactions, which were exempt from all disclosure requirements, annual review and independent shareholder's approval requirements under Chapter 14A of the Listing Rules.

COMPLIANCE WITH THE DEED OF NON-COMPETITION

Each of the controlling shareholders of the Company has made an annual declaration to the Company that from the Listing Date to 31 December 2018, he/she/it and his/her/its associates have complied with the terms of non-competition undertakings ("Non-Competition Undertakings") given in favour of the Company which are contained in the Deed of Non-Competition Undertaking. Details of the Non-Competition Undertakings are set out in the section headed "Relationship with the Controlling Shareholders" of the Prospectus. The independent non-executive Directors have also reviewed the status of compliance by each of the controlling shareholders with the undertakings in the Non-Competition Undertakings and as far as the independent non-executive Directors can ascertain, there is no breach of any of the undertakings in the Non-Competition Undertakings.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Year 2018.

EQUITY-LINKED AGREEMENTS

No equity-linked agreements that (i) will or may result in the Company issuing Shares or (ii) require the Company to enter into any agreements that will or may result in the Company issuing Shares were entered into by the Company during the Year 2018 or subsisted at the end of the Year 2018.

TAX RELIEF

The Company is not aware of any relief on taxation available to the Shareholders by reason of their holdings of the Shares.

SHARE OPTION SCHEME

On 23 April 2018, the Company adopted the share option scheme (the "Share Option Scheme") as incentive or reward for contributions that the eligible participants have made or may make to the Group. Pursuant to the Share Option Scheme, the Company may grant options to any employee, advisor, consultant, service provider, agent, client, partner or joint-venture partner of the Company or its subsidiary (including any Director or any director of the Group's 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 the Group (the "Eligible Participants") to subscribe for the Shares thereby linking their interest with that of the Group.

Subject to the terms of the Share Option Scheme, the Board may, in their absolute discretion make offer to the Eligible Participants. The Share Option Scheme will remain in force for a period of 10 years from the date of adoption, 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 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) shall not exceed such number of Shares as equals to 10% of the issued share capital of the Company at the Listing Date.

The total number of Shares issued and to be issued upon exercise of the options granted to each grantee (including both exercised or outstanding options) in any 12-month period must not exceed 1% of the Shares in issue.

The subscription price for Shares under the Share Option Scheme shall be determined by the Board, but in any event will not be less than the highest of (i) 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; (ii) the average of the closing prices of the Shares as shown in the daily quotation sheets of the Stock Exchange for the five business days immediately preceding the offer date of the particular option; and (iii) the nominal value of a Share on the offer date of the particular option.

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 date and up to the date of this report. The total number of shares available for grant under the scheme was 180,000,000 Shares, representing 10% of the issued share capital of the Company as at the date of this report.

DIVIDEND POLICY

The Company has adopted a dividend policy ("Dividend Policy"), pursuant to which the Company may declare and distribute dividends to the Shareholders to allow Shareholders to share the Company's profits and for the Company to retain adequate reserves for future growth.

The Board will continually review the Dividend Policy and reserves the right in its sole and absolute discretion to update, amend and/or modify the Dividend Policy at any time, and the Dividend Policy shall in no way constitute a legally binding commitment by the Company that dividends will be paid in any particular amount and/or in no way obligate the Company to declare a dividend at any time or from time to time.

COMPLIANCE WITH LAWS AND REGULATIONS

The operations of the Group are primarily carried out by the Company's subsidiaries in Hong Kong and the PRC, while its products are also delivered to Macau. The Group's establishment and operations accordingly shall comply with relevant laws and regulations in each of the above jurisdictions. During the Year 2018 and up to the date of this report, the Group had obtained all the registrations and certifications required for its business and operations in Hong Kong and the PRC, and had complied with all applicable laws and regulations in the above-mentioned jurisdictions in all material respect.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to ensure the long-term sustainability of the environment and persistently strives to operate its business in an economic, social and environmentally sustainable manner. Discussions on the Group's environmental policies, relationships with its key stakeholders and compliance with relevant laws and regulations which have a significant impact on the Group are contained in the Environmental, Social and Governance Report on pages 38 to 49 of this report.

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance practices. Principal corporate governance practices adopted by the Company are set out in the "Corporate Governance Report" on pages 17 to 27 of this Report.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the minimum public float required under the Listing Rules since the Listing Date and up to the date of this report.

REVIEW BY AUDIT COMMITTEE

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and has discussed auditing, internal control and financial reporting matters, which include the review of the audited consolidated financial statements of the Group for the Year 2018.

AUDITOR

The consolidated financial statements for the Year 2018 have been audited by Deloitte Touche Tohmatsu, who will retire and, being eligible, offer themselves for reappointment at the forthcoming annual general meeting.

On behalf of the Board

Wan Man Keung
Chairman

Hong Kong
28 March 2019

INTRODUCTION

The Group is a renowned manufacturer and supplier of low-voltage electrical power distribution and control devices in Hong Kong, Macau and the PRC. The Shares were listed on the Main Board of The Stock Exchange on 11 May 2018. The Group persistently strives to operate its business in an economic, social and environmentally sustainable manner. The Group is committed to make continuous improvements in corporate social responsibility in order to better meet the changing needs of an advancing society.

The Group is pleased to present its first Environmental, Social and Governance Report (the "ESG Report") for the Year 2018, which aims to demonstrate its efforts on sustainability developments to both internal and external stakeholders. The ESG Report has been prepared in compliance with the Environmental, Social and Governance Reporting Guide (the "Guide") as set out in Appendix 27 to the Listing Rules. The ESG Report primarily highlights the Group's major initiatives and activities implemented from 1 January 2018 to 31 December 2018.

Stakeholder Engagement

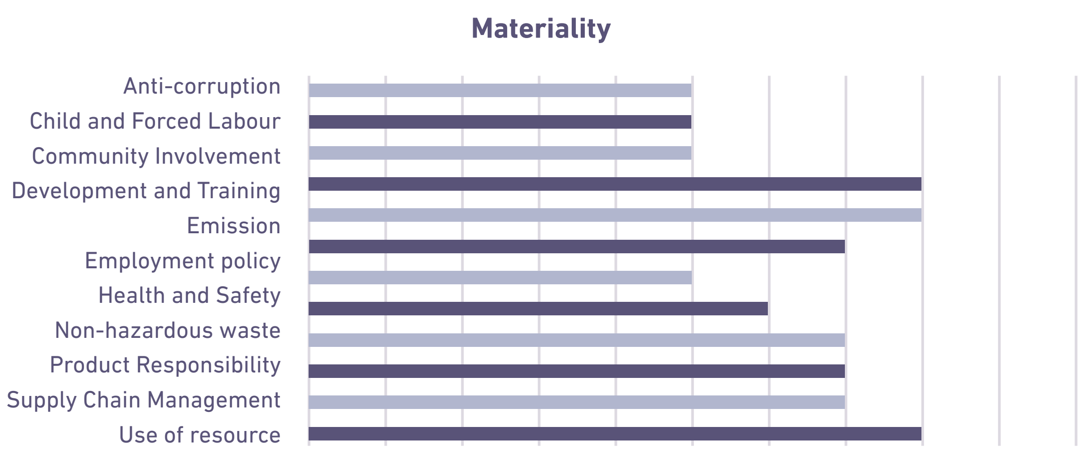
The Group has set up policies on stakeholder engagement to understand the needs of stakeholders and to ensure its activities that can take into consideration of the stakeholders' interests. Striving for continuous improvement, the Group does not only listen to stakeholder's opinions but also having them assisted in improving the Group's business practices and maintaining our relationships by addressing their concerns.

Continuous communication with stakeholders allows the Group to identify matters in relation to the environmental, social and governance issues, and it serves as a method to understand stakeholders' expectation and assess the materiality on various aspects as set out in the Guide that are relevant to the Group. Below sets forth the channels used for communication with respective stakeholder group.

Stakeholder group	Engagement activities
Customers	• Corporate website • Customer assessment • Project meetings
Employees	• Performance appraisals • Internal emails and publications • Trainings • Meetings
Suppliers/Sub-contractors	• Project meetings • Supplier assessment • Site visiting
Investors/Shareholders	• Annual general meeting • Annual and interim reports • Announcement and other disclosure documents • Corporate website
Community	• Industrial events • Corporate social responsibility activities

Materiality Assessment

The Group has maintained close communication with its stakeholders to identify and understand its stakeholders' main concerns and material interests. Stakeholders with high level of influence and dependence to the Group were selected and invited to express their views and concerns on a list of sustainability issues. Through multiple discussions and direct communications, the Group understands the core issues that matter most to its stakeholders. By understanding the critical issues from both internal and external perspectives through stakeholders, the Group developed its corporate strategy, goals, targets and programs to advance business sustainability. The result from the materiality assessment is presented below.



In order to enhance the Group's future business and sustainable development, you are welcome to provide your valuable comments to enquiry@rem-group.com.hk.

ENVIRONMENTAL PROTECTION

Environmental protection is one of the Group's core values. The Group is committed to ensure the long-term sustainability of the environment and communities. Thus, the Group has proactively looked for and implemented new measures at various stages of production in order to minimise its impact to the environment.

Emissions

The Group has complied with the relevant local environmental laws, including but not limited to the Environmental Protection Law of the People's Republic of China (中華人民共和國環境保護法), the Law of the People's Republic of China on Prevention and Treatment of Water Pollution (中華人民共和國水污染防治法), the Law of the People's Republic of China on Prevention and Treatment of Atmospheric Pollution (中華人民共和國大氣污染防治法), the Law of the People's Republic of China on Prevention and Treatment of Environment Pollution of Solid Waste (中華人民共和國固體廢物污染環境防治法) and the Law of the People's Republic of China on Prevention and Treatment of Pollution from Environment Noise (中華人民共和國環境噪音污染防治法).

As most of the gaseous fuel-driven equipment were replaced by electrically-powered equipment, the Group considered the impact of gaseous fuel consumption emissions is minimal. Air emissions generated by the Group were mainly produced by diesel fuel consumed by the motor vehicles. Below sets out the air emissions data throughout the Year 2018.

Air Emissions Data	Unit	2018
Vehicles Emissions		
NO_x Emissions	g	16,211.93
SO_x Emissions	g	100.61
PM Emissions	g	1,350.77

Greenhouse Gas ("GHG") emissions are mainly released through the consumption of fuels by the Group's equipment and motor vehicles. The GHG emissions data are set out below:

Greenhouse Gas Emissions Data	Unit	2018
Scope 1 – Direct Emissions		
Mobile combustion sources	tonnes	21.29
Scope 2 – "Energy Indirect" Emissions		
Electricity (Note 1)	tonnes	958.33
Scope 3 – Other Indirect Emissions		
Paper waste disposed at landfills	tonnes	10.46
Electricity used for processing fresh water and sewage by government department (Note 2)	tonnes	0.01
Business air travel by employees	tonnes	6.60

Note 1: For electricity supplied from Hong Kong, the Emission Factors (0.790 kg/kWh and 0.500 kg/kWh) are available from HK Electric Company and CLP's Sustainability Report 2017 respectively.

For electricity supplied from PRC, the Emission Factor (0.837 kg/kWh) is available from Ministry of Ecology and Environment's Electricity Emission Factor Report 2017.

Note 2: For water supplied from Hong Kong, the unit electricity consumption of water (0.298 m3/kWh) is available from Water Supplies Department Annual Report 2016/17.

The Group strives to reduce the GHG generated from its operations by performing regular performance and condition checks to ensure the equipment are in good condition without excessive emissions. In addition, operation manual and updated trainings are provided to workers to enhance the effectiveness and efficiency of using equipments, which helps to reduce unnecessary emissions.

Waste

Numerous procedures have been established and embedded in the daily operations of the Group for handling different kinds of wasted materials. Wasted powder and sewage are the two major sources of waste produced from the manufacturing process. Powder collector and sewage container are employed in production to avoid wasted powder and sewage leak. Once wastes are collected, they are stored separately and will be sent to qualified authorities for recycle or disposal. To comply with the Law of the People's Republic of China on Prevention and Treatment of Water Pollution, the Group has signed a wasted water transfer agreement with an authorised sewage treatment plant to handle the sewage produced. To the best of the Group's knowledge, no material amount of hazardous wastes were generated.

The table below shows the quantity of waste produced from the use of equipment in the Group's operation, which was estimated based on wastes being disposed and recycled.

Waste	Unit	2018
Non-Hazardous Waste		
Industrial wastes	tonnes	39.32

The Group is committed to reduce wastes where possible throughout the operations in its offices, workshop and factories. The Group's main objective to reduce wastes is to optimise usage of resources. Efforts are made in designing the production process which will be discussed in detail in the "Use of Resources" section below. On the other hand, measures are adopted in the procurement process through avoiding over-ordering to reduce wastes produced.

During the Year 2018, the Group was not aware of any non-compliance with relevant laws and regulations that have a significant impact relating to air and GHG emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.

Use of Resources

As a manufacturer, a majority of the Group's resources consumption comes from factories. To minimise wastage and maximise the utilisation rate of different resources, the Group implemented several resources saving initiatives. In order to reduce unnecessary energy consumption, the Group actively inspects machines and replace aged components to ensure that they are operated in energy-efficient conditions. Water used in the cleaning process are recycled and will be replaced every three months, which will be gathered and sent to authorised wasted water treatment plant for disposal. During the Year 2018, there is no issue in sourcing water encountered by the Group. The Group believes that initial stage of a production cycle is the most critical phase as products' specification and components of raw material can hardly be changed in the later stages. Therefore, the Group carefully designs the production and packaging procedures at planning stage with the aim to optimise the usage of raw materials and packaging materials in achieving effective and efficient resources management.

As for offices' operation, the Group encourages staff to use resource in an efficient manner. Double-sided copying, paper recycling and replacing hardcopy documentation with electronic copies on server are embraced to minimise usage of papers. Also, staff are recommended to switch off office's lights and computers during lunch time. Air-conditioning is suggested to be maintained at an average temperature of 25 degrees Celsius to save electricity.

The energy and water consumption of the Group during the Year 2018 are set out below:

Energy Consumption	Unit	2018
Electricity Consumption		
Factories	kWh	1,135,455.00
Offices and workshop	kWh	11,882.00
Electricity Consumption Intensity	kWh/unit	191,222.83

Water Consumption	Unit	2018
Water Consumption		
Factories	m^3	17,670.00
Offices and workshop	m^3	9.00
Water Consumption Intensity	m^3/unit	2,946.50

The Group's packaging materials mainly include carton paper box and packaging foam. The usage of each are set out below respectively.

Packaging Materials Used	Unit	2018
Packaging materials used		
Carton paper box	tonnes	41.20
Packaging Foam	sheets	3,200.00

The Environment and Natural Resources

The Group strives to create resources saving and environmentally friendly corporate culture through minimising any adverse impact to the environment resulting from its business activities. The Group focuses heavily in improving its manufacturing process as this is the major source of resources consumption of the business. As for the environment, the Group selects raw materials, equipment and machineries that are environmentally friendly to reduce adverse impact to the environment. Also, qualified parties are hired to collect or recycle wastes produced. In addition, the Group advocates the 3R policy which encourages employees to reuse, reduce and recycle to minimise wastage in daily operations.

SOCIAL

Employment

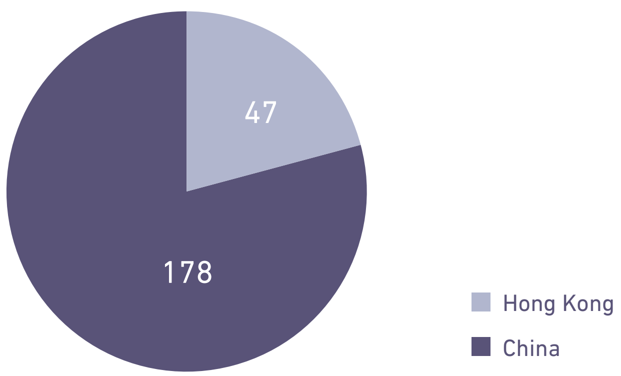
The Group has over 200 employees in handling professional and technical works, and the Group values them as its most vital assets. The Group believes that linking business objectives to the Human Resources ("HR") system is a key to success, therefore clear HR policies and guideline must be established and delivered to employees effectively. The Group also strives to maintain a fair and safe working environment to attract and retain talents.

The HR management has made their utmost effort to ensure the policies and procedures are in compliance with relevant labour laws, including but not limited to Labour Law of the People's Republic of China, Labour Contract Law of the People's Republic of China, Employment Ordinance, Employees' Compensation Ordinance, Occupational Safety and Health Ordinance and Minimum Wage Ordinance. In addition, employment checklist is established to document the procedures and required documents to be collected during hiring and termination process. Moreover, HR policies, including organisational structure, working hour, leave entitlement and reward and compensation system, are communicated to employees through the circulation of employee handbook upon commencement of employment and at anytime during employment period when there are updates.

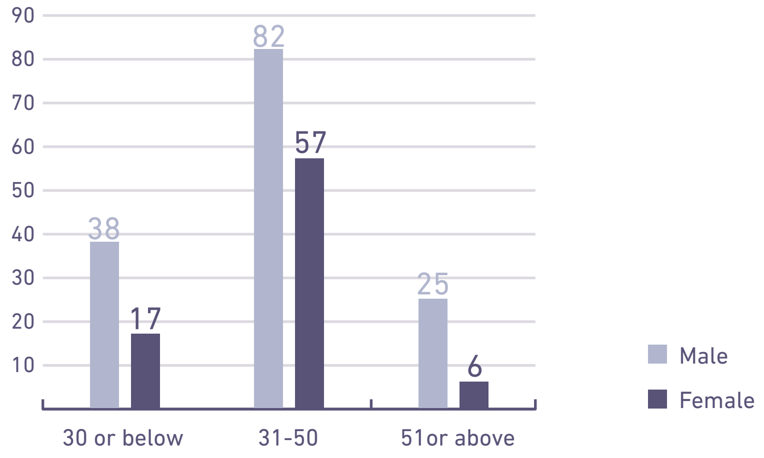
Comprehensive recruitment and promotion policies are established to ensure processes are carried out in a fair and open manner. To promote equality and anti-discrimination, standard interview and evaluation criteria are established, also promotion and salary increment are benchmarked against individuals' performance. The Group committed that employees are only recognised and rewarded by their contribution, work performance and skills, and will not be affected by any grounds that are irrelevant, such as age, gender, physical or mental health status, marital status, family status, race, skin colour, nationality, religion, political affiliation and other factors. Voluntary exit interview before resignation is encouraged by the Group which serves as a feedback channel to detect vulnerability in HR system and daily operations.

As at 31 December 2018, the Group has employed 225 staff, including 24 office staff, 66 project and engineering staff and 135 workers. The following chart sets out breakdowns of the Group's employees by geographic region, gender and age group.

Geographical region of the Group's employees



Gender and age group of the Group's employees



During the Year 2018, the Group was not aware of any non-compliance with relevant laws and regulations that have a significant impact relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare of its employees.

Health and Safety

The Group puts great effort to minimise accidents in the workplaces. Various policies and manuals were established including machine control manual, workplace safety guideline, healthy tips brochure, factory safety policy etc., to provide sufficient health and safety guidance on essential production and operation processes. Project managers carefully conduct relevant risk assessment and implement necessary measures to strive for zero accidents. Staff are required to follow safety manuals to ensure their actions are completed in a safe and effective manner. Besides, the Group posts relevant warning labels and announcements regarding onsite health and safety to keep onsite workers alerted to dangerous spots and working procedures. The Group is pleased that no incidents of work injuries and work-related fatalities have been reported during the Year 2018.

During the Year 2018, the Group was not aware of any non-compliance with relevant laws and regulations that have a significant impact relating to providing a safe working environment and protecting employees from occupational hazards.

Development and Training

Development and training are defined as learning undertaken by employees to maintain and advance their skills and knowledge, so as to have better personal development in career and personality.

Wide range of internal training programs are organised by the Group to different departments and individual employees. On job training has been provided to staff in areas such as, health and safety, machines operation, software application skill and other specialised knowledge to enhance personal performance. The Group regularly reviews the training programme to assess whether it is effective for the development of its employees and looks for continuous improvement in the future.

To further enhance the professional skills of its employees and meet the needs of the Group's development goal, the Group encouraged and reimbursed staff for taking work-related studies and attending seminars and workshops held by external parties to hone their skills. Also, the Directors and senior managers continuously develop their management knowledge and professional skills by attending training courses and reading relevant materials.

Labour Standards

The Group strictly complies with the policies and guidelines in the employment laws of Hong Kong and the PRC, including elimination of child and forced labour. The Group has set out policies and procedures to ensure adequate background check is performed on candidates. Copy of identification documents must be obtained to verify the age of job applicants. Clear job duties for each position are developed to help employees to perceive their responsible working scope.

During the Year 2018, the Group was not aware of any non-compliance with relevant laws and regulations that have a significant impact relating to preventing child and forced labour.

Supply Chain Management

A sustainable supply chain requires close alliance between customers' demands and suppliers' capability. An approved supplier list is established and maintained by the Group which records the services or products provided for each qualified supplier. On procurement, project teams carefully filter suppliers based on customers' requirements to ensure the best "fit-for-purpose" suppliers are selected. The Group also ensures that backup suppliers are always available in case of shortage of supply from one supplier.

To secure the sustainability of supply chain, evaluation mechanism is in place to ensure the on-going performance of suppliers are assessed and documented. Both new and existing suppliers are subject to a regular evaluation considering their product or service quality, price, delivery time, reputation and experience. In addition, background check is required for all new suppliers.

Product Responsibility

The Group place great emphasis on product responsibility. The quality management system adopted in design, supply, manufacture and installation of low-voltage switchboards, motor control centres, and local motor control panels have been assessed and certified as meeting the requirements under ISO 9001:2015. To ensure products satisfy the required quality standard, quality control departments are established in factories to monitor the quality of the works. Product assurance checklists, which detail the testing procedures and scopes, are employed in different stage of the production cycle. On project completion, the Group must mandatorily certify that the electrical installation is in safe working order by signing off the work completion certificate and having it endorsed by the Electrical and Mechanical Services Department as required under the Electricity Ordinance. In addition, the Group has included emergency contact in the product's operation manual for any subsequent defects that may occur.

The Group's achievement in product quality is recognisable. The Group has been included in the register of registered electrical contractors kept under of the Electricity (Registration) Regulations and the list of approved suppliers of materials and specialist contractors for public work under the category of low-voltage cubicle switchboard installation maintained by the Development Bureau of the Government. Furthermore, the Group's 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.

During the Year 2018, the Group was not aware of any non-compliance with relevant laws and regulations that have a significant impact relating to health and safety, advertising labelling and privacy matters relating to products and services provided and methods of redress.

Anti-corruption

Business ethics is required by the Group to be maintained at a high level with contribution by all staff. The Group's code of conduct, including the employee handbook and conflict of interest policy required employees to declare gifts received from clients, and to comply with applicable requirements relating to the privacy and the confidentiality of information received in the course of business.

Any form of corruption, bribes and fraud is strictly prohibited by the Group. Whistleblowing policy was established to allow employees to report any misconduct or malpractice events observed. Whistle-blowers can report verbally or in writing to the senior management and the Audit Committee for any suspected misconducts, suspicious or illegal behaviour (including bribery, extortion, fraud and money laundering) under confidentiality mechanism. Any matters of genuine concern are to be thoroughly investigated by the management and actions will be taken accordingly. No cases of corruption were reported within the Group in the Year 2018.

During the Year 2018, the Group was not aware of non-compliance with relevant laws and regulations that have a significant impact relating to bribery, extortion, fraud and money laundering.

Community Investment

The Group deeply realises the importance of corporate social responsibility and has stepped up conscious efforts to establish closer ties and interaction with local communities. The Group sees the interests of the communities as one of its social responsibilities by making donations to a great variety of charitable organisations. During the Year 2018, the Group has sponsored approximately HK$40,000 to various community events including "E&M Safety Walk and Carnival Fair 2018" held by The Hong Kong Federation of Electrical and Mechanical Contractors Limited to promote health and workplace safety. The Group also encourages its employees to participate in community activities and promote environmental protection within the community. The Group will continue to participate actively in social welfare activities to better serve the community.

CONTENT INDEX

Environmental		Section Reference
Aspect A1: Emissions		
General Disclosure	Information on: a) the policies; and b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	• Environmental Protection
KPI A1.1	The types of emissions and respective emissions data.	• Emissions
KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	• Emissions
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	• Waste
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	• Waste
KPI A1.5	Description of measures to mitigate emissions and results achieved.	• Emissions
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	• Waste
Aspect A2: Use of Resources		
General Disclosure	Information on: Policies on the efficient use of resources, including energy, water and other raw materials.	• Use of Resources
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total and intensity (e.g. per unit of production volume, per facility).	• Use of Resources
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	• Use of Resources
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	• Use of Resources
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	• Use of Resources
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	• Use of Resources

Environmental		Section Reference
Aspect A3: The Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	• The Environment and Natural Resources
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	• Emissions • Waste • Use of Resources • The Environment and Natural Resources

Social		Section Reference
Aspect B1: Employment		
General Disclosure	Information on: a) the policies; and b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	• Employment
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	• Employment
Aspect B2: Health and Safety		
General Disclosure	Information on: a) the policies; and b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	• Health and Safety
KPI B2.1	Number and rate of work-related fatalities.	• Health and Safety
KPI B2.2	Lost days due to work injury.	• Health and Safety
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	• Health and Safety
Aspect B3: Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities. Note: Training refers to vocational training. It may include internal and external courses paid by the employer.	• Development and Training

Social		Section Reference
Aspect B4: Labour Standards		
General Disclosure	Information on: a) the policies; and b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	• Labour Standards
Aspect B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	• Supply Chain Management
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	• Supply Chain Management
Aspect B6: Product Responsibility		
General Disclosure	Information on: a) the policies; and b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising labelling and privacy matters relating to products and services provided and methods of redress.	• Product Responsibility
KPI B6.4	Description of quality assurance process and recall procedures.	• Product Responsibility
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	• Anti-corruption
Aspect B7: Anti-corruption		
General Disclosure	Information on: a) the policies; and b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	• Anti-corruption
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	• Anti-corruption
Aspect B8: Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	• Community Investment
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	• Community Investment
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	• Community Investment

Deloitte. 德勤

To the shareholders of REM Group (Holdings) Limited
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of REM Group (Holdings) Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 54 to 117, which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTER

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

KEY AUDIT MATTER *(Continued)*

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of trade receivables and contract assets	
We identified impairment assessment of trade receivables and contract assets as a key audit matter due to the significance of trade receivables and contract assets to the Group's consolidated financial position and the involvement of subjective judgement and management estimates in evaluating the expected credit losses ("ECL") of the Group's trade receivables and contract assets at the end of the reporting period. As at 31 December 2018, the Group's net trade receivables and net contract assets amounting to approximately HK$73,358,000 and HK$22,345,000 respectively, which represented approximately 29.0% and 8.8% respectively of total assets of the Group and out of these trade receivables of approximately HK$17,673,000 were past due. As disclosed in note 29 to the consolidated financial statements, the management of the Group estimates the amount of lifetime ECL of trade receivables and contract assets based on provision matrix through grouping of various debtors that have similar loss patterns, after considering internal credit ratings of trade debtors, repayment history and past due status of respective trade receivables. Estimated loss rates are based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information. In addition, trade receivables that are credit impaired are assessed for ECL individually. The loss allowance amount of the credit impaired trade receivables is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows with the consideration of expected future credit losses. As disclosed in note 29 to the consolidated financial statements, the Group's lifetime ECL on trade receivables and contract assets as at 31 December 2018 amounted to approximately HK$612,000.	Our procedures in relation to impairment assessment of trade receivables and contract assets included: • Understanding key controls on how the management estimates the loss allowance for trade receivables and contract assets; • Testing the integrity of information used by management to develop the provision matrix, including aging analysis as at 31 December 2018, on a sample basis, by comparing individual items in the analysis with the relevant supporting documents; • Challenging management's basis and judgement in determining credit loss allowance on trade receivables and contract assets as at 31 December 2018, including their identification of credit impaired trade receivables and contract assets, the reasonableness of management's grouping of the remaining trade debtors and contract assets into different categories in the provision matrix, and the basis of estimated loss rates applied in each category in the provision matrix (with reference to historical default rates and forward-looking information); and • Evaluating the disclosures regarding the impairment assessment of trade receivables and contract assets in note 29 to the consolidated financial statements.

OTHER INFORMATION

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

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

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

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in the independent auditor's report is Chung Chin Cheung.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
28 March 2019

Consolidated Statement of Profit or Loss and other Comprehensive Income

For the year ended 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
Revenue	6	**186,284**	198,507
Cost of sales		**(134,895)**	(141,599)
Gross profit		**51,389**	56,908
Other income, gains and losses	7	**1,884**	557
Selling and distribution expenses		**(7,438)**	(7,561)
Impairment loss recognised on trade receivables and contract assets		**(612)**	–
Administrative and other expenses		**(29,118)**	(31,648)
Finance costs	8	**(397)**	(274)
Profit before taxation	9	**15,708**	17,982
Taxation	10	**(5,551)**	(5,534)
Profit for the year		**10,157**	12,448
Other comprehensive (expense) income for the year:			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(4,554)**	3,352
Total comprehensive income for the year		**5,603**	15,800
Profit for the year attributable to:			
Owners of the Company		**10,157**	12,431
Non-controlling interests		**–**	17
		10,157	12,448
Total comprehensive income attributable to:			
Owners of the Company		**5,603**	15,717
Non-controlling interests		**–**	83
		5,603	15,800
Earnings per share (HK cents) – basic	13	**0.61**	0.87

Consolidated Statement of Financial Position

At 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
Non-current assets			
Property, plant and equipment	14	**19,888**	21,570
Prepaid lease payments	15	**2,829**	3,062
Rental deposits		**125**	83
Contract assets	17	**11,569**	–
Retention receivables	18	**–**	8,868
		34,411	33,583
Current assets			
Inventories	16	**27,011**	24,040
Trade and retention and other receivables	18	**80,997**	51,194
Contract assets	17	**10,776**	–
Prepaid lease payments	15	**77**	81
Financial assets at fair value through profit or loss	19	**449**	568
Amounts due from related parties	20	**–**	287
Amounts due from directors	20	**18**	2,032
Tax recoverable		**–**	944
Short-term bank deposits with original maturity more than three months	21	**8,580**	–
Bank balances and cash	21	**90,541**	42,962
		218,449	122,108
Current liabilities			
Trade and other payables	22	**49,867**	41,653
Contract liabilities	23	**1,397**	–
Amounts due to related parties	20	**–**	8,987
Amount due to a director	20	**3**	970
Tax payable		**3,516**	1,496
Bank loans	24	**271**	4,267
		55,054	57,373
Net current assets		**163,395**	64,735
Total assets less current liabilities		**197,806**	98,318

	Notes	2018 HK$'000	2017 HK$'000
Non-current liabilities			
Provision for long service payments	25	**736**	947
Deferred tax liabilities	26	**448**	442
		1,184	1,389
Net assets		**196,622**	96,929
Capital and reserves			
Share capital	27	**18,000**	–
Share premium and reserves		**178,622**	96,929
Total equity		**196,622**	96,929

The consolidated financial statements on pages 54 to 117 were approved and authorised for issue by the Board of Directors on 28 March 2019 and are signed on its behalf by:

Wan Man Keung
Director

Leung Ka Wai
Director

	Attributable to owners of the Company							
	Share capital HK$'000	Share premium HK$'000	Capital reserve HK$'000	Translation reserve HK$'000	Retained profits HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2017	–	–	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	–	–	–	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
Profit for the year	–	–	–	–	10,157	10,157	–	10,157
Other comprehensive expense	–	–	–	(4,554)	–	(4,554)	–	(4,554)
Total comprehensive (expense) income for the year	–	–	–	(4,554)	10,157	5,603	–	5,603
Capitalisation issue (note 27(i))	14,400	(14,400)	–	–	–	–	–	–
Issue of shares (note 27(ii))	3,600	104,400	–	–	–	108,000	–	108,000
Share issuance costs	–	(13,910)	–	–	–	(13,910)	–	(13,910)
At 31 December 2018	18,000	157,668	(80,018)	2,695	98,277	196,622	–	196,622

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).

Consolidated Statement of Cash Flows

For the year ended 31 December 2018

	2018 HK$'000	2017 HK$'000
Operating activities		
Profit before taxation	15,708	17,982
Adjustments for:		
Depreciation of property, plant and equipment	1,974	1,790
Loss on disposal of property, plant and equipment	–	19
Impairment loss recognised on trade receivables and contract assets	612	–
Release of prepaid lease payments	81	80
(Reversal of) provision of long service payments	(188)	151
Decrease (increase) in fair value of financial assets at fair value through profit or loss	93	(150)
Interest income	(369)	(72)
Finance costs	397	274
Operating cash flows before movements in working capital	18,308	20,074
(Increase) decrease in rental deposits	(42)	12
(Increase) decrease in trade and retention and other receivables	(48,050)	37,322
Increase in contract assets	(2,209)	–
Increase in inventories	(4,211)	(4,627)
Increase (decrease) in trade and other payables	11,228	(11,027)
Increase in contract liabilities	48	–
Decrease in provision for long service payment	(23)	–
Cash (used in) generated from operations	(24,951)	41,754
Hong Kong Profits Tax paid	–	(7,348)
PRC Enterprise Income Tax ("EIT") paid	(2,487)	(203)
Net cash (used in) from operating activities	(27,438)	34,203
Investing activities		
Repayment from directors	4,305	1,560
Interest received	369	72
Repayment from related parties	287	894
Placement of short-term bank deposits with original maturity more than three months	(8,580)	–
Advance to directors	(2,366)	(1,030)
Purchase of property, plant and equipment	(1,185)	(1,490)
Advance to related parties	–	(287)
Net cash used in investing activities	(7,170)	(281)

	2018 HK$'000	2017 HK$'000
Financing activities		
Proceeds from issue of shares	**108,000**	–
New bank loans raised	**15,000**	–
Advance from related parties	**710**	4,238
Advance from a director	**3**	36
Repayments of bank loans	**(18,996)**	(4,122)
Issue costs paid	**(10,488)**	(2,986)
Repayment to related parties	**(9,697)**	(3,942)
Repayment to a director	**(970)**	(54)
Interest paid	**(397)**	(274)
Net cash from (used in) financing activities	**83,165**	(7,104)
Net increase in cash and cash equivalents	**48,557**	26,818
Cash and cash equivalents at the beginning of the year	**42,962**	15,506
Effect of foreign exchange rate changes	**(978)**	638
Cash and cash equivalents at the end of the year, represented by bank balances and cash	**90,541**	42,962

1. GENERAL

REM Group (Holdings) Limited (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 of Hong Kong Limited (the "Stock Exchange") on 11 May 2018. The Company's immediate and ultimate holding company are Unique Best Limited ("Unique Best") and WAN Union Limited ("WAN Union"), respectively, which were companies incorporated in the British Virgin Islands ("BVI"). 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 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 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 of the Company's shares on the Stock Exchange (the "Listing"), the Company and its subsidiaries (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 Group. 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 control 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 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.

2. GROUP REORGANISATION *(Continued)*

(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.

(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 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.

(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.

2. GROUP REORGANISATION *(Continued)*

(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. Wan Man Keung, Mr. Wun Chi Wai and Mr. Wun Chi Keung, as settlors, established the WAN Union Trust with WAN Union 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 statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended 31 December 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 since 1 January 2017 or since their respective dates of establishment/incorporation, which was a shorter period.

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

The Group has applied the following new and amendments to HKFRSs and an interpretation issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

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 Hong Kong Accounting Standards ("HKAS") 28	As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

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

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

3.1 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 which arise from contracts with customers:

- 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

Information about the Group's performance obligations and the accounting policies resulting from application of HKFRS 15 are disclosed in note 6 and 4 respectively.

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

3.1 HKFRS 15 "Revenue from Contracts with Customers" *(Continued)*

Summary of effects arising from initial application of HKFRS 15

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 of the Company consider these are assurance-type warranties. There is no material impact from application of HKFRS 15 on retained profits at 1 January 2018.

The directors of the Company considered the application of HKFRS 15 had no material impact on the timing and amounts of revenue recognised in the respective reporting periods.

The following adjustments were made to the amounts recognised in the 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 HK$'000	Reclassification HK$'000	Carrying amounts under HKFRS 15 at 1 January 2018* HK$'000
Non-current assets			
Retention receivables	8,868	(8,868)	–
Contract assets (note 1)	–	8,868	8,868
Current assets			
Trade and retention and other receivables	51,194	(11,420)	39,774
Contract assets (note 1)	–	11,420	11,420
Current liabilities			
Trade and other payables	41,653	(1,364)	40,289
Contract liabilities (note 2)	–	1,364	1,364

Notes:

(1) 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.

(2) As at 1 January 2018, advances from customers of HK$1,364,000 in respect of considerations received from sales contracts previously included in trade and other payables were reclassified to contract liabilities.

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

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

3.1 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 consolidated statement of financial position as at 31 December 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	–	11,569	11,569
Contract assets	11,569	(11,569)	–
Current assets			
Trade and retention and other receivables	80,997	10,776	91,773
Contract assets	10,776	(10,776)	–
Current liabilities			
Trade and other payables	49,867	1,397	51,264
Contract liabilities	1,397	(1,397)	–

3.2 HKFRS 9 "Financial Instruments"

In the current year, 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 other items (for example, contract 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.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 "Financial Instruments: Recognition and Measurement".

Accounting policies resulting from application of HKFRS 9 are disclosed in note 4.

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

3.2 HKFRS 9 "Financial Instruments" *(Continued)*

Summary of effects arising from initial application of HKFRS 9

The directors of the Company considered the application of HKFRS 9 has no material impact on the measurement of financial assets at the date of initial application, 1 January 2018.

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

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

The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for the trade receivables are a reasonable approximation of the loss rates for the contract assets.

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

The directors of the Company considered the additional expected credit loss allowance as at 1 January 2018 measured under the ECL model was insignificant.

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

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[2]
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 3	Definition of a Business[4]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1 and HKAS 8	Definition of Material[5]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle[1]

[1] Effective for annual periods beginning on or after 1 January 2019.
[2] Effective for annual periods beginning on or after 1 January 2021.
[3] Effective for annual periods beginning on or after a date to be determined.
[4] Effective for business combinations and assets acquisition for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.
[5] Effective for annual periods beginning on or after 1 January 2020.

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

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

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

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. In addition, HKFRS 16 requires sales and leaseback transactions to be determined based on the requirements of HKFRS 15 as to whether the transfer of the relevant asset should be accounted as a sale. HKFRS 16 also includes requirements relating to subleases and lease modifications.

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 own 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. Upfront prepaid lease payments will continue to be presented as investing cash flows.

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.

Furthermore, extensive disclosures are required by HKFRS 16.

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

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

HKFRS 16 "Leases" (Continued)

As at 31 December 2018, the Group has non-cancellable operating lease commitments of approximately HK$1,128,000 as disclosed in note 31. 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$125,000 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 considered as additional lease payments included in the carrying amount of right-of-use assets.

The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The Group intends to elect the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC) – Int 4 "Determining whether an Arrangement contains a Lease" and not apply this standard to contracts that were not previously identified as containing a lease applying HKAS 17 and HK(IFRIC) – Int 4. Therefore, the Group will not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application. Furthermore, the Group intends to elect the modified retrospective approach for the application of HKFRS 16 as lessee and will recognise the cumulative effect of initial application to opening retained profits without restating comparative information.

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments that are measured at fair values at the end of the 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 consolidated financial statements 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, 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 consolidated financial statements incorporate 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation *(Continued)*

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

Profit or loss and each item of other comprehensive income are 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.

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.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Changes in the Group's interests in the existing subsidiaries

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue from contracts with customers (upon application of HKFRS 15 in accordance with transitions in note 3)

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 or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

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

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

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

A contract 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.

A contract asset and a contract liability relating to a contract are accounted for and presented on a net basis.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition (prior to 1 January 2018)

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 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 because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period 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.

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

Current and deferred tax are recognised in profit or loss.

Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15 since 1 January 2018. 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 ("FVTPL")) 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 FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and 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 asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in note 3)

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

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

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

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

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

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

All other financial assets are subsequently measured at fair value.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or

- on initial recognition it is a 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in note 3) *(Continued)*

(i) Amortised cost and interest income

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

(ii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the "other income, gains and losses" line item.

Impairment of financial assets (upon application of HKFRS 9 in accordance with transitions in note 3)

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade and other receivables, contract assets, amounts due from related parties, amounts due from directors, short-term deposits with original maturity more than three months and bank balances and cash). 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, 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 collectively using a provision matrix with appropriate grouping and individually for credit-impaired balance.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Impairment of financial assets (upon application of HKFRS 9 in accordance with transitions in note 3) *(Continued)*

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

(i) Significant increase in credit risk

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

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

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

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

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

- an actual or expected significant deterioration in the operating results of the debtor;

- 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Impairment of financial assets (upon application of HKFRS 9 in accordance with transitions in note 3) *(Continued)*

(i) Significant increase in credit risk (Continued)

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

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

(ii) Definition of default

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

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

(iii) Credit-impaired financial assets

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

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; and

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Impairment of financial assets (upon application of HKFRS 9 in accordance with transitions in note 3) *(Continued)*

(iv) Write-off policy

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

(v) Measurement and recognition of ECL

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

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

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments (i.e. the Group's trade receivables and contract assets are assessed together as a group);
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Impairment of financial assets (upon application of HKFRS 9 in accordance with transitions in note 3) *(Continued)*

(v) Measurement and recognition of ECL (Continued)

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.

Classification and subsequent measurement of financial assets (before application of HKFRS 9 on 1 January 2018)

The Group's financial assets are mainly loans and receivables and financial assets at FVTPL. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

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 at FVTPL

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Classification and subsequent measurement of financial assets (before application of HKFRS 9 on 1 January 2018) *(Continued)*

Financial assets at FVTPL (Continued)

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 recognised 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 (before application of HKFRS 9 on 1 January 2018)

Financial assets, other than those at FVTPL are assessed for indicators of impairment at the end of each 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; or

- 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Impairment of financial assets (before application of HKFRS 9 on 1 January 2018) *(Continued)*

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

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 and bank loans) are subsequently measured at amortised cost using the effective interest method.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

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

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

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 consolidated financial statements, 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.

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are reattributed to non-controlling interests and are not recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment

Property, plant and equipment are stated in the consolidated statement 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 each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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

The recoverable amount of tangible assets are estimated individually, when it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment on tangible assets *(Continued)*

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.

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 following are 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.

Estimated provision of ECL for trade receivables and contract assets (upon application of HKFRS 9)

The Group uses a provision matrix through grouping of various debtors that have similar loss pattern, after considering internal credit ratings of the debtors, repayment history and past due status of respective trade receivables to calculate ECL for the trade receivables and contract assets. The provision matrix is based on the Group's historical default rates taking into consideration forward-looking information that is reasonable, supportable and available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered. In addition, trade receivables and contract assets with credit impaired are assessed for ECL individually. The loss allowance amount of the credit-impaired trade receivables is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows with the consideration of expected future credit losses. The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables and contract assets are disclosed in note 29.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Allowance for trade and retention receivables (before application of HKFRS 9 on 1 January 2018)

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 2017, the carrying amount of trade and retention receivables of the Group was HK$52,374,000.

Write-down 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 2018, the carrying amount of inventories is HK$27,011,000 (2017: HK$24,040,000).

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 year.

For the year ended 31 December 2018, 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 and by location of delivery to customers. The executive directors of the Company considered the operating activities of sales of all products 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 resources 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.

6. REVENUE AND SEGMENT INFORMATION *(Continued)*

An analysis of the Group's revenue by products for the year is as follows:

	2018 HK$'000	2017 HK$'000
Low-voltage switchboard	**113,081**	71,322
Local motor control panel	**45,679**	75,308
Motor control centre	**19,058**	34,839
Electrical distribution board and control box	**6,171**	14,427
Electrical parts and replacements	**2,295**	2,611
	186,284	198,507

The Group sells all products directly to customers. Revenue is recognised when control of the goods has transferred, being when the goods have been delivered to the customers' specific location and customer acceptance has been obtained. The directors of the Company considered that the Group's revenue is recognised at a point in time.

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

	2018 HK$'000	2017 HK$'000
Revenue		
– Hong Kong	**147,612**	143,999
– People's Republic of China ("PRC")	**19,453**	12,261
– Macau	**19,219**	42,247
	186,284	198,507

Revenue from customers individually contributing over 10% of the total revenue of the Group of the corresponding years are as follows:

	2018 HK$'000	2017 HK$'000
Customer A	**29,773**	21,408
Customer B	**N/A***	34,370
Customer C	**27,575**	N/A*
Customer D	**20,020**	N/A*

* 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.

6. REVENUE AND SEGMENT INFORMATION *(Continued)*

An analysis of the Group's non-current assets other than rental deposits and contract assets (2017: retention receivables) is presented below based on their physical geographical location:

	2018 **HK$'000**	2017 HK$'000
Hong Kong	**3,756**	3,137
PRC	**18,961**	21,495
	22,717	24,632

7. OTHER INCOME, GAINS AND LOSSES

	2018 **HK$'000**	2017 HK$'000
Net exchange gain (loss)	**1,580**	(227)
Interest income	**369**	72
(Decrease) increase in fair value of financial assets at FVTPL	**(93)**	150
Others	**28**	562
	1,884	557

8. FINANCE COSTS

	2018 **HK$'000**	2017 HK$'000
Interest on bank loans	**397**	274

9. PROFIT BEFORE TAXATION

	2018 HK$'000	2017 HK$'000
Profit before taxation has been arrived at after charging:		
Depreciation		
– cost of sales	747	744
– administrative and other expenses	1,227	1,046
Total depreciation	1,974	1,790
Directors' emoluments (note 12)		
– fees	323	–
– salaries and other allowance	836	875
– retirement benefit scheme contributions	32	32
	1,191	907
– Other staff's salaries and other allowance	25,377	23,075
– Other staff's retirement benefits scheme contributions	2,683	2,885
Total staff costs	29,251	26,867
Auditor's remuneration	1,450	232
Release of prepaid lease payments	81	80
Cost of inventories recognised as expenses	127,034	131,017
Loss on disposal of property, plant and equipment	–	19
Listing expenses (included in administrative and other expenses)	5,775	11,786
Operating lease rentals in respect of rent premises	643	547

10. TAXATION

	2018 HK$'000	2017 HK$'000
The taxation charge comprises:		
Current tax		
– Hong Kong Profits Tax	2,385	3,971
– PRC EIT	3,160	1,527
Deferred tax (note 26)	6	36
	5,551	5,534

10. TAXATION *(Continued)*

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day.

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

Accordingly, starting from the current year, the Hong Kong profits tax of the elected Hong Kong subsidiary is calculated at 8.25% on the first HK$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK$2 million.

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 PRC is 25%.

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:

	2018 **HK$'000**	2017 HK$'000
Profit before taxation	**15,708**	17,982
Tax at the applicable income tax rate at 16.5%	**2,592**	2,967
Effect of two-tiered tax rates regime	**(195)**	–
Tax effect of expenses not deductible for tax purpose	**2,199**	2,050
Tax effect of income not taxable for tax purpose	**(61)**	(63)
Effect of different tax rates of subsidiaries operating in PRC	**1,092**	519
Others	**(76)**	61
Taxation charge for the year	**5,551**	5,534

Deferred taxation has not been recognised in respect of the undistributed retained profits earned by the subsidiaries in the PRC amounting of HK$12,773,000 for the reporting periods ended 31 December 2018 (2017: HK$3,371,000), 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

No dividend was paid or proposed for ordinary shareholders of the Company during 2018, nor has any dividend been proposed since the end of the year (2017: nil).

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 year are as follows:

Year ended 31 December 2018

Name of directors	Fees HK$'000	Salaries and other allowance HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000
Executive directors				
Mr. Wan Man Keung (note i)	–	343	12	355
Mr. Wun Chi Keung (note ii)	–	82	2	84
Mr. Leung Ka Wai (note iii)	–	411	18	429
Non-executive director				
Mrs. Kan Wan Wai Yee Mavis	77	–	–	77
Independent non-executive directors				
Ms. Ng Ching Ying	92	–	–	92
Mr. Cheng Sum Hing	77	–	–	77
Mr. Ng Chi Keung	77	–	–	77
	323	836	32	1,191

Year ended 31 December 2017

Name of directors	Fees HK$'000	Salaries and other allowance HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000
Executive directors				
Mr. Wun Chi Keung (note ii)	–	517	14	531
Mr. Leung Ka Wai (note iii)	–	358	18	376
Non-executive directors				
Mr. Wan Man Keung (note i)	–	–	–	–
Mrs. Kan Wan Wai Yee Mavis (note iv)	–	–	–	–
	–	875	32	907

12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS *(Continued)*

Directors and chief executive's emoluments *(Continued)*

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 was redesignated as an executive director of the Company on 12 January 2018. Mr. Wan Man Keung has waived his director's emoluments for the period from 1 January 2018 to 10 May 2018 which are not significant.

(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 an 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 and the Company during the year. The emoluments of the non-executive directors and independent non-executive directors shown above were mainly for their services as directors of the Company during the year.

Independent non-executive directors

No independent non-executive directors were appointed by the Company during 2017. Mr. Ng Chi Keung, 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

Of the five individuals with the highest emoluments in the Group, none of them (2017: one) were directors of the Company whose emoluments are disclosed above. Details of the emoluments of the remaining five individuals for the year ended 31 December 2018 (2017: four), are as follows:

	2018 **HK$'000**	2017 HK$'000
Salaries and other allowance	**2,805**	1,608
Discretionary bonus	**250**	270
Retirement benefit scheme contributions	**88**	66
	3,143	1,944

12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS *(Continued)*

Employees' emoluments *(Continued)*

The emoluments of the highest paid employees were within the following bands:

	2018 HK$'000	2017 HK$'000
Nil to HK$1,000,000	**5**	4

During the year, 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 year is based on the following:

	2018 HK$'000	2017 HK$'000
Earnings		
Profit for the year attributable to owners of the Company for the purpose of basic earnings per share	**10,157**	12,431

	2018 '000	2017 '000
Weighted average number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,671,781**	1,430,784

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 year, 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 years.

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
COST						
At 1 January 2017	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
Additions	–	579	186	82	338	1,185
Exchange adjustment	(1,122)	(39)	(245)	(85)	(31)	(1,522)
At 31 December 2018	24,430	2,052	4,864	7,080	1,497	39,923
ACCUMULATED DEPRECIATION						
At 1 January 2017	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
Provided for the year	1,125	201	289	283	76	1,974
Exchange adjustment	(369)	(5)	(167)	(66)	(22)	(629)
At 31 December 2018	8,213	991	3,363	6,428	1,040	20,035
NET BOOK VALUE						
At 31 December 2018	16,217	1,061	1,501	652	457	19,888
At 31 December 2017	18,095	717	1,682	872	204	21,570

14. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

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%

As at 31 December 2018, the Group's leasehold land and buildings situated in Hong Kong with carrying amount of HK$2,559,000 (2017: HK$2,698,000) were secured for the bank borrowings utilised by the Group.

15. PREPAID LEASE PAYMENTS

	2018 **HK$'000**	2017 HK$'000
The Group's prepaid lease payments comprise:		
Leasehold land outside Hong Kong	**2,906**	3,143
Analysed for reporting purposes as:		
Non-current assets	**2,829**	3,062
Current assets	**77**	81
	2,906	3,143

16. INVENTORIES

	2018 **HK$'000**	2017 HK$'000
Raw materials	**15,672**	10,018
Work in progress	**9,051**	7,644
Finished goods	**2,288**	6,378
	27,011	24,040

17. CONTRACT ASSETS

Contract assets represent the retention receivable amounting to HK$22,345,000 net of allowance for credit losses HK$62,000 as at 31 December 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 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:

	31.12.2018 HK$'000	1.1.2018* HK$'000
Within one year	10,776	11,420
After one year	11,569	8,868
	22,345	20,288

* The amounts in this column are after the adjustments from the application of HKFRS 15.

18. TRADE AND RETENTION AND OTHER RECEIVABLES

	2018 HK$'000	2017 HK$'000
Trade receivables	73,908	32,086
Less: Allowance for credit losses	(550)	–
	73,358	32,086
Bills receivables	–	294
	73,358	32,380
Retention receivables	–	11,420
Other receivables, prepayment and deposits	7,639	7,394
	80,997	51,194

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

Trade and bills receivables

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 (2017: 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 bills receivables by age, presented based on the invoice date.

	2018 **HK$'000**	2017 HK$'000
0 – 30 days	**44,430**	17,371
31 – 60 days	**16,531**	8,934
61 – 90 days	**6,811**	4,578
91 – 180 days	**2,494**	1,067
181 – 365 days	**2,702**	90
Over 1 year	**390**	340
	73,358	32,380

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 2018, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK$17,673,000 which are past due as at the reporting date. Out of the past due balances, HK$3,498,000 has been past due 90 days or more and the directors of the Company considered there has no default occurred as these trade receivables are still considered fully recoverable due to long-term/on-going relationship and good repayment record from these customers.

As at 31 December 2017, included in the Group's trade receivable balances were receivables with aggregate carrying amount of approximately HK$9,934,000, which were past due 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 believed that no impairment loss was required. The Group does not hold any collateral over these balances.

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

Trade and bill receivables *(Continued)*

Aging of trade receivables which were past due but not impaired:

	2017 HK$'000
Overdue	
1 – 30 days	6,909
31 – 60 days	2,565
91 – 180 days	54
181 – 365 days	76
Over 1 year	330
	9,934

Details of impairment assessment of trade and other receivables for the year ended 31 December 2018 are set out in note 29.

Retention receivables

Retention receivables were 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 amount was classified as contract assets upon application of HKFRS 9 as at 1 January 2018.

The following was an aged analysis of retention receivables, which were to be transferred to trade receivables based on the expiry of the defect liability period, at the end of each reporting period.

	2017 HK$'000
Within one year	11,420
After one year	8,868
	20,288

In determining the recoverability of trade and retention receivables, the Group considered 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 currency other than the functional currency of the relevant group entities was set out below:

	2018 **HK$'000**	2017 HK$'000
Macau Pataca ("MOP")	–	475

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2018 HK$'000	2017 HK$'000
Unlisted investments		
Managed fund	**449**	568

The managed fund comprised of unlisted investments. The fund is stated as fair value with reference to the quoted market price of the managed fund provided by a financial institution.

20. AMOUNTS DUE FROM (TO) RELATED PARTIES/DIRECTORS

	2018 HK$'000	2017 HK$'000
Amount due from a related party:		
– Ready System Engineering Limited ("Ready System (Macau)") (note (i))	**–**	287
Maximum amount outstanding for amount due from a related party during the year:		
– Ready System (Macau)	**287**	894
Amount due to a related party:		
– Ready Engineering	**–**	(8,987)
Amounts due from directors:		
– Mr. Wun Chi Keung (note (ii))	**–**	1,288
– Mr. Leung Ka Wai	**18**	744
	18	2,032
Maximum amount outstanding for amounts due from directors during the year:		
– Mr. Wun Chi Keung (note (ii))	**1,288**	2,824
– Mr. Leung Ka Wai	**744**	744
Amounts due to directors:		
– Mr. Wan Man Keung	**–**	(970)
– Ms. Wun Tsz Ying	**(3)**	–
	(3)	(970)

Notes:

(i) Ready System (Macau) was a non-wholly owned subsidiary of SEM Enterprises Limited, which was controlled by Mr. Wan Man Keung and Mr. Wun Chi Wai.

(ii) 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 2018 and 2017.

21. SHORT-TERM BANK DEPOSITS WITH ORIGINAL MATURITY MORE THAN THREE MONTHS, BANK BALANCES AND CASH

Other than short-term bank deposits with original maturity more than three months carrying interest at 0.66% to 1.6% per annum (2017: nil), all remaining bank balances carry interest at prevailing market interest rates which were ranging from 0.001% to 1% per annum as at 31 December 2018 (2017: from 0.001% to 0.8% per annum).

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:

	2018 HK$'000	2017 HK$'000
Renminbi ("RMB")	57	8
MOP	8	436
Australian Dollar ("AUD")	35	35
United States Dollar ("USD")	55	55

22. TRADE AND OTHER PAYABLES

	2018 HK$'000	2017 HK$'000
Trade payables	38,686	22,273
Bill payables	5,755	1,695
	44,441	23,968
Receipts in advance from customers	–	1,364
Accruals and other payables	5,426	11,559
Issue costs accrued	–	1,147
Listing expense payable	–	3,615
	49,867	41,653

The credit period granted by suppliers to the Group ranged from 30 to 75 days (2017: 30 to 75 days). The following is an aging analysis of trade and bill payables presented based on the invoice dates at the end of each reporting period:

	2018 HK$'000	2017 HK$'000
0 – 30 days	15,305	5,491
31 – 60 days	19,862	8,004
61 – 90 days	4,758	4,617
Over 90 days	4,516	5,856
	44,441	23,968

The Group's bill payables are denominated in USD.

23. CONTRACT LIABILITIES

	31.12.2018 HK$'000	1.1.2018* HK$'000
Sales of low-voltage electrical power distribution and control devices	1,397	1,364

* The amounts in this column are after the adjustments from the application of HKFRS 15.

The Group receives a deposit for sales contracts from certain new customers which gives rise to contract liabilities at the start of a contract, until the revenue recognised on the relevant contract exceeds the amount of the deposit. Contract liabilities are analysed and classified as current liabilities as the contract liabilities are expected to be utilised in normal operating cycle. During the year, revenue recognised amounting to HK$1,130,000 was included in the contract liability balance at the beginning of the year.

24. BANK LOANS

	2018 HK$'000	2017 HK$'000
The carrying amounts of bank borrowings are repayable:		
Within one year	271	3,996
Within a period of more than one year but not exceeding two years	–	271
	271	4,267

Note: All bank borrowings contain a repayment on demand clause and are shown under current liabilities.

The bank borrowings as at 31 December 2018 carried interest at 1 month Hong Kong Interbank Offered Rate ("HIBOR") plus 3% per annum (2017: HIBOR plus 3% per annum). The effective interest rates on the borrowings as at 31 December 2018 (which are also equal to contracted interest rate) range from 4.68% to 5.12% per annum (2017: ranged from 4.02% to 4.19% per annum).

As at 31 December 2018 and 31 December 2017, the bank borrowings are denominated in HK$.

As at 31 December 2017, all the bank 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.

As at 31 December 2018, the banking facilities have been renewed by releasing all the personal guarantees provided by the directors.

25. PROVISION FOR LONG SERVICE PAYMENTS

The provision for long service payments is determined with reference to the employees' remuneration and their years of services.

	2018 HK$'000	2017 HK$'000
At beginning of the year	**947**	796
Long service payment paid	**(23)**	–
(Reversal of) provision for the year	**(188)**	151
At end of the year	**736**	947

26. DEFERRED TAX LIABILITIES

	Accelerated tax depreciation HK$'000
At 1 January 2017	(406)
Charge to profit or loss	(36)
At 31 December 2017	**(442)**
Charge to profit or loss	**(6)**
At 31 December 2018	**(448)**

27. SHARE CAPITAL

	Number of shares '000	Amount HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
At 15 March 2017 (date of incorporation) and 1 January 2018	38,000	380
Increase of authorised share capital	9,962,000	99,620
At 31 December 2018	10,000,000	100,000
Issued and fully paid:		
At 15 March 2017 (date of incorporation)	–	–
Issue of shares	10	–
At 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 31 December 2018	1,800,000	18,000

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 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.

28. 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 from prior year.

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 reserves.

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 through the payment of dividends and new share issues as well as the issue of new debts or the redemption of existing debts.

29. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2018 HK$'000	2017 HK$'000
Financial assets		
Financial assets at amortised cost	177,068	–
Loans and receivables (including cash and cash equivalents)	–	99,727
Financial assets at FVTPL	449	568
	177,517	100,295
Financial liabilities		
Amortised cost	44,946	51,332

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, financial assets at FVTPL, short-term bank deposits with original maturity more than three months, bank balances and cash, trade and other payables, amounts due to related parties, amount due to a director and bank loans. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price 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.

29. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

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:

	2018	2017
	HK$'000	HK$'000
Assets		
MOP	**8**	911
RMB	**57**	8
USD	**55**	55
AUD	**35**	35
Liabilities		
USD	**5,755**	1,695

In addition, inter-company balances denominated in foreign currencies other than the respective group entities' functional currencies at the end of the reporting period are as follows:

	2018	2017
	HK$'000	HK$'000
Assets		
USD	**21,793**	1,547
Liabilities		
USD	**28,609**	10,702

29. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Market risk (Continued)

Currency risk *(Continued)*

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	
	2018	2017
	HK$'000	HK$'000
(Decrease) increase in profit for the year	**(1,194)**	451

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.

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 interest rates on bank balances and HIBOR arising from the Group's Hong Kong dollar denominated borrowings.

29. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Market risk (Continued)

Interest rate risk *(Continued)*

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 banks 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 2018 would increase/decrease approximately by HK$80,000 (2017: HK$1,000).

Other price risk

The Group is mainly exposed to equity price risk through its financial assets at FVTPL. The directors of the Company consider the exposure from financial assets at FVTPL is not significant and no sensitivity analysis for the other price risk is prepared.

Credit risk and impairment assessment

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective financial assets at amortised cost and contract assets recognised in the consolidated statement of financial position.

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 this regards, the management of the Group considers that the Group's credit risk is significantly reduced. In addition, the Group performs impairment assessment under ECL model upon application of HKFRS 9 (2017: incurred loss model) on trade balances based on provision matrix.

The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

29. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment (Continued)

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

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

Upon adoption of HKFRS 9 on 1 January 2018, the Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for trade receivables and contract assets.

As part of the Group's credit risk management, the Group applies internal credit rating for its customers. The following table provides information about the exposure to credit risk for trade receivables and contract assets which are assessed based on provision matrix as at 31 December 2018 within lifetime ECL (not credit impaired). Debtors with credit-impaired with gross carrying amounts of HK$101,000 as at 31 December 2018 were assessed individually.

29. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment (Continued)

Gross carrying amount

Internal credit rating	Average loss rate	Trade receivables HK$'000	Contract assets HK$'000
Low risk	0.22%	69,455	22,207
Watch list	6.33%	4,308	200
Doubtful	50.0%	44	–
		73,807	22,407

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is reasonable, supportable and available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

During the year ended 31 December 2018, the Group provided HK$449,000 and HK$62,000 impairment allowance for trade receivables and contract assets respectively, based on the provision matrix. Impairment allowance of HK$101,000 was made on trade receivables for credit-impaired debtors.

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

	Lifetime ECL (not credit-impaired) HK$'000	Lifetime ECL (credit-impaired) HK$'000	Total HK$'000
As at 1 January 2018	–	–	–
Impairment losses recognised	511	101	612
As at 31 December 2018	511	101	612

The Group writes off a trade receivables when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over two years past due, whichever occurs earlier.

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.

29. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment (Continued)

In determining the ECL for other receivables, the management of the Group has taken into account the historical default experience and forward-looking information, as appropriate, for example, the Group has considered the consistently low historical default rate in connection with payments, and concluded that credit risk inherent in the Group's outstanding other receivables is insignificant.

The management of the Group considers the bank balances and short-term deposits that are deposited with the financial institutions with high credit rating to be low credit risk financial assets. The management of the Group considers the bank balances are short-term in nature and the probability of default is negligible on the basis of high-credit-rating issuers, and accordingly, loss allowance was considered as insignificant.

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.

	Weighted average interest rate	On demand or less than 1 year	Total undiscounted cash flows	Total carrying amount
	%	HK$'000	HK$'000	HK$'000
31 December 2018				
Trade and bills payables	**–**	**44,441**	**44,441**	**44,441**
Other payables	**–**	**231**	**231**	**231**
Amount due to a director	**–**	**3**	**3**	**3**
Bank loans (note)	**4.86**	**271**	**271**	**271**
		44,946	**44,946**	**44,946**
31 December 2017				
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 (note)	4.10	4,267	4,267	4,267
		51,332	51,332	51,332

29. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Liquidity risk (Continued)

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 2018, the aggregate carrying amounts of these bank loans amounted to HK$271,000 (2017: HK$4,267,000). Taking into account the Group's financial position, the directors of the Company do not believe that it is probable that the bank 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:

	2018 **HK$'000**	2017 HK$'000
Aggregate principal and interest cash outflows repayable:		
Within one year	**273**	4,092
After one year but within two years	**–**	273
	273	4,365

Fair value measurements of financial instruments

Some of the Group's financial assets are measured at fair value at the end of the reporting period. The following table gives information about how the fair value of the financial assets are determined.

Financial assets	**Fair value At 31 December**		**Fair value hierarchy**	**Valuation techniques and key inputs**
	2018 **HK$'000**	2017 HK$'000		
Financial assets at FVTPL – unlisted investments Managed fund	**449**	568	Level 2	Quoted bid price provided by a broker which is a financial institution (note)

Note: Quoted bid 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 consolidated financial statements approximate their fair values at the end of the reporting period.

30. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	1 January 2018 HK$'000	Interest accrued HK$'000	Issue costs accrued HK$'000	Financing cash flows HK$'000	31 December 2018 HK$'000
Amounts due to related parties	**8,987**	**–**	**–**	**(8,987)**	**–**
Amount due to a director	**970**	**–**	**–**	**(967)**	**3**
Bank loans	**4,267**	**–**	**–**	**(3,996)**	**271**
Issue costs accrued	**1,147**	**–**	**9,341**	**(10,488)**	**–**
Interest payable	**–**	**397**	**–**	**(397)**	**–**

	1 January 2017 HK$'000	Interest accrued HK$'000	Issue costs accrued HK$'000	Financing cash flows HK$'000	Reclassification HK$'000 (note)	31 December 2017 HK$'000
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 accrued	56	–	4,077	(2,986)	–	1,147
Interest payable	–	274	–	(274)	–	–

Note: 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 was reclassified to other payables.

31. OPERATING LEASE COMMITMENTS

The Group as lessee

The Group had made minimum lease payments during the year ended 31 December 2018 of HK$643,000 (2017: HK$547,000), in respect of staff quarters, warehouse, office premises and workshop.

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2018	2017
	HK$'000	HK$'000
Within one year	**788**	521
In the second to fifth year inclusive	**340**	380
	1,128	901

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, HK$198,000 as at 31 December 2018 (2017: HK$414,000) was lease commitment to Mr. Wan Man Keung in respect of a workshop.

32. 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 the PRC 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.

The total expenses recognised in profit or loss of HK$2,715,000 (2017: HK$2,917,000) for the year ended 31 December 2018 represents contributions payable to these schemes. As at 31 December 2018, contributions of HK$137,000 (2017: HK$225,000) due in respect of the reporting period had not been paid. The amounts were paid subsequently after the end of the reporting period.

33. RELATED PARTY DISCLOSURES

Save as disclosed in other notes, during the year, the Group entered into the following transactions with its related parties:

(a)

	Nature of transactions	2018 HK$'000	2017 HK$'000
Sales of goods	Note i	–	441
Rental expenses	Note ii	216	216

Notes:

(i) The Group entered into transactions with Ready System (Macau) during the year ended 31 December 2017.

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

(b) The Group banking facilities were secured by guarantees provided by the directors of the Company before 11 May 2018, the date on which the Company listed, as disclosed in note 24.

(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 year is as follows:

	2018 HK$'000	2017 HK$'000
Director fees	323	–
Salaries and other allowance	2,557	2,168
Discretionary bonus	200	200
Retirement benefit scheme contributions	86	83
	3,166	2,451

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

34. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Details of the subsidiaries directly and indirectly held by the Company at the end of reporting period are set out below:

Name of subsidiary	Place of incorporation/ establishment	Date of incorporation/ establishment	Ordinary share capital/registered capital	Equity interest attributable to the Group as at 31 December 2018	2017	Principal activities
Directly owned						
REM Capital	BVI	7 November 2016	US$50,000	**100%**	100%	Investment holding
Indirectly owned						
Ready Development (China) Limited	Hong Kong	30 November 2018	HK$100,000	**100%**	N/A	Inactive
Ready Electrical Metal	Hong Kong	25 August 1992	HK$1,500,000	**100%**	100%	Sales of low-voltage electrical power distribution and control devices
Ready Enterprise (China)	Hong Kong	28 June 2007	HK$100,000	**100%**	100%	Investment holding
廣州全達電器金屬製品有限公司	PRC	22 October 1993	HK$8,000,000	**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	PRC	17 January 2011	HK$30,000,000	**100%**	100%	Manufacturing of low-voltage electrical power distribution and control devices

The above table lists the subsidiaries of the Group which, in the opinion of the directors, principally affected the results or assets or liabilities of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries had any debt securities subsisting at 31 December 2018 or at any time during the year.

35. STATEMENT OF FINANCIAL POSITION

	2018 HK$'000	2017 HK$'000
Non-current asset		
Unlisted investment in subsidiaries	**81,578**	81,578
Current assets		
Other receivables	**1,899**	4,648
Amounts due from subsidiaries	**2,360**	–
Bank balances and cash	**71,926**	–
	76,185	4,648
Current liabilities		
Other payables	**1,012**	4,762
Amounts due to subsidiaries	**–**	9,448
	1,012	14,210
Net current assets (liabilities)	**75,173**	(9,562)
Net assets	**156,751**	72,016
Capital and reserves		
Share capital	**18,000**	–
Reserves (note)	**138,751**	72,016
Total equity	**156,751**	72,016

Note:

	Share premium HK$'000	**Accumulated loss** HK$'000	**Total** HK$'000
At the date of incorporation	–	–	–
Loss and total comprehensive expenses for the year	–	(9,562)	(9,562)
Effect of the Group Reorganisation	81,578	–	81,578
At 31 December 2017	**81,578**	**(9,562)**	**72,016**
Loss and total comprehensive expenses for the year	**–**	**(9,355)**	**(9,355)**
Capitalisation issue	**(14,400)**	**–**	**(14,400)**
Issue shares	**104,400**	**–**	**104,400**
Share issuance costs	**(13,910)**	**–**	**(13,910)**
At 31 December 2018	**157,668**	**(18,917)**	**138,751**

A summary of the published results and of the assets, liabilities and equity of the Group for the last four financial years, as extracted from this report and the accountant's report as contained in the Prospectus, is set out below.

RESULTS

	Year ended 31 December			
	2018	2017	2016	2015
	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**186,284**	198,507	179,292	186,743
Profit before income tax	**15,708**	17,982	32,781	30,181
Income tax expense	**(5,551)**	(5,534)	(6,194)	(5,765)
Profit for the year	**10,157**	12,448	26,587	24,416
Attributable to:				
Owners of the Company	**10,157**	12,431	26,285	23,747
Non-controlling interests	**–**	17	302	669

ASSETS AND LIABILITIES

	As at 31 December			
	2018	2017	2016	2015
	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**252,860**	155,691	154,944	143,771
Total liabilities	**(56,238)**	(58,762)	(73,815)	(85,706)
Total equity	**196,622**	96,929	81,129	58,065
Attributable to:				
Owners of the Company	**196,622**	96,929	80,014	57,239
Non-controlling interests	**–**	–	1,115	826