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

2019
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

Ocorian 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 54, Hopewell Centre
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REGISTERED OFFICE

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Grand Cayman
KY1-1108
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HEADQUARTERS AND PRINCIPAL OFFICE OF BUSINESS

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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 2019 (the "Year 2019") to the shareholders of the Company (the "Shareholders").

Despite the economic downturn arising from the changes in political regulatory environment in Hong Kong, the Group's business recorded a growth during the Year 2019. The Group's revenue rose by approximately 13.7% for the Year 2019, which was attributable to a significant rise in revenue from the People's Republic of China (the "PRC") market. Such increase was mainly contributed by several projects in relation to two urban complex constructions which were commercial centers comprising of a shopping mall, commercial building and service apartments in Kunming and Wuhan, respectively. The revenue from Hong Kong and Macau markets dropped correspondingly as the Group allocated more resources towards the completion of jobs in the PRC which had tighter delivery schedules.

In spite of the growth in sales, the profit for the Year 2019 attributable to the equity owners of the Company declined mainly due to a lower gross profit margin being recorded as a result of a higher proportion of revenue being generated by PRC projects which generally has a lower gross profit margin than for projects from Hong Kong and Macau regions, coupled with a rise in selling and distribution expense as well as the additional costs incurred in setting up and running a new factory in Dongguan. The Group's results are discussed in detail under the section headed "Management Discussion and Analysis" in this report.

Looking ahead, the Group anticipates that 2020 will be a challenging year as the construction projects in the PRC, Hong Kong and Macau are predicted to be hindered due to the spreading of the 2019 Novel Coronavirus ("COVID-19") disease. There is already an immediate influence on the Group's productivity as the Group's factories are all based in the PRC. In the longer run, the expected recession of Hong Kong and the PRC owing to the current outbreak of the COVID-19 disease will also impact negatively on the infrastructure development and building construction market and thus the low-voltage electrical power distribution and control devices market in the coming year. Though faced with such foreseeable unfavorable economic environment, the Group will keep striving to maintain its competitiveness in the market. Leveraging on the Group's existing competitive advantages and leadership position in the Hong Kong market, the Group is confident that our long-established relationships with our customers and suppliers and our experienced management team and provision of high quality products will keep it well-positioned to capture any surging business opportunities in the market as it arises.

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

Wan Man Keung
Chairman

Hong Kong
30 March 2020

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.

Due to various factors including the continuing trade dispute between the PRC and the United States as well as social unrest in Hong Kong during the latter half of the year, Hong Kong experienced an economic downturn for the Year 2019. However, the effect on the Group's business is not immediately apparent as the Group's projects can take between a few months to a few years to complete and a majority of the Group's revenue for the Year 2019 were contributed by projects already awarded to the Group before the start of the year. In fact, the Group achieved a rise in revenue for the Year 2019 as a result of a significant growth in sales from the PRC region as the Group had successfully secured several major projects in the PRC since its listing on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 11 May 2018 (the "Listing"). This in turn, resulted in a drop in revenue from Hong Kong and Macau due to the saturated production capacity of the Group's factories which resulted in the apportioning of the Group's resources towards the completion of the PRC's jobs where priority is given in view of the tighter deadlines of such projects. Nevertheless, total revenue rose by approximately 13.7% for the Year 2019. Revenue attributed to sales in Hong Kong, Macau and the PRC amounted to approximately HK$118.9 million, approximately HK$11.6 million and approximately HK$81.2 million, respectively for the Year 2019 (For the year ended 31 December 2018 (the "Year 2018"): approximately HK$147.6 million, approximately HK$19.2 million and approximately HK$19.5 million, respectively). Despite the rise in revenue, the Group recorded profit after tax of approximately HK$11.5 million for the Year 2019, representing a decrease of approximately 28.1% over the previous financial year, after excluding the one-off Listing expenses incurred in the Year 2018. Such decrease in net profit after tax was mainly attributable to a lower gross profit margin, a rise in selling and distribution expenses, as well as expenses incurred for setting up and operating a new production line under a new factory in Dongguan, including rental expenses, costs for hiring additional staff, depreciation expense for new machineries and equipments acquired and other operating expenses.

MARKET PROSPECT

Hong Kong's economy experienced negative growth during the Year 2019 and the property market was adversely affected, which also impacted adversely on the construction industry. Stepping into the year 2020, the spreading of the COVID-19 disease together with the challenges posed by the political unrest in Hong Kong is expected to further contribute towards a downward trend on the property and construction market, and consequently impact unfavorably upon the market for low-voltage electrical power distribution and control devices. The PRC market will also be deeply affected and the Group estimate that revenue from the PRC segment will be much lower in the coming years than that of the current year as GDP growth forecast for the PRC is further downgraded amid the COVID-19 outbreak, hence the Group is not optimistic in securing new major PRC projects in the year 2020. In fact, the Group's operations had already been directly affected by the COVID-19 disease as all of its factories are located in the PRC, which resulted in an extended break for all PRC staff as the Group's factories were closed for over a month since the Chinese new year's holidays. Around a quarter of the PRC staff resumed work towards the end of February, with production recommencing only in early March when the majority of the workers were finally able to return to work. Hence minimal sales were generated during the first two months of the year 2020, with sales gradually building up and projected to return to a normal range in around April.

MARKET PROSPECT *(Continued)*

Moreover, due to the ongoing social unrest in Hong Kong, government projects are expected to be deferred as the finance committee of the legislative council are not functioning as effectively to approve budgets for projects relating to the development of government infrastructures. However, it is predicted that Hong Kong sales will not be significantly affected by the drop in the number of government jobs in the year 2020 as the Group has sufficient outstanding contract backlogs from non-government jobs to keep the production line operating near full capacity.

The aftermath of the COVID-19 epidemic might also suggest a higher level of impairment on the Group's trade receivables and contract assets in the foreseeable future as the world economy suffers, with the most immediate and significant economic impact being reflected in the PRC, which could result in delayed payments, default in payment or even the cessation and closure of business for a number of the Group's customers within the industry.

Management shall seek to counteract the negative impacts of all the above factors on the Group's results as best as they can via tighter cost control, closely monitoring the payment status of trade receivables and stricter implementation of the credit policy where necessary, as well as putting in extra efforts to secure new projects via more competitive pricing strategies so as to achieve a more sustainable and stable revenue stream in the near future.

FINANCIAL REVIEW

Revenue

The Group's revenue increased by approximately 13.7%, from approximately HK$186.3 million for the Year 2018 to approximately HK$211.7 million for the Year 2019. Such increase was mainly attributable to a substantial rise in sales to customers based in the PRC, where the projects in relation to the urban complex constructions in Kunming and Wuhan contributed approximately HK$16.3 million and approximately HK$61.6 million, respectively, towards the Group's total revenue for the Year 2019.

Cost of sales

The Group's cost of sales amounted to approximately HK$157.2 million for the Year 2019, representing an increase of approximately 16.6% from approximately HK$134.9 million for the Year 2018. Cost of sales mainly comprised of costs of raw materials and staff costs, which accounted for approximately 79.2% and 11.1% respectively of the Group's total cost of sales for the Year 2019 (Year 2018: approximately 81.9% and 12.3% respectively).

FINANCIAL REVIEW *(Continued)*

Gross profit/Gross profit margin

The Group's gross profit increased by approximately 6.1% from approximately HK$51.4 million for the Year 2018 to approximately HK$54.5 million for the Year 2019, as a result of the rise in sales for the year. The overall gross profit margin of the Group, on the other hand, decreased by approximately 1.9% from approximately 27.6% for the Year 2018 to approximately 25.7% for the Year 2019. The decrease of gross profit margin was mainly due to (i) a decrease in the revenue from Macau sales by approximately 39.6% coupled with a rise of revenue from sales in the PRC by approximately 317.6% (Macau projects were able to generate higher gross profit margins in the past while PRC jobs had lower gross profit margins than for Hong Kong jobs), and (ii) an increase in subcontracting fee of approximately HK$5.8 million from approximately HK$2.1 million to approximately HK$7.9 million as a result of the saturated production capacity of the old factories which led to the subcontracting of more manufacturing and installation works to third parties during the Year 2019.

The Group has set up a new factory in Dongguan during the Year 2019 in order to increase the production capacity with an aim of managing the growth of sales from the PRC market while maintaining the stream of revenue from the Hong Kong and Macau market. The new factory has acquired the necessary machineries and equipment to set up a new production line and completed test running by the newly hired production staff and has been able to commence production operations during the last quarter of the Year 2019, which is expected to reduce the subcontracting costs considerably and thereby will have a positive impact on the gross profit margin of the Group in the future.

Other income, gains and losses

The Group's other income, gains and losses decreased by approximately HK$1.2 million, or approximately 63.4%, from approximately HK$1.9 million for the Year 2018 to approximately HK$0.7 million for the Year 2019. Such decrease was mainly attributable to a net exchange loss of approximately HK$0.2 million being recorded as oppose to a net exchange gain of approximately HK$1.6 million being recorded for the Year 2018. On the other hand, bank interest income rose by approximately 68.0% to approximately HK$0.6 million as more funds were placed under short term bank deposits during the Year 2019.

Selling and distribution expenses

The Group's selling and distribution expenses increased by approximately HK$2.8 million, or approximately 38.2%, from approximately HK$7.4 million for the Year 2018 to approximately HK$10.3 million for the Year 2019 which was mainly attributable to a rise in transportation expenses of approximately HK$2.7 million as a result of an increase in sales during the Year 2019.

Administrative and other expenses

The Group's administrative and other expenses decreased by approximately HK$0.6 million, or approximately 2.2%, from approximately HK$29.1 million for the Year 2018 to approximately HK$28.5 million for the Year 2019. The decrease was mainly due to the combined effects of (i) the drop in Listing expenses by approximately HK$5.8 million which had been fully recognised for the Year 2018 upon the Listing, (ii) the additional expenses for running a new factory including hiring of new staff and other operating expenses amounting to approximately HK$1.5 million; and (iii) the increase in professional fee of approximately HK$1.6 million primarily due to a few more months of professional fees required in the Year 2019 resulting from the additional legal and compliance requirements for the Group since the Listing.

FINANCIAL REVIEW *(Continued)*

Impairment loss recognised on trade receivables and contract assets

The impairment loss recognised on trade receivables and contract assets for the Year 2019 is mainly attributable to additional impairment on trade receivables and contract assets from debtors in Hong Kong amounting to a total of approximately HK$0.6 million.

Finance costs

The Group's finance costs decreased by approximately 72.8% from approximately HK$0.4 million for the Year 2018 to approximately HK$0.1 million for the Year 2019. The decrease in finance costs was mainly attributable to full repayment of the Group's bank loans at the beginning of the Year 2019, which resulted in a significant decline in bank interest expense.

Taxation

The Group's income tax expense decreased by approximately 26.3% from approximately HK$5.6 million for the Year 2018 to approximately HK$4.1 million for the Year 2019, mainly as a result of a decline in taxable profit for the Year 2019. Despite a relatively stable profit before tax being recorded between the two years, the Group's expenses for the Year 2018 comprised of more non-deductible expenses, of which a substantial portion related to Listing expenses of approximately HK$5.8 million being incurred during the Year 2018 but where none is recorded for the Year 2019.

Profit for the year attributable to the owners of the Company

As a result of the above effects, profit for the year attributable to the owners of the Company rose by approximately HK$1.3 million or approximately 12.8% from approximately HK$10.2 million for the Year 2018 to approximately HK$11.5 million for the Year 2019.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group has funded its liquidity and capital requirements primarily through cash inflows from operating activities and proceeds received from the Listing. There had been no change in the capital structure of the Group for the Year 2019.

As at 31 December 2019, the Group had cash and cash equivalents of approximately HK$77.7 million (31 December 2018: approximately HK$90.5 million) and had no short-term bank deposits with original maturity more than three months (31 December 2018: approximately HK$8.6 million). The decrease was primarily due to acquisition of property, plant and equipment of approximately HK$9.2 million as well as more settlement made to suppliers during the Year 2019 which resulted in a decline in trade and bill payables of approximately HK$16.8 million as at 31 December 2019.

As at 31 December 2019, the working capital (current assets less current liabilities) and total equity attributable to owners of the Group were approximately HK$159.2 million (31 December 2018: approximately HK$163.4 million) and approximately HK$206.6 million (31 December 2018: approximately HK$196.6 million) respectively.

The Group did not have any interest-bearing borrowings and thus the computation of the gearing ratio was not applicable as at 31 December 2019. The gearing ratio (total debt comprising of bank loan/total equity) as at 31 December 2018 was approximately 0.1%. Such decrease was due to full repayment of bank borrowings during the Year 2019.

TRADE AND BILL RECEIVABLES

The Group's average receivable turnover days for the Year 2019 increased to approximately 120.1 days as compared to that of approximately 103.6 days for the Year 2018. The main reason for the increase is because the Group has a higher average beginning and ending balance of trade and bill receivables for the Year 2019 as compared with that of the Year 2018. This is due to a larger quantity of products being delivered in the last quarter of the past two years, especially for December, which led to significant sales being recorded during the last month and last quarter of the Year 2019 and 2018. As the Group generally grant its customers credit terms of 30 to 90 days, this resulted in a larger beginning and ending trade receivables balance for the Year 2019. Despite a rise in the receivable turnover days, the settlement of outstanding trade receivables during the Year 2019 was satisfactory and although an impairment loss of approximately HK$0.8 million was recognised, aside from individually assessed credit impaired debtors with gross carrying amounts of approximately HK$138,000, the Group did not consider there to be default on any of its other trade receivables balance as at 31 December 2019.

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS OR DISPOSALS

Save as disclosed in this report, there were no significant investments held, nor any material acquisitions or disposals during the Year 2019.

PLEDGE OF ASSETS

The Group's banking facilities were secured by corporate guarantees provided by the Company for unlimited amounts as at 31 December 2019 and 31 December 2018.

FUTURE PLAN FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in this report and in the prospectus of the Company dated 27 April 2018 (the "Prospectus"), the Group did not have other plans for material investments and capital assets as at 31 December 2019 and up to the date of this report.

CAPITAL COMMITMENTS

The Group had no material capital commitments as at 31 December 2019 (31 December 2018: nil).

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 31 December 2019 (31 December 2018: 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 30 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 255 full-time employees as at 31 December 2019 (31 December 2018: 225), among which 45 and 210 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 2019 were approximately HK$33.7 million (Year 2018: approximately HK$29.3 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 2019 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

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) (Note)	Percentage of net proceeds	Net proceeds from the Listing (HK$ million)	Actual usage up to 31 December 2019 (HK$ million)	Balance as at 31 December 2019 (HK$ million)
Acquisition of a factory in the PRC ("New Factory")	70.1	78.2%	58.6	4.7	53.9
Acquisition of machineries and equipment for the factory of Dongguan Quanda Electrical Equipment Limited ("DG Factory")	15.9	17.7%	13.3	2.1	11.2
General working capital	3.7	4.1%	3.1	3.1	–
Total	89.7	100%	75.0	9.9	65.1

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 2020.

USE OF PROCEEDS FROM THE LISTING *(Continued)*

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

As at 31 December 2019, 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$65.1 million were placed with a licensed bank in Hong Kong.

Implementation plans as disclosed in the Prospectus	Scheduled activities for the period from 18 April 2018 to 31 December 2019 as disclosed in the Prospectus	Actual activities achieved for the period 18 April 2018 to 31 December 2019
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 – To complete the refurbishment – To acquire, install and perform testing of the first lot of machines and equipment – To commence the relocation of the existing factory in Guangzhou to the New Factory – To fully commence production operations – To complete the inspection in relation to the relevant standards and safety regulations such as fire safety and environmental protection – To evaluate the performance of the newly acquired machines and equipment	– 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 Dongguan factory – From the Listing up until 31 December 2019, the factories available were beyond the Group's budget and no suitable sites were available to be shortlisted – Explored other options, which resulted in the rental of a temporary factory in Humen Town for a term of 2 years

USE OF PROCEEDS FROM THE LISTING *(Continued)*

Comparison of business objectives with actual business progress and use of proceeds *(Continued)*

Implementation plans as disclosed in the Prospectus	Scheduled activities for the period from 18 April 2018 to 31 December 2019 as disclosed in the Prospectus	Actual activities achieved for the period 18 April 2018 to 31 December 2019
		– Entered into a consultancy services agreement 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 – Completed the drawings for the floorplan based on the advice from the consultant and substantially completed the refurbishment work on the temporary factory – Signed sales agreement to purchase the machines and equipment as advised by the consultant to build up the new production line and busbar management system for the automatic assembling and installation of low-voltage switchboards – Installed and performed testing on the new production line and busbar management system – Commenced production operations using the new production line

USE OF PROCEEDS FROM THE LISTING *(Continued)*

Comparison of business objectives with actual business progress and use of proceeds *(Continued)*

Implementation plans as disclosed in the Prospectus	Scheduled activities for the period from 18 April 2018 to 31 December 2019 as disclosed in the Prospectus	Actual activities achieved for the period 18 April 2018 to 31 December 2019
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 – To complete the installation, perform testing of the machines and equipment and commence production using the new machines and equipment – To evaluate the performance of the newly acquired 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 the DG Factory – 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

USE OF PROCEEDS FROM THE LISTING *(Continued)*

Comparison of business objectives with actual business progress and use of proceeds *(Continued)*

Implementation plans as disclosed in the Prospectus	Scheduled activities for the period from 18 April 2018 to 31 December 2019 as disclosed in the Prospectus	Actual activities achieved for the period 18 April 2018 to 31 December 2019
		– The new components of the machines and equipment will be gradually acquired and put into use in several stages so as to minimise the disruption to production of the DG Factory which is already operating near full capacity – Signed sales agreement to purchase part of the new components of the machines and equipment – Installed and performed testing on the new components of the machines and equipment purchased and commenced production thereon

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 started searching for suitable factories in other areas nearby the Group's existing DG Factory starting from 2019. 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.

USE OF PROCEEDS FROM THE LISTING *(Continued)*

Comparison of business objectives with actual business progress and use of proceeds *(Continued)*

The amounts of the proceeds actually used up as at the date of this report is as follows:–

Description	Planned use of proceeds up to 31 December 2019 as disclosed in Prospectus (HK$ million)	Actual usage up to the date of this report (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	37.4	–
– Acquisition of machineries and equipment	17.6	2.3
– Rental of temporary factory in Humen Town pending for acquisition of the New Factory and the related renovation and relocation expenses	–	1.5
– 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	–	1.0
Acquisition of machineries and equipment for the DG Factory	13.3	2.1
Total	68.3	6.9

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

Saved as disclosed in note 36 to the consolidated financial statements, there have been no other material events occurring after 31 December 2019 and up to the date of this report.

EXECUTIVE DIRECTORS

WAN Man Keung

Mr. Wan Man Keung ("Mr. Wan"), aged 58, is an executive Director and the chairman of the Board (the "Chairman") 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 a 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 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 27 years of experience in the low-voltage electrical power distribution and control devices 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. Since February 2020, Mr. Wan has served as the chairman and non-executive director of SEM Holdings Limited (stock code: 9929) which was listed on the Main Board of the Stock Exchange on 14 February 2020. Mr. Wan is a cousin of Mrs. Kan Wan Wai Yee Mavis.

For Mr. Wan's interest in the shares of the Company (the "Shares") within the meaning of Part XV of the Securities and Futures Ordinance (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 51, is an executive Director and the chief executive officer of the Group (the "Chief Executive Officer") 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 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 27 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 meaning 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 63, 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 organised 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. Since February 2020, Mrs. Kan has served as a non-executive director of SEM Holdings Limited (stock code: 9929) which was listed on the Main Board of the Stock Exchange on 14 February 2020. Mrs. Kan is the cousin of Mr. Wan.

INDEPENDENT NON-EXECUTIVE DIRECTORS

NG Chi Keung Alex

Mr. Ng Chi Keung Alex ("Mr. Ng"), aged 62, 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 41 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.

INDEPENDENT NON-EXECUTIVE DIRECTORS *(Continued)*

CHENG Sum Hing

Mr. Cheng Sum Hing ("Mr. Cheng"), aged 63, 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 42 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 Main Board of 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 44, 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 Main Board of 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 37, 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 Main Board of 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. Ms. Chow is currently an independent non-executive director of Amuse Group Holding Limited (stock code: 8545), which is listed on the GEM of the Stock Exchange.

LIU Kwok Wai

Mr. Liu Kwok Wai ("Mr. Liu"), aged 44, 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 21 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 47, 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 21 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. 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 Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). The Board is of the opinion that the Company has complied with all the code provisions of the CG Code for the Year 2019.

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 during the Year 2019.

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 2019 and up to the date of this report, the Board comprised six Directors, including two executive Directors, one non-executive Director and three 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

THE BOARD OF DIRECTORS *(Continued)*

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 16 to 19 of this report.

Chairman and Chief Executive Officer

The Company fully supports the division of responsibility between the Chairman 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 Group's 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.

THE BOARD OF DIRECTORS *(Continued)*

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 retired from office as Directors at the first annual general meeting of the Company, and being eligible, offered themselves for re-election and were re-elected as Directors. One-third of the Directors shall retire from office and be subject to re-election by rotation at each annual general meeting thereafter.

The Nomination Committee shall review the overall contribution and service to the Company of the retiring Director including his/her attendance of Board meetings and, where applicable, general meetings of the Company, and the level of participation and performance on the Board. The Nomination Committee shall also review and determine whether the retiring Director continues to meet the criteria as set out in the nomination policy of the Company. The Nomination Committee and/or the Board shall then make recommendation to Shareholders in respect of the proposed re-election of Director at the general meeting of the Company.

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 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 four times a year, with written notice given to the Directors at least 14 days in advance. For all other Board meetings, notice will be given in a reasonable time in advance. The Directors are allowed to include any matter in the agenda that is required for discussion and resolution at the meeting. To enable the Directors to be properly briefed on issues arising at each of the Board meetings so as to make informed decisions, an agenda and the accompanying Board papers including supporting analysis and relevant background information will be sent to all Directors at least three days before the Board meeting, or such other period as agreed by the Board. 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 Group's 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 BOARD OF DIRECTORS *(Continued)*

Responsibilities, Accountabilities and Contributions of the Board and Management *(Continued)*

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, a non-executive Director, and Mr. Cheng Sum Hing, an independent non-executive Director. 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 meetings during the Year 2019 is set out on page 26 of this report.

BOARD COMMITTEES *(Continued)*

Audit Committee *(Continued)*

The Audit Committee convened three meetings during the Year 2019. The Audit Committee performed the following work during the Year 2019:

(a) reviewed the Group's annual audited financial statements for the Year 2018, and reviewed the unaudited interim financial statements for the six months ended 30 June 2019 including the accounting principles and accounting standards adopted with recommendations made to the Board for approval;

(b) reviewed the changes in accounting standards and assessed their potential impacts on the Group's financial statements;

(c) reviewed the Group's internal control system and related matters; and

(d) considered and made recommendations on the re-appointment of the independent auditor of the Group, and the terms of engagement.

The Company's annual results for the Year 2019 have been reviewed by the Audit Committee and they are 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.

BOARD COMMITTEES *(Continued)*

Nomination Committee *(Continued)*

Attendance record of meeting during the Year 2019 is set out on page 26 of this report.

The Nomination Committee convened one meeting during the Year 2019. The main works performed by the Nomination Committee during the Year 2019 included reviewing the independence of the independent non-executive Directors, considering the qualifications of the retiring Directors standing for election at the 2019 annual general meeting of the Company, reviewing the structure, size, composition and diversity of the Board and reviewing the Board diversity policy.

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 about these recommendations on remuneration policy and structure of the Company and remuneration packages.

Attendance record of meeting during the Year 2019 is set out on page 26 of this report.

The Remuneration Committee convened one meeting during the Year 2019.

The main works performed by the Remuneration Committee during the Year 2019 included reviewing the remuneration packages of the executive Directors, non-executive Director, independent non-executive Directors and senior management.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Details of the remuneration of each Director and the 5 highest paid employees for the Year 2019 are set out in note 11 to the consolidated financial statements. The remuneration of the senior management for the Year 2019 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

Board meetings are scheduled to be held at regular intervals and requiring active participation, either in person or through electronic means of communication, of a majority of Directors.

The attendance record of each Director at the Board and Board committee meetings and general meetings of the Company held during the Year 2019 is set out in the table below:

	Attendance/Number of Meetings				
Name of Director	Board	Audit Committee	Remuneration Committee	Nomination Committee	2019 Annual general meeting
Mr. Wan Man Keung	3/3		1/1	1/1	1/1
Mr. Leung Ka Wai	3/3				1/1
Mrs. Kan Wan Wai Yee Mavis	3/3	3/3			1/1
Mr. Ng Chi Keung Alex	3/3		1/1	1/1	1/1
Mr. Cheng Sum Hing	3/3	3/3	1/1	1/1	1/1
Ms. Ng Ching Ying	3/3	3/3			1/1

During the Year 2019, one meeting was also held between the Chairman and the independent non-executive Directors without the presence of other Directors.

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 Year 2019 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	✓		

	Professional Experience			
Name of Director	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.

During the Year 2019, all the Directors have been provided with access to e-trainings which covered various topics such as corporate governance updates and relevant reading materials including legal and regulatory updates and publications issued by the Stock Exchange for their reference and studying. Some of the Directors have also attended additional professional seminars on an individual basis during the Year 2019.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the Group's consolidated financial statements for the Year 2019.

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 54 to 57 of this report.

Where appropriate, a statement should be made 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 2019 are as follows:

Nature of services	Amount HK$'000
Audit services	1,300
Non-audit services	320
	1,620

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 2019, 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 the 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 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 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 2019, 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 during the Year 2019 and up to the date of this report. The Articles is available on the websites of the Company and the Stock Exchange.

Report of the Directors

The Board is pleased to present to the Shareholders this report together with the audited consolidated financial statements of the Group for the Year 2019.

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 35 to the consolidated financial statements.

BUSINESS REVIEW

A discussion and review of the business of the Group, including the future prospect of the Group, principal risks and uncertainties, relationship with customers, suppliers and employees are set out in the section headed "Management Discussion and Analysis" in this report.

RESULTS AND DIVIDENDS

The results of the Group for the Year 2019 are set forth in the consolidated statement of profit or loss and other comprehensive income on page 58 of this report. The Board does not recommend the payment of a final dividend for the Year 2019 (Year 2018: nil).

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five years is set out on page 114 of this report. Such summary does not form part of the audited consolidated financial statements for the Year 2019.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the Year 2019 are set out in note 13 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the Company's share capital are set out in note 28 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 2019.

RESERVES AND DISTRIBUTABLE RESERVES

As at 31 December 2019, the Company's reserves available for distribution to Shareholders amounted to approximately HK$133.7 million (31 December 2018: approximately HK$138.8 million).

Movements of the reserves of the Company and of the Group during the Year 2019 are set out in note 37 to the consolidated financial statements and in the consolidated statement of changes in equity on page 61, respectively.

MAJOR CUSTOMERS AND SUPPLIERS

During the Year 2019, the five largest customers of the Group accounted for approximately 69.4% of the total revenue of the Group and the largest customer accounted for approximately 39.4% of the total revenue of the Group.

The aggregate purchases attributable to the Group's largest supplier and five largest suppliers accounted for approximately 18.8% and 48.4% of the Group's total purchases for the Year 2019, 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 who held office during the Year 2019 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

The Company has received from each of the independent non-executive Directors an annual declaration of his/her independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive Directors are independent.

In accordance with article 108(a) of the Articles, one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election. The Company at the general meeting at which a Director retires may fill the vacated office.

Accordingly, Mr. Wan Man Keung and Mr. Ng Chi Keung Alex shall retire at the forthcoming annual general meeting and being eligible, will offer themselves for re-election.

The Directors' biographical details are set out in the section headed "Biographical Details of Directors and Senior Management" in this report.

DIRECTORS' INTEREST IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as those disclosed in note 34 to the consolidated financial statements, 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 2019 or at any time during the Year 2019.

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 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 11 to the consolidated financial statements.

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 2019 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 2019 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 2019, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations, within the meaning of 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.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES *(Continued)*

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

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

Notes:

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

2. Unique Best is owned by WANs Limited, REM Enterprises and REM Limited as to 85.14%, 13.33% and 1.53%, respectively. WANs Limited is wholly owned by WAN Union (as trustee of the WAN Union Trust), while REM Enterprises is wholly owned by Mr. KW Leung and REM Limited is wholly owned by Mr. CK Yu. The WAN Union Trust is a discretionary family trust established by Mr. MK Wan, Mr. CW Wun and Mr. CK Wun as settlors and WAN Union as trustee which holds the entire interest in WANs Limited on trust for the benefits of Mr. MK Wan, Mr. CW Wun and Mr. CK Wun, and their immediate family members. By virtue of the SFO, Mr. MK Wan and Mr. CW Wun, being the settlors and beneficiaries, and WAN Union, being the trustee, are deemed to be interested in the Shares in which WANs Limited is interested. Mr. MK Wan and Mr. CW Wun retain the control of the WAN Union Trust given the board of directors of WAN Union comprises solely Mr. MK Wan, Mr. CW Wun and Ms. Wun Tsz Ying (the daughter of Mr. CK Wun who was nominated by Mr. CK Wun). Further, Mr. MK Wan, Mr. CW Wun and Mr. KW Leung have confirmed that they are parties acting in concert and are therefore deemed to be interested in the Shares held by the others. Hence, Mr. MK Wan, Mr. CW Wun, Mr. KW Leung, WAN Union, WANs Limited and REM Enterprises are deemed to be interested in all the Shares held by Unique Best.

Save as disclosed above, as at 31 December 2019, 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 the 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 2019, to the best knowledge of the Directors, the interests or short positions of the persons, other than the Directors or chief executive of the Company, in the Shares or underlying Shares as recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

Long positions in the Shares

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

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

Long positions in the Shares *(Continued)*

Notes:

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

2. Unique Best is owned by WANs Limited, REM Enterprises and REM Limited as to 85.14%, 13.33% and 1.53%, respectively. WANs Limited is wholly owned by WAN Union (as trustee of the WAN Union Trust), while REM Enterprises is wholly owned by Mr. KW Leung and REM Limited is wholly owned by Mr. CK Yu. The WAN Union Trust is a discretionary family trust established by Mr. MK Wan, Mr. CW Wun and Mr. CK Wun as settlors and WAN Union as trustee which holds the entire interest in WANs Limited on trust for the benefits of Mr. MK Wan, Mr. CW Wun and Mr. CK Wun, and their immediate family members. By virtue of the SFO, Mr. MK Wan and Mr. CW Wun, being the settlors and beneficiaries, and WAN Union, being the trustee, are deemed to be interested in the Shares in which WANs Limited is interested. Mr. MK Wan and Mr. CW Wun retain the control of the WAN Union Trust given the board of directors of WAN Union comprises solely Mr. MK Wan, Mr. CW Wun and Ms. Wun Tsz Ying (the daughter of Mr. CK Wun who was nominated by Mr. CK Wun). Further, Mr. MK Wan, Mr. CW Wun and Mr. KW Leung have confirmed that they are parties acting in concert and are therefore deemed to be interested in the Shares held by the others. Hence, Mr. MK Wan, Mr. CW Wun, Mr. KW Leung, WAN Union, WANs Limited and REM Enterprises are deemed to be interested in all the Shares held by Unique Best.

3. Ms. Lam Yin is the wife of Mr. MK Wan and is deemed to be interested in the Shares which are interested by Mr. MK Wan under the SFO.

4. Ms. Emi Que is the wife of Mr. CW Wun and is deemed to be interested in the Shares which are interested by Mr. CW Wun under the SFO.

5. Ms. Huang Xiao Ying is the wife of Mr. KW Leung and is deemed to be interested in the Shares which are interested by Mr. KW Leung under the SFO.

Save as disclosed herein, as at 31 December 2019, 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 the Year 2019.

RELATED PARTY TRANSACTIONS

The Directors confirm that the related party transactions of the Group during the Year 2019 as set out in note 34 to the consolidated financial statements did not constitute connected transactions or continuing connected transactions, which are required to comply with any of the 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 has made an annual declaration to the Company that during the Year 2019, 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 2019.

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 2019 or subsisted at the end of the Year 2019.

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 subsidiaries (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 equal to 10% of the issued share capital of the Company at the date of the Listing.

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 2019 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 41 to 53 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 20 to 30 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 during the Year 2019 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 2019.

AUDITOR

The consolidated financial statements for the Year 2019 have been audited by Deloitte Touche Tohmatsu, who will retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting.

On behalf of the Board

Wan Man Keung
Chairman

Hong Kong
30 March 2020

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 Group persistently strives to operate its business in an economic, social and environmentally sustainable manner. The Group is committed to making 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 Environmental, Social and Governance Report (the "ESG Report") for the Year 2019, 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 2019 to 31 December 2019.

Stakeholder Engagement

Policies has been set up on stakeholder engagement by the Group 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 assist in improving the Group's business practices and maintaining their relationships with the Group by addressing their concerns.

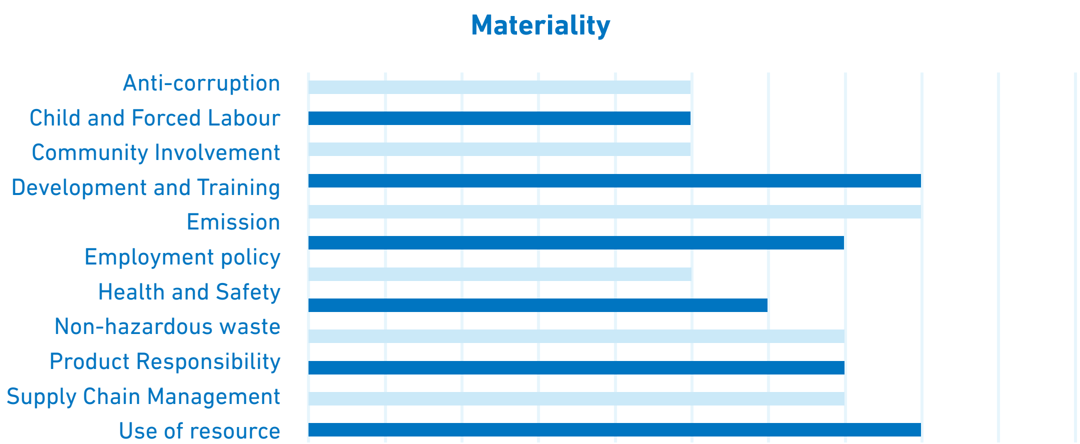
Continuous communication with stakeholders allows the Group to identify matters in relation to the environmental, social and governance issues, and it serves as a method to understand stakeholders' expectation and assess the materiality on various aspects as set out in the Guide that are relevant to 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

INTRODUCTION *(Continued)*

Materiality Assessment

The Group has maintained close communication with its stakeholders to identify and understand its stakeholders' main concerns and material interests for the ESG Report. Stakeholders with high level of influence and dependence on 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

The Group takes environmental protection as one of its fundamental values. The Group is dedicated 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 in its place of operations, 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).

ENVIRONMENTAL PROTECTION *(Continued)*

Emissions *(Continued)*

For the Year 2019, air emissions generated by the Group were mainly produced by liquefied petroleum gas for factory cooking and petrol consumed by the motor vehicles. Below sets out the air emissions data throughout the Year 2019.

Air Emissions Data	Unit	2019	2018
Gaseous Fuel Consumption			
NOx Emissions	kg	**61,023.60**	–
SOx Emissions	kg	**303.60**	–
Vehicles Emissions			
NOx Emissions	kg	**14.41**	16.21
SOx Emissions	kg	**0.19**	0.10
PM Emissions	kg	**1.23**	1.35

Greenhouse Gas ("GHG") emissions are mainly released through the consumption of fuels by the Group's equipment and motor vehicles. Comparing to the Year 2018, the GHG emissions in the Year 2019 increased mainly due to the acquisition of a new motor vehicle during the latter half of both the Year 2019 and the Year 2018. The GHG emissions data in CO2e are set out below:

Greenhouse Gas Emissions Data		Unit	2019	2018
Scope 1 – Direct Emissions		tonnes	**38.5**	21.29
Combustion		tonnes	**38.5**	21.29
Scope 2 – "Energy Indirect" Emissions		tonnes	**903.10**	958.33
Electricity	Note 1	tonnes	**903.10**	958.33
Scope 3 – Other Indirect Emissions		tonnes	**24.44**	17.07
Paper waste disposed at landfills		tonnes	**18.74**	10.46
Electricity used for processing fresh water and sewage by government department	Note 2	tonnes	**0.18**	0.01
Business air travel by employees		tonnes	**5.52**	6.60

Note 1: For electricity supplied from Hong Kong, the emission factor (0.80 kg/kWh and 0.66 kg/kWh) is available from HK Electric Company and CLP's Sustainability Report 2018 respectively.

For electricity supplied from the PRC, the emission factor (0.8959 kg/kWh) is available from Ministry of Ecology and Environment's Electricity Emission Factor Report 2018.

Note 2: For water supplied from Hong Kong, the unit electricity consumption of water (0.404 m3/kWh) is available from Water Supplies Department Annual Report 2017/18.

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

ENVIRONMENTAL PROTECTION *(Continued)*

Waste

In order to handle different kinds of wasted materials, numerous procedures have been established and embedded in daily operations of the Group. 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 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. In the Year 2019, the Group has reduced its non-hazardous waste by approximately 5%.

Waste	Unit	2019	2018
Non-Hazardous Waste			
Industrial wastes	tonnes	**37.52**	39.32

The Group is committed to reduce wastes where possible throughout the operation in offices, workshops 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 2019, the Group was not aware of any material 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, 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 2019, 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 be hardly changed in the later stage. 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.

ENVIRONMENTAL PROTECTION *(Continued)*

Use of Resources *(Continued)*

In the Year 2019, the Group has reduced its overall energy consumption by approximately 12%. However, its water consumption increased by approximately 40%, which was mainly due to the water usage in the factories. For production needs, the factory located in Dongguan has employed temporary workers throughout the Year 2019 which increased the water usage by approximately 38% or 6,700m^3 of water. The energy and water consumption of the Group in the Year 2019 are set out below:

Energy Consumption	Unit	2019	2018
Total Electricity Consumption	kWh	**1,015,730.00**	1,147,337.00
Factory and warehouse	kWh	**1,012,757.00**	1,135,455.00
Office and workshop	kWh	**2,973.00**	11,882.00
Electricity Consumption Intensity	kWh/unit	**145,104.29**	191,222.83
Water Consumption	**Unit**	**2019**	**2018**
Total Water Consumption	m^3	**24,562.60**	17,679.00
Factory and warehouse	m^3	**24,348.60**	17,670.00
Office and workshop	m^3	**214.00**	9.00
Water Consumption Intensity	m^3/unit	**3,508.94**	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	2019	2018
Packaging materials used			
Carton paper box	tonnes	**30.00**	41.20
Packaging Foam	sheets	**4,000.00**	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 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 the 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 guidelines 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.

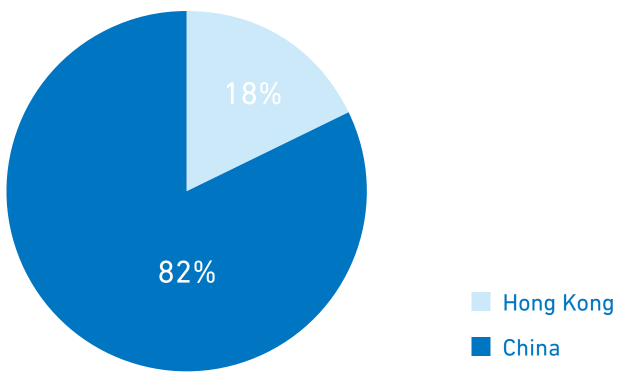
Comprehensive recruitment and promotion policies are established to ensure processes are carried out in a fair and open manner. To promote equality and anti-discrimination, standard interview and evaluation criteria are established, also promotion and salary increment are benchmarked against individuals' 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 2019, the Group has employed 255 staff, including 29 office staff, 73 project and engineering staff and 153 workers. During the Year 2019, the Group has increased its staff by approximately 13%, of which local staff has decreased by approximately 4% and PRC staff increased by approximately 18%. The ratio of Hong Kong staff to PRC staff has therefore, increased from 1:4 to 1:5, comparing with previous year. The female to male ratio has remain the same at approximately 1:2 at the end of the Year 2019. The following chart sets out breakdowns of the Group's employees by geographic region, gender and age group.

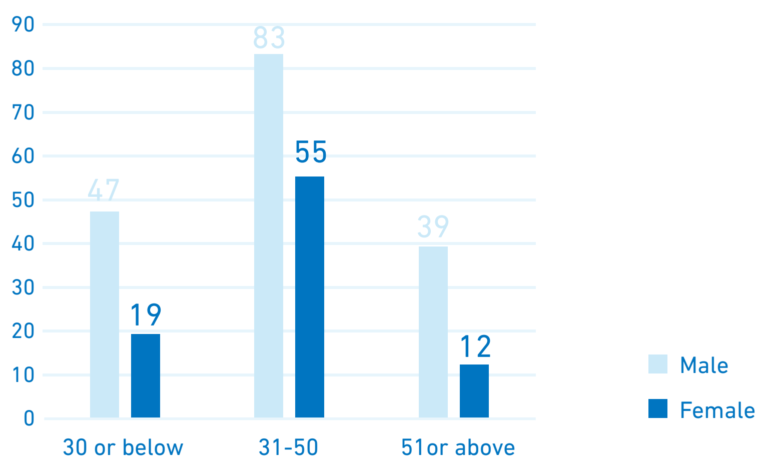
SOCIAL *(Continued)*

Employment *(Continued)*

Geographical region of the Group's employees



Gender and age group of the Group's employees



During the Year 2019, the Group was not aware of any material 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.

SOCIAL *(Continued)*

Health and Safety

The Group is keen to minimise accidents in its workplace. The Group has established various policies and manuals in workplace, including machine control manual, workplace safety guideline, healthy tips brochure, factory safety policy etc., to provide sufficient health and safety guidance on essential procedures of production and other daily operations. The Group rigorously sticks to the instructions of the Quality Management Systems Standard (ISO 9001). Specifically, project managers are responsible for conducting relevant risk assessment and implementing necessary measures during the daily operation process. The staff are required to follow the safety manual to ensure their actions are completed in a safe and effective manner. Besides, the Group posts relevant warning labels and public announcements regarding onsite health and safety in the construction site to strive for zero accidents of all persons involved in manufacturing works. The Group is pleased that no incidents of work injuries and work-related fatalities have been reported in the Year 2019.

During the Year 2019, the Group was not aware of material 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, in which 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 the staff related to health and safety and specialised knowledge and skills for performance enhancement related to the Group's operation. The Group regularly reviews the training programme to assess whether it is effective for the development of its employees and looks for continuous improvement of the training programme 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 the staff for taking work-related advanced studies and attend 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 2019, the Group was not aware of any material non-compliance with relevant laws and regulations that have a significant impact relating to preventing child and forced labour.

SOCIAL *(Continued)*

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' requirement 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 works. Product assurance checklists, which detail the testing procedures and scopes, are employed in different stage of the production. 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 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 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 2019, the Group was not aware of any material 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.

SOCIAL *(Continued)*

Anti-corruption

Business ethics is required by the Group to be maintained at a high level with the involvement of 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 noticed. Under confidentiality mechanism, 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). Any matters of genuine concern are to be thoroughly investigated by the management and actions will be taken accordingly.

During the Year 2019, the Group was not aware of material non-compliance with relevant laws and regulations that have a significant impact relating to bribery, extortion, fraud and money laundering.

Community Investment

The Group continues to realise the importance of corporate social responsibility and has stepped up conscious efforts to establish closer ties and interaction with local communities.

Seeing the interests of the communities as one of its social responsibilities, the Group makes donations to charitable organisations. During the Year 2019, the Group has sponsored the "E&M Safety Walk and Carnival Fair 2019" 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

CONTENT INDEX *(Continued)*

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

CONTENT INDEX *(Continued)*

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, 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.	• Product Responsibility
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 58 to 113, which comprise the consolidated statement of financial position as at 31 December 2019, 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 2019, 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 MATTERS

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

KEY AUDIT MATTERS *(Continued)*

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 2019, the Group's net trade receivables and net contract assets amounting to approximately HK$60,487,000 and HK$38,886,000, respectively, which represented approximately 24.1% and 15.5% respectively of total assets of the Group and out of these trade receivables of approximately HK$20,581,000 were past due. As disclosed in note 30 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 debtors 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. As disclosed in note 30 to the consolidated financial statements, the Group's lifetime ECL on trade receivables and contract assets as at 31 December 2019 amounted to approximately HK$1,383,000 in aggregate.	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 2019, on a sample basis, by comparing individual items in the analysis with the relevant supporting documents; and • Challenging management's basis and judgement in determining credit loss allowance on trade receivables and contract assets as at 31 December 2019, 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).

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
30 March 2020

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
Revenue	5	**211,741**	186,284
Cost of sales		**(157,234)**	(134,895)
Gross profit		**54,507**	51,389
Other income, gains and losses	6	**689**	1,884
Selling and distribution expenses		**(10,276)**	(7,438)
Net impairment loss recognised on trade receivables and contract assets		**(776)**	(612)
Administrative and other expenses		**(28,482)**	(29,118)
Finance costs	7	**(108)**	(397)
Profit before taxation	8	**15,554**	15,708
Taxation	9	**(4,093)**	(5,551)
Profit for the year		**11,461**	10,157
Other comprehensive expense for the year:			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(1,447)**	(4,554)
Total comprehensive income for the year		**10,014**	5,603
Earnings per share (HK cents) – basic	12	**0.64**	0.61

Consolidated Statement of Financial Position

At 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
Non-current assets			
Property, plant and equipment	13	**26,195**	19,888
Right-of-use assets	14	**4,590**	–
Prepaid lease payments	15	**–**	2,829
Rental deposits		**84**	125
Contract assets	17	**18,473**	11,569
		49,342	34,411
Current assets			
Inventories	16	**30,485**	27,011
Trade and other receivables	18	**72,266**	80,997
Contract assets	17	**20,413**	10,776
Prepaid lease payments	15	**–**	77
Financial assets at fair value through profit or loss	19	**523**	449
Amount due from a director	20	**–**	18
Short-term bank deposits with original maturity more than three months	21	**–**	8,580
Bank balances and cash	21	**77,709**	90,541
		201,396	218,449
Current liabilities			
Trade and other payables	22	**34,084**	49,867
Contract liabilities	23	**1,516**	1,397
Lease liabilities	25	**1,337**	–
Amount due to a director	20	**56**	3
Tax payable		**5,228**	3,516
Bank loan	24	**–**	271
		42,221	55,054
Net current assets		**159,175**	163,395
Total assets less current liabilities		**208,517**	197,806

Consolidated Statement of Financial Position

At 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
Non-current liabilities			
Lease liabilities	25	**504**	–
Provision for long service payments	26	**790**	736
Deferred tax liabilities	27	**587**	448
		1,881	1,184
Net assets		**206,636**	196,622
Capital and reserves			
Share capital	28	**18,000**	18,000
Share premium and reserves		**188,636**	178,622
Total equity		**206,636**	196,622

The consolidated financial statements on pages 58 to 113 were approved and authorised for issue by the Board of Directors on 30 March 2020 and are signed on its behalf by:

WAN MAN KEUNG
DIRECTOR

LEUNG KA WAI
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2019

	Share capital HK$'000	Share premium HK$'000	Capital reserve HK$'000 (Note)	Translation reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2018	–	81,578	(80,018)	7,249	88,120	96,929
Profit for the year	–	–	–	–	10,157	10,157
Other comprehensive expense	–	–	–	(4,554)	–	(4,554)
Total comprehensive (expense) income for the year	–	–	–	(4,554)	10,157	5,603
Capitalisation issue (Note 28(i))	14,400	(14,400)	–	–	–	–
Issue of shares (Note 28(ii))	3,600	104,400	–	–	–	108,000
Share issuance costs	–	(13,910)	–	–	–	(13,910)
At 31 December 2018	**18,000**	**157,668**	**(80,018)**	**2,695**	**98,277**	**196,622**
Profit for the year	**–**	**–**	**–**	**–**	**11,461**	**11,461**
Other comprehensive expense	**–**	**–**	**–**	**(1,447)**	**–**	**(1,447)**
Total comprehensive (expense) income for the year	**–**	**–**	**–**	**(1,447)**	**11,461**	**10,014**
At 31 December 2019	**18,000**	**157,668**	**(80,018)**	**1,248**	**109,738**	**206,636**

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.

Consolidated Statement of Cash Flows

For the year ended 31 December 2019

	2019 HK$'000	2018 HK$'000
Operating activities		
Profit before taxation	**15,554**	15,708
Adjustments for:		
Depreciation of property, plant and equipment	**2,608**	1,974
Depreciation of right-of-use assets	**1,169**	–
Net impairment loss recognised on trade receivables and contract assets	**776**	612
Release of prepaid lease payments	**–**	81
Provision for (reversal of) long service payments	**54**	(188)
(Increase) decrease in fair value of financial assets at fair value through profit or loss	**(83)**	93
Interest income	**(620)**	(369)
Finance costs	**108**	397
Operating cash flows before movements in working capital	**19,566**	18,308
Increase in inventories	**(3,982)**	(4,211)
Decrease (increase) in trade and other receivables	**8,220**	(48,050)
Increase in contract assets	**(17,071)**	(2,209)
(Decrease) increase in trade and other payables	**(15,615)**	11,228
Increase in contract liabilities	**125**	48
Decrease in provision for long service payments	**–**	(23)
Cash used in operations	**(8,757)**	(24,909)
Income tax paid	**(2,191)**	(2,487)
Net cash used in operating activities	**(10,948)**	(27,396)
Investing activities		
Withdrawal (placement) of short-term bank deposit with original maturity more than three months	**8,580**	(8,580)
Interest received	**620**	369
Repayment from a director	**18**	4,305
Purchase of property, plant and equipment	**(9,197)**	(1,185)
Refund of (payment for) rental deposits	**41**	(42)
Advance to directors	**–**	(2,366)
Repayment from related parties	**–**	287
Net cash from (used in) investing activities	**62**	(7,212)

Consolidated Statement of Cash Flows

For the year ended 31 December 2019

	2019 HK$'000	2018 HK$'000
Financing activities		
Repayment of lease liabilities	**(1,056)**	–
Repayment to a director	**(310)**	(970)
Repayments of bank loan	**(271)**	(18,996)
Interest paid	**(108)**	(397)
Advance from a director	**363**	3
Proceeds from issue of shares	**–**	108,000
New bank loans raised	**–**	15,000
Advance from related parties	**–**	710
Issue costs paid	**–**	(10,488)
Repayment to related parties	**–**	(9,697)
Net cash (used in) from financing activities	**(1,382)**	83,165
Net (decrease) increase in cash and cash equivalents	**(12,268)**	48,557
Cash and cash equivalents at the beginning of the year	**90,541**	42,962
Effect of foreign exchange rate changes	**(564)**	(978)
Cash and cash equivalents at the end of the year, represented by bank balances and cash	**77,709**	90,541

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 "Listing"). The Company's immediate and ultimate holding company are Unique Best Limited and WAN Union Limited, respectively, which were companies incorporated in the British Virgin Islands ("BVI"). The addresses 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. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The Company and its subsidiaries (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 16	Leases
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to Hong Kong Accounting Standards ("HKAS") 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle

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.

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

2.1 HKFRS 16 "Leases"

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 "Leases" ("HKAS 17"), and the related interpretations.

Definition of a lease

The Group has elected 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. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019.

As at 1 January 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities adjusted by any prepaid lease payments by applying HKFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease- by-lease basis, to the extent relevant to the respective lease contracts:

i. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application; and

ii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The average incremental borrowing rates applied by the relevant group entities range from 4.36% to 5.00%.

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

2.1 HKFRS 16 "Leases" *(Continued)*

As a lessee (Continued)

	At 1 January 2019 HK$'000
Operating lease commitments disclosed as at 31 December 2018	1,128
Less: Transitional practical expedients – lease with lease terms within 12 months of the date of initial application	(198)
	930
Lease liabilities discounted at relevant incremental borrowing rate relating to operating leases recognised upon application of HKFRS 16 as at 1 January 2019	872
Analysed as:	
Current	560
Non-current	312
	872

	Right-of-use assets HK$'000
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	872
Reclassification from prepaid lease payments (Note)	2,906
	3,778
By class:	
Leasehold lands	2,906
Leasehold land and buildings	872
	3,778

Note: Upfront payments for leasehold lands in the People's Republic of China ("PRC") were reclassified as prepaid lease payments as at 31 December 2018. Upon application of HKFRS 16, the current and non-current portion of prepaid lease payments amounting to HK$77,000 and HK$2,829,000 respectively were reclassified to right-of-use assets.

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

2.1 HKFRS 16 "Leases" *(Continued)*

As a lessee (Continued)

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2018 HK$'000	Adjustments HK$'000	Carrying amounts under HKFRS 16 at 1 January 2019 HK$'000
Non-current Assets			
Right-of-use assets	–	3,778	3,778
Prepaid lease payments	2,829	(2,829)	–
Current Assets			
Prepaid lease payments	77	(77)	–
Current Liabilities			
Lease liabilities	–	560	560
Non-current Liabilities			
Lease liabilities	–	312	312

Note: For the purpose of reporting cash flows from operating activities under indirect method for the year ended 31 December 2019, movements in working capital have been computed based on opening consolidated statement of financial position as at 1 January 2019 as disclosed above.

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

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17	Insurance Contracts[1]
Amendments to HKFRS 3	Definition of a Business[2]
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[4]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[4]

1 Effective for annual periods beginning on or after 1 January 2021
2 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020
3 Effective for annual periods beginning on or after a date to be determined
4 Effective for annual periods beginning on or after 1 January 2020

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, *the Amendments to References to the Conceptual Framework in HKFRS Standards*, will be effective for annual periods beginning on or after 1 January 2020.

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

Amendments to HKAS 1 and HKAS 8 "Definition of Material"

The amendments provide refinements to the definition of material by including additional guidance and explanations in making materiality judgments. In particular, the amendments:

- include the concept of "obscuring" material information in which the effect is similar to omitting or misstating the information;
- replace threshold for materiality influencing users from "could influence" to "could reasonably be expected to influence"; and
- include the use of the phrase "primary users" rather than simply referring to "users" which was considered too broad when deciding what information to disclose in the financial statements.

The amendments also align the definition across all HKFRSs and will be mandatorily effective for the Group's annual period beginning on 1 January 2020. The application of the amendments is not expected to have significant impact on the financial position and performance of the Group but may affect the presentation and disclosures in the consolidated financial statements.

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

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

Conceptual Framework for Financial Reporting 2018 (the "New Framework") and the Amendments to References to the Conceptual Framework in HKFRS Standards

The New Framework:

- reintroduces the terms stewardship and prudence;
- introduces a new asset definition that focuses on rights and a new liability definition that is likely to be broader than the definition it replaces, but does not change the distinction between a liability and an equity instrument;
- discusses historical cost and current value measures, and provides additional guidance on how to select a measurement basis for a particular asset or liability;
- states that the primary measure of financial performance is profit or loss, and that only in exceptional circumstances other comprehensive income will be used and only for income or expenses that arise from a change in the current value of an asset or liability; and
- discusses uncertainty, derecognition, unit of account, the reporting entity and combined financial statements.

Consequential amendments have been made so that references in certain HKFRSs have been updated to the New Framework, whilst some HKFRSs are still referred to the previous versions of the framework. These amendments are effective for the Group's annual period beginning on or after 1 January 2020. Other than specific standards which still refer to the previous versions of the framework, the Group will rely on the New Framework on its effective date in determining the accounting policies especially for transactions, events or conditions that are not otherwise dealt with under the accounting standards.

3. 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 HKFRS 16 (since 1 January 2019) or HKAS 17 (before application of HKFRS 16), and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of Assets".

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

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.

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

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities comprising the Group are eliminated in full on consolidation.

Revenue from contracts with customers

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue from contracts with customers *(Continued)*

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

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

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

A contract 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 "Financial Instruments" ("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 the same contract are accounted for and presented on a net basis.

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.

Leases

Definition of a lease (upon application of HKFRS 16 in accordance with transitions in note 2)

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 2)

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group also applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

Short-term leases

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

Right-of-use assets

The cost of right-of-use asset includes:

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

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

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

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

Refundable rental deposits

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

Lease liabilities

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 2) (Continued)

Lease liabilities *(Continued)*

The lease payments include:

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

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

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

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

Lease modifications

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 2) (Continued)

The Group as lessee (prior to 1 January 2019)

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.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

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 it excludes items 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 than in a business combination) assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

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

The carrying amount of deferred tax assets is reviewed at the end of 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.

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

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 "Income Taxes" requirements to right-of-use assets and lease liabilities separately. Temporary differences on initial recognition of the relevant right-of-use assets and lease liabilities are not recognised due to application of the initial recognition exemption. Temporary differences arising from subsequent revision to the carrying amounts of right-of-use assets and lease liabilities, resulting from remeasurement of lease liabilities and lease modifications, that are not subject to initial recognition exemption are recognised on the date of remeasurement or modification.

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 to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised 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. 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.

Financial assets

Classification and subsequent measurement of financial assets

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

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

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

All other financial assets are subsequently measured at FVTPL.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Classification and subsequent measurement of financial assets *(Continued)*

A financial asset is 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.

(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

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

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-months ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Impairment of financial assets *(Continued)*

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Impairment of financial assets *(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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Impairment of financial assets *(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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments 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 an 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

Financial liabilities (including trade and other payables, amount due to a director and bank loan) are subsequently measured at amortised cost using the effective interest method.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies *(Continued)*

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 period, unless exchange notes fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. 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.

Property, plant and equipment

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

Ownership interests in leasehold land and building

When the Group makes payments for ownership interests of properties interest which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and building elements in proportion to the relative fair values at initial recognition.

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as "right-of-use assets" (upon application of HKFRS 16) or "prepaid lease payments" (before application of HKFRS 16) in the consolidated statement of financial position. When the consideration cannot be allocated reliably between non-lease building elements and undivided interest in the underlying leasehold land, the entire property is generally classified as if the leasehold land is under finance lease.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment and right-of-use assets to determine whether there is any indication that 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 property, plant and equipment and right-of-use assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In addition, corporate assets are allocated to individual cash generating units when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The Group assesses whether there is indication that corporate assets may be impaired. If such indication exists, the recoverable amount is determined for the cash- generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (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. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. 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 or the group of cash-generating units. 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 or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

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

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.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make 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 financial year, are described below.

Estimated provision of ECL for trade receivables and contract assets

The Group uses a provision matrix through group 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 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 30.

Estimated 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 2019, the carrying amount of inventories is HK$30,485,000 (2018: HK$27,011,000).

5. 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.

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 CODM 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.

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

	2019 HK$'000	2018 HK$'000
Low-voltage switchboard	92,111	113,081
Local motor control panel	84,901	45,679
Motor control centre	21,605	19,058
Electrical distribution board and control box	4,997	6,171
Electrical parts and replacements	8,127	2,295
	211,741	186,284

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:

	2019 HK$'000	2018 HK$'000
Revenue		
– Hong Kong	118,907	147,612
– PRC	81,231	19,453
– Macau	11,603	19,219
	211,741	186,284

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

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

	2019	2018
	HK$'000	HK$'000
Customer A	**83,441**	29,773
Customer B	**21,792**	27,575
Customer C	**N/A***	20,020

* The corresponding revenue did not contribute over 10% of the total revenue of the Group for the relevant year.

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

	2019	2018
	HK$'000	HK$'000
Hong Kong	**6,700**	3,756
PRC	**24,085**	18,961
	30,785	22,717

6. OTHER INCOME, GAINS AND LOSSES

	2019	2018
	HK$'000	HK$'000
Net exchange (loss) gain	**(205)**	1,580
Interest income	**620**	369
Increase (decrease) in fair value of financial assets at FVTPL	**83**	(93)
Others	**191**	28
	689	1,884

7. FINANCE COSTS

	2019	2018
	HK$'000	HK$'000
Interest expenses on bank loan	**2**	397
Interest expenses on lease liabilities	**106**	–
	108	397

8. PROFIT BEFORE TAXATION

	2019 HK$'000	2018 HK$'000
Profit before taxation has been arrived at after charging:		
Depreciation of property, plant and equipment		
– cost of sales	800	747
– administrative and other expenses	1,808	1,227
Total depreciation of property, plant and equipment	2,608	1,974
Depreciation of right-of-use assets	1,169	–
Directors' emoluments (Note 11)		
– fees	504	323
– salaries and other allowance	1,104	836
– retirement benefit scheme contributions	36	32
	1,644	1,191
– Other staff's salaries and other allowance	28,696	25,377
– Other staff's retirement benefits scheme contributions	3,311	2,683
Total staff costs	33,651	29,251
Auditor's remuneration	1,300	1,450
Release of prepaid lease payments	–	81
Cost of inventories recognised as expenses	145,640	127,034
Listing expenses (included in administrative and other expenses)	–	5,775
Expenses related to short-term leases	236	N/A
Operating lease rentals in respect of rent premises	N/A	643

9. TAXATION

	2019 HK$'000	2018 HK$'000
The taxation charge comprises:		
Current tax		
– Hong Kong Profits Tax	408	2,385
– PRC Enterprise Income Tax	3,546	3,160
Deferred tax (Note 27)	139	6
	4,093	5,551

9. TAXATION *(Continued)*

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

Under the two-tiered profits tax rates regime, the first HK$2 million of profits of 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% (2018: 16.5%).

For both years, 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% for both years.

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:

	2019 **HK$'000**	2018 HK$'000
Profit before taxation	**15,554**	15,708
Tax at the applicable income tax rate at 16.5%	**2,566**	2,592
Effect of two-tiered tax rates regime	**(165)**	(195)
Tax effect of expenses not deductible for tax purpose	**662**	2,199
Tax effect of income not taxable for tax purpose	**(123)**	(61)
Effect of different tax rates of subsidiaries operating in the PRC	**1,140**	1,092
Others	**13**	(76)
Taxation charge for the year	**4,093**	5,551

Deferred taxation has not been recognised in respect of the undistributed retained profits earned by the subsidiaries in the PRC amounting to HK$22,816,000 for the reporting periods ended 31 December 2019 (2018: HK$12,773,000), 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.

10. DIVIDEND

No dividend was paid or proposed for ordinary shareholders of the Company during 2019, nor has any dividend been proposed since the end of the year (2018: nil).

11. 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 2019

Name of directors	Fee 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)	–	582	18	600
Mr. Leung Ka Wai (Note iii)	–	522	18	540
Non-executive director				
Mrs. Kan Wan Wai Yee Mavis	120	–	–	120
Independent non-executive directors				
Ms. Ng Ching Ying	144	–	–	144
Mr. Cheng Sum Hing	120	–	–	120
Mr. Ng Chi Keung Alex	120	–	–	120
	504	1,104	36	1,644

Year ended 31 December 2018

Name of directors	Fee 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 Alex	77	–	–	77
	323	836	32	1,191

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

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

Notes:

(i) 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 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 the chief executive officer of the Company on 12 January 2018.

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

Mr. Ng Chi Keung Alex, Mr. Cheng Sum Hing and Ms. Ng Ching Ying were appointed as independent non-executive directors of the Company on 23 April 2018.

Employees' emoluments

Of the five individuals with the highest emoluments in the Group, one (2018: none) of them was a director of the Company whose emolument is disclosed above. Details of the emoluments of the remaining four (2018: five) individuals for the year ended 31 December 2019, are as follows:

	2019 **HK$'000**	2018 HK$'000
Salaries and other allowance	**2,583**	2,805
Discretionary bonus	**–**	250
Retirement benefit scheme contributions	**68**	88
	2,651	3,143

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

	2019 **HK$'000**	2018 HK$'000
Nil to HK$1,000,000	**4**	5

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.

12. EARNINGS PER SHARE

The calculation of the basic earnings per share for the year is based on the following:

	2019	2018
	HK$'000	HK$'000
Earnings		
Profit for the year attributable to owners of the Company for the purpose of basic earnings per share	**11,461**	10,157

	2019	2018
	'000	'000
Weighted average number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,800,000**	1,671,781

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

13. 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 2018	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**
Additions	**–**	**3,291**	**4,416**	**647**	**843**	**9,197**
Disposal	**–**	**–**	**–**	**–**	**(60)**	**(60)**
Exchange adjustment	**(388)**	**(15)**	**(88)**	**(30)**	**(11)**	**(532)**
At 31 December 2019	**24,042**	**5,328**	**9,192**	**7,697**	**2,269**	**48,528**
ACCUMULATED DEPRECIATION						
At 1 January 2018	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**
Provided for the year	**1,153**	**582**	**368**	**336**	**169**	**2,608**
Eliminated on disposal	**–**	**–**	**–**	**–**	**(60)**	**(60)**
Exchange adjustment	**(147)**	**(5)**	**(64)**	**(25)**	**(9)**	**(250)**
At 31 December 2019	**9,219**	**1,568**	**3,667**	**6,739**	**1,140**	**22,333**
NET BOOK VALUE						
At 31 December 2019	**14,823**	**3,760**	**5,525**	**958**	**1,129**	**26,195**
At 31 December 2018	16,217	1,061	1,501	652	457	19,888

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 were secured for the bank borrowings utilised by the Group.

As at 31 December 2019, the Group's leasehold land and buildings situated in Hong Kong with carrying amount of HK$2,460,000 were secured for the banking facilities granted to the Group.

14. RIGHT-OF-USE ASSETS

	Leasehold lands HK$'000	Leasehold land and buildings HK$'000	Total HK$'000
As at 1 January 2019 Carrying amount	**2,906**	**872**	**3,778**
As at 31 December 2019 Carrying amount	**2,777**	**1,813**	**4,590**
For the year ended 31 December 2019 Depreciation charge	**77**	**1,092**	**1,169**
Expense relating to short-term leases and other leases with lease terms and within 12 months of the date of initial application of HKFRS 16			**236**
Total cash outflow of leases			**1,398**
Additions to right-of-use assets			**2,053**

The Group regularly entered into short-term lease for workshop and staff quarters. As at 31 December 2019, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed as above.

15. PREPAID LEASE PAYMENTS

	2018 HK$'000
The Group's prepaid lease payments comprised:	
Leasehold lands outside Hong Kong	2,906
Analysed for reporting purposes as:	
Non-current assets	2,829
Current assets	77
	2,906

16. INVENTORIES

	2019 HK$'000	2018 HK$'000
Raw materials	**13,400**	15,672
Work in progress	**14,409**	9,051
Finished goods	**2,676**	2,288
	30,485	27,011

17. CONTRACT ASSETS

Contract assets represent the retention receivables amounting to HK$38,886,000 (31 December 2018: HK$22,345,000) net of allowance for expected credit losses HK$561,000 (31 December 2018: HK$62,000). 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 retention receivables are transferred to trade receivables based on the expiry of the defect liability period.

The following is an analysis of contract assets at the end of the reporting period:

	2019 HK$'000	2018 HK$'000
Within one year	20,413	10,776
After one year	18,473	11,569
	38,886	22,345

As at 1 January 2018, contract assets amounted to HK$20,288,000.

The significant increase in current year is the result of the increase in revenue from PRC which normally have higher retention receivable amount.

18. TRADE AND OTHER RECEIVABLES

	2019 HK$'000	2018 HK$'000
Trade receivables	61,309	73,908
Less: Allowance for credit losses	(822)	(550)
	60,487	73,358
Bills receivables (Note)	5,460	–
Other receivables, prepayment and deposits	6,319	7,639
	72,266	80,997

Note: All bills received by the Group are within a maturity period of less than one year.

As at 1 January 2018, trade receivables from contracts with customers amounted to HK$39,774,000.

18. TRADE AND OTHER RECEIVABLES *(Continued)*

Trade 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 90 days (2018: 30 to 75 days) to its trade customers. A longer credit period may be granted to large or long established customer with good payment history. The following is an analysis of trade receivables by age, presented based on the invoice date.

	2019 **HK$'000**	2018 HK$'000
0 – 30 days	**35,181**	44,430
31 – 60 days	**11,093**	16,531
61 – 90 days	**3,678**	6,811
91 – 180 days	**3,751**	2,494
181 – 365 days	**2,289**	2,702
Over 1 year	**4,495**	390
	60,487	73,358

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 2019, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK$20,581,000 (2018: HK$17,673,000) which are past due as at the reporting date. Out of the past due balances, HK$6,887,000 (2018: 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.

Details of impairment assessment of trade and other receivables are set out in note 30.

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019 **HK$'000**	2018 HK$'000
Unlisted investments		
Managed fund	**523**	449

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 (TO) FROM DIRECTORS

	2019 HK$'000	2018 HK$'000
Amount due from a director:		
– Mr. Leung Ka Wai	–	18
Maximum amount outstanding for amounts due from directors during the year:		
– Mr. Wun Chi Keung (Note)	–	1,288
– Mr. Leung Ka Wai	18	744
Amounts due to directors:		
– Ms. Wun Tsz Ying	–	(3)
– Mr. Leung Ka Wai	(56)	–

Note: 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 2019 and 31 December 2018.

21. SHORT-TERM BANK DEPOSITS/BANK BALANCES AND CASH

Bank balances carry interest at prevailing market interest rates which were ranging from 0.001% to 1.6% per annum as at 31 December 2019 (2018: from 0.001% to 1% per annum). Short-term bank deposits with original maturity more than three months carried interest at 0.66% to 1.6% per annum as at 31 December 2018.

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:

	2019 HK$'000	2018 HK$'000
Renminbi ("RMB")	1,749	57
Macau Pataca ("MOP")	5	8
Australian Dollar ("AUD")	35	35
United States Dollar ("USD")	55	55

22. TRADE AND OTHER PAYABLES

	2019 HK$'000	2018 HK$'000
Trade payables	**25,744**	38,686
Bill payables	**1,877**	5,755
	27,621	44,441
Accruals and other payables	**6,463**	5,426
	34,084	49,867

The credit period granted by suppliers to the Group ranged from 30 to 75 days (2018: 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:

	2019 HK$'000	2018 HK$'000
0 – 30 days	**5,550**	15,305
31 – 60 days	**7,965**	19,862
61 – 90 days	**5,905**	4,758
Over 90 days	**8,201**	4,516
	27,621	44,441

The Group's bill payables are denominated in USD.

The other payables mainly consist of accrual of staff salaries and benefits.

23. CONTRACT LIABILITIES

	2019 HK$'000	2018 HK$'000
Sales of low-voltage electrical power distribution and control devices	**1,516**	1,397

As at 1 January 2018, contract liabilities amounted to HK$1,364,000.

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 contracts exceeds the amount of the deposit. Contract liabilities are analysed and classified as current liabilities as the contract liabilities are expected to be unutilised in normal operating cycle. During the year, revenue recognised amounting to HK$1,379,000 (2018: HK$1,130,000) was included in the contract liabilities at the beginning of the year.

24. BANK LOAN

	2019 HK$'000	2018 HK$'000
The carrying amount of bank borrowing was repayable:		
Within one year	–	271

Note: The bank borrowing contained a repayment on demand clause and was shown under current liabilities.

The bank borrowing as at 31 December 2018 carried interest at 1 month Hong Kong Interbank Offered Rate ("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) ranged from 4.68% to 5.12% per annum.

As at 31 December 2018, the bank borrowing was denominated in HK$ and secured by the legal charge over a leasehold land and building in Hong Kong.

25. LEASE LIABILITIES

	2019 HK$'000
Lease liabilities payable:	
Within one year	1,337
Within a period of more than one year but not more than two years	314
Within a period of more than two years but not more than five years	190
	1,841
Less: Amount due for settlement with 12 months shown under current liabilities	(1,337)
Amount due for settlement after 12 months shown under non-current liabilities	504

26. PROVISION FOR LONG SERVICE PAYMENTS

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

	2019 HK$'000	2018 HK$'000
At beginning of the year	736	947
Long service payment paid	–	(23)
Provision (reversal of provision) for the year	54	(188)
At end of the year	790	736

27. DEFERRED TAX LIABILITIES

	Accelerated tax depreciation HK$'000
At 1 January 2018	(442)
Charge to profit or loss	(6)
At 31 December 2018	**(448)**
Charge to profit or loss	**(139)**
At 31 December 2019	**(587)**

28. SHARE CAPITAL

	Number of shares '000	Amount HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 January 2018	38,000	380
Increase of authorised share capital	9,962,000	99,620
At 31 December 2018 and 31 December 2019	**10,000,000**	**100,000**
Issued and fully paid:		
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 and 31 December 2019	**1,800,000**	**18,000**

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.

29. 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 loan and amount due to a director, 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.

30. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2019 HK$'000	2018 HK$'000
Financial assets		
Financial assets at amortised cost	148,068	177,068
Financial assets at FVTPL	523	449
	148,591	177,517
Financial liabilities		
Amortised cost	28,285	44,946

Financial risk management objectives and policies

The Group's financial instruments include trade and other receivables, amount due from a director, financial assets at FVTPL, short-term bank deposits with original maturity more than three months, bank balances and cash, trade and other payables, amount due to a director and bank loan. 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.

30. 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:

	2019 **HK$'000**	2018 HK$'000
Assets		
MOP	**5**	8
RMB	**1,749**	57
USD	**55**	55
AUD	**35**	35
Liabilities		
USD	**1,877**	5,755

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:

	2019 **HK$'000**	2018 HK$'000
Assets		
USD	**20,062**	21,793
Liabilities		
USD	**17,865**	28,609

30. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Market risk (Continued)

Currency risk *(Continued)*

Sensitivity analysis

The group entities are mainly exposed to foreign currency of USD and RMB, which is arising from relevant group entities' foreign currency denominated monetary assets for the Group's operating activities. As HK$ is pledged to USD, hence the group entities with functional currency denominated in HK$ are not considered by the directors of the Company to have significant exposure to USD currency risk and no sensitivity analysis has been prepared. No sensitivity analysis for the currency risk of MOP 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 functional currency of relevant group entities against the relevant foreign currencies (i.e. USD and RMB). 5% represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currencies denominated monetary items and adjusts their translation at the year end for a 5% change in foreign currencies rates. A positive number below indicates an increase in post-tax profit where functional currencies of the relevant group entities weakens 5% against the relevant foreign currencies. For a 5% strengthening of functional currencies of the relevant group entity against the relevant foreign currencies, there would be an equal and opposite impact on the post-tax profit.

	USD impact		RMB impact	
	2019 **HK$'000**	2018 HK$'000	**2019** **HK$'000**	2018 HK$'000
(Decrease) increase in profit for the year	**(746)**	(1,194)	**73**	2

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 fair value interest rate risk in relation to lease liabilities (see note 25 for details). 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 loan 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.

30. 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 loan 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 bank loan 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 2019 would increase/decrease approximately by HK$65,000 (2018: HK$80,000).

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. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

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 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.

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

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 2019 and 31 December 2018 within lifetime ECL (not credit impaired). Debtors with credit-impaired with gross carrying amounts of HK$138,000 as at 31 December 2019 (2018: HK$101,000) were assessed individually.

30. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment (Continued)

Gross carrying amount

2019

Internal credit rating	**Average loss rate**	**Trade receivables HK$'000**	**Contract assets HK$'000**
Low risk	**0.17%**	**54,659**	**34,376**
Watch list	**9.42%**	**6,512**	**5,071**
		61,171	**39,447**

2018

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 2019, the Group provided HK$239,000 and HK$499,000 impairment allowance for trade receivables and contract assets respectively, based on the provision matrix. Impairment allowance of HK$38,000 was made on trade receivables for credit-impaired debtors.

30. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment (Continued)

Gross carrying amount *(Continued)*

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 2019	511	101	612
Net impairment losses recognised	738	38	776
Exchange adjustment	(4)	(1)	(5)
As at 31 December 2019	1,245	138	1,383

The 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.

The Group writes off trade receivables and contract assets 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.

In respect of bills receivables, the credit risk is limited as the Group has procedures and policies in place to ensure they are from banks with high credit quality.

The credit risk on amount due from a director is limited because the management of the Group have a good understanding on the financial background and abilities to repay the debts.

In determining the ECL for other receivables and rental deposits, 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.

30. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

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 HK$'000	1 to 2 years HK$'000	Total undiscounted cash flows HK$'000	Total carrying amount HK$'000
31 December 2019					
Trade and bills payables	–	27,621	–	27,621	27,621
Other payables	–	608	–	608	608
Amount due to a director	–	56	–	56	56
Lease liabilities	4.76	1,424	543	1,967	1,841
		29,709	543	30,252	30,126
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 loan (Note)	4.86	271	–	271	271
		44,946	–	44,946	44,946

Note:

Bank loan with a repayment on demand clause was included in the "on demand or less than 1 year" time band in the above maturity analysis. There was no bank loan as at 31 December 2019 (2018: HK$271,000). The scheduled repayment dates set out in the loan agreements as follows:

	2019 HK$'000	2018 HK$'000
Aggregate principal and interest cash outflows repayable:		
Within one year	–	273

30. FINANCIAL INSTRUMENTS *(Continued)*

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
	2019 HK$'000	2018 HK$'000		
Financial assets at FVTPL – unlisted investments managed fund	523	449	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 other financial assets and liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values at the end of the reporting period.

31. 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.

	Issue costs accrued HK$'000	Amounts due to related parties HK$'000	Amount due to a director HK$'000	Lease liabilities HK$'000	Bank loan HK$'000	Interest payable HK$'000	Total HK$'000
At 1 January 2018	1,147	8,987	970	–	4,267	–	15,371
Financing cash flows	(10,488)	(8,987)	(967)	–	(3,996)	(397)	(24,835)
Interest accrued	–	–	–	–	–	397	397
Issue costs accrued	9,341	–	–	–	–	–	9,341
At 31 December 2018	–	–	3	–	271	–	274
Effect on adoption of new standard of HKFRS 16	–	–	–	872	–	–	872
At 1 January 2019 (restated)	–	–	3	872	271	–	1,146
Addition of lease liabilities	–	–	–	2,053	–	–	2,053
Financing cash flows	–	–	53	(1,162)	(271)	(2)	(1,382)
Interest accrued	–	–	–	106	–	2	108
Exchange adjustments	–	–	–	(28)	–	–	(28)
At 31 December 2019	–	–	56	1,841	–	–	1,897

32. 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, 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 HK$'000
Within one year	788
In the second to fifth year inclusive	340
	1,128

Leases were negotiated for an average term of two to five years and rentals were fixed throughout the lease period.

Including in the operating lease commitments, HK$198,000 as at 31 December 2018 was lease commitment to Mr. Wan Man Keung in respect of a workshop.

33. 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 the PRC. 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$3,347,000 (2018: HK$2,715,000) for the year ended 31 December 2019 represents contributions payable to these schemes. As at 31 December 2019, contributions of HK$124,000 (2018: HK$137,000) due in respect of the reporting period had not been paid. The amount were paid subsequently after the end of the reporting period.

34. 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	2019 HK$'000	2018 HK$'000
Sales of goods	Note (i)	**145**	–
Expenses related to short-term lease	Note (ii)	**198**	216
Depreciation of right-of-use assets	Note (ii)	**17**	–
Interest expenses on lease liabilities	Note (ii)	**3**	–

Notes:

(i) The Group entered into transactions with Ready System Engineering Limited, a related company in Macau under the control of Mr. Wan Man Keung, the chairman and an executive director of the Company during the year ended 31 December 2019.

(ii) The Group entered into rental agreement with Mr. Wan Man Keung for the use of a workshop. During the year ended 31 December 2019, the Group renewed the rental agreement for the use of workshop and right-of-use assets and lease liabilities of HK$654,000 was recognised.

(b) 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:

	2019 HK$'000	2018 HK$'000
Director fees	**504**	323
Salaries and other allowance	**2,879**	2,557
Discretionary bonus	**–**	200
Retirement benefits scheme contributions	**90**	86
	3,473	3,166

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

35. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Details of the subsidiaries directly and indirectly held by the Company of 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		Principal activities
				2019	2018	
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%	100%	Investment holding
Ready Electrical Metal Work Limited	Hong Kong	25 August 1992	HK$1,500,000	100%	100%	Sales of low-voltage electrical power distribution and control devices
Ready Enterprise (China) Limited	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-wholly owned foreign enterprise	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-wholly owned foreign enterprise	17 January 2011	HK$30,000,000	100%	100%	Manufacturing of low-voltage electrical power distribution and control devices
東莞全達電器設備有限公司	PRC-wholly owned foreign enterprise	14 January 2019	HK$5,000,000	100%	N/A	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 2019 or at any time during the year.

36. EVENT AFTER THE REPORTING PERIOD

The outbreak of the 2019 Novel Coronavirus ("COVID-19") in the PRC and the subsequent quarantine measures and travel restrictions imposed in early 2020 by the PRC government had impact on the full resumption of the Group's operation at that initial phase. The Group had since, for all its operation locations, implemented hygiene and work resumption policies and procedure in accordance to the government regulation and guidelines. As of the date of this set of consolidated financial statements, the Group has already resumed a normal operation according to the production plan and not aware of an material adverse effects on the consolidated financial statements as a result of the COVID-19 outbreak.

37. STATEMENT OF FINANCIAL POSITION

	2019 HK$'000	2018 HK$'000
Non-current assets		
Unlisted investment in subsidiaries	81,578	81,578
Current assets		
Other receivables	1,069	1,899
Amounts due from subsidiaries	16,827	2,360
Bank balances and cash	53,521	71,926
	71,417	76,185
Current liabilities		
Other payables	1,270	1,012
Net current assets	70,147	75,173
Net assets	151,725	156,751
Capital and reserves		
Share capital	18,000	18,000
Reserves (Note)	133,725	138,751
Total equity	151,725	156,751

Note:

	Share premium HK$'000	Accumulated loss HK$'000	Total HK$'000
At 1 January 2018	81,578	(9,484)	72,094
Loss and total comprehensive expenses for the year	–	(9,433)	(9,433)
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
Loss and total comprehensive expenses for the year	–	(5,026)	(5,026)
At 31 December 2019	157,668	(23,943)	133,725

Financial Summary

A summary of the published results and of the assets, liabilities and equity of the Group for the last five 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				
	2019	2018	2017	2016	2015
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**211,741**	186,284	198,507	179,292	186,743
Profit before income tax	**15,554**	15,708	17,982	32,781	30,181
Income tax expense	**(4,093)**	(5,551)	(5,534)	(6,194)	(5,765)
Profit for the year	**11,461**	10,157	12,448	26,587	24,416
Attributable to:					
Owners of the Company	**11,461**	10,157	12,431	26,285	23,747
Non-controlling interests	**–**	–	17	302	669

ASSETS AND LIABILITIES

	As at 31 December				
	2019	2018	2017	2016	2015
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**250,738**	252,860	155,691	154,944	143,771
Total liabilities	**(44,102)**	(56,238)	(58,762)	(73,815)	(85,706)
Total equity	**206,636**	196,622	96,929	81,129	58,065
Attributable to:					
Owners of the Company	**206,636**	196,622	96,929	80,014	57,239
Non-controlling interests	**–**	–	–	1,115	826