



**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



**2020**  
Annual Report

# Contents

Corporate Information	2
Chairman's Statement	3
Management Discussion and Analysis	4
Biographical Details of Directors and Senior Management	13
Corporate Governance Report	18
Report of the Directors	29
Environmental, Social and Governance Report	39
Independent Auditor's Report	55
Consolidated Statement of Profit or Loss and Other Comprehensive Income	60
Consolidated Statement of Financial Position	61
Consolidated Statement of Changes in Equity	63
Consolidated Statement of Cash Flows	64
Notes to the Consolidated Financial Statements	66
Financial Summary	116



## 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 (resigned on 28 February 2021)  
Ms. Chik Wai Chun (appointed on 28 February 2021)

### COMPANY SECRETARY

Ms. Chow Chi Ling Janice (resigned on 28 February 2021)  
Ms. Chik Wai Chun (appointed on 28 February 2021)

### AUDITORS

Wellink CPA Limited

### PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

### HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited  
Level 54, Hopewell Centre  
183 Queen's Road East  
Hong Kong

### REGISTERED OFFICE

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

### HEADQUARTERS AND PRINCIPAL OFFICE OF BUSINESS

Unit 5, 4th Floor  
Chai Wan Industrial City Phase II  
No. 70 Wing Tai Road  
Hong Kong

### COMPANY WEBSITE

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

## Chairman's Statement

Dear Shareholders,

On behalf of the board (the "Board") of Directors (the "Directors"), I am pleased to present the annual report of REM Group (Holdings) Limited (the "Company") and its subsidiaries (collectively, the "Group") for the year ended 31 December 2020 (the "Year 2020") to the shareholders of the Company (the "Shareholders").

The Group is principally engaged as a manufacturer and supplier of low-voltage electrical power distribution and control devices for various types of private and public building projects including infrastructural, commercial and residential building projects in Hong Kong, Macau and the People's Republic of China (the "PRC").

In 2020, the unexpected COVID-19 pandemic and the subsequent quarantine measures have had negative impacts to the global economic development, business environment, which directly and indirectly affect the operations of the Group. The Group's revenue decreased by approximately HK\$95.3 million, from approximately HK\$211.7 million for the year ended 31 December 2019 (the "Year 2019") to approximately HK\$116.5 million for the Year 2020. The Group recorded a net loss of approximately HK\$31.4 million for the Year 2020 as compared to the net profit of HK\$11.5 million for the Year 2019. Such decrease was due to (i) the outbreak of COVID-19, which had led to prolonged suspension of the Group's production, as the workers were not able to return to work due to provincial travel restrictions, (ii) lower profit margin of Hong Kong and Macau projects in fierce market competition, (iii) delay the delivery requested by customers, and (iv) a much higher proportion of cost of sales being attributable fixed cost regardless of the level of sales.

Looking ahead, the Group anticipates that 2021 will be a challenging year as the construction projects in Hong Kong and Macau are predicted to be competitive due to the uncertainty surrounding the COVID-19 pandemic. Our Group has adopted appropriate strategies to overcome the difficulty, such as, adopting stringent cost control, more flexible production schedule and more automation in product manufacturing procedure, in which to mitigate the Group's business risk. Despite the uncertainties in market and fierce competition, the Group is confident that our long-established relationships with our customers and our experienced management team will continue to strive for growth by leveraging its expertise in the market.

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 2021

# MANAGEMENT DISCUSSION AND ANALYSIS

## 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.

It was an exceptionally challenging year for the Year 2020 since the outbreak of COVID-19 epidemic. COVID-19 was officially declared a Public Health Emergency of International Concern by the World Health Organisation at the beginning of the year, bringing about a global economic downturn since early 2020 as all countries suffered from the pandemic.

The Group has experienced the greatest challenges and pressure in history in the Year 2020. The outbreak of the COVID-19 in 2020 has seen major effects on the Hong Kong economy, where operations of government departments, public and private companies were all affected as preventive measures shortened business hours and working from home policy to control the wide spread of COVID-19 were implemented, resulted in suspensions or delays of various workflows for construction projects and thereby having a significant impact on the Group's revenue in terms of deferral on delivery dates of the Group's products. The Group's business in the PRC has also suffered a heavy blow as a number of cities and districts across the PRC were brought into lockdown amid COVID-19 outbreak. Provincial travel restrictions were put in place in the PRC, hindering the manufacturing progress for construction projects and thus, further causing delay in delivery of the Group's products to the construction sites. The travelling restrictions and mandatory quarantine arrangements for travelling between the PRC and Hong Kong borders prevented the Group's management and staff from travelling to the PRC to oversee and improve the operations of the Group's factories. As a result, the Group was unable to fully convert the orders on hand into revenue during the Year 2020. Nevertheless, the Group did not experience any cancellation of orders due to the COVID-19 pandemic.

As a result of the above, the Group's revenue significantly decreased by approximately 45.0%. Revenue attributed to sales in Hong Kong, Macau and the PRC amounted to approximately HK\$92.6 million, approximately HK\$18.4 million and approximately HK\$5.5 million, respectively, for the Year 2020 (Year 2019: approximately HK\$118.9 million, approximately HK\$11.6 million and approximately HK\$81.2 million, respectively).

The Group recorded a loss for the year of approximately HK\$31.4 million for the Year 2020, compared with a profit after tax of approximately HK\$11.5 million for the Year 2019. The net loss after tax was mainly attributable to a significant decline in revenue and a much lower gross profit margin generated during the Year 2020.

## MARKET PROSPECT

The Hong Kong economy and construction industry continued to experience negative growth during the Year 2020. COVID-19 pandemic is a major factor contributing towards the significant economic downturn globally as the disease is yet to be constrained up to the date of this report. However, the COVID-19 vaccinations are now available to control the spreading of COVID-19 and it is anticipated that the restrictions and measures put in place by the government of the PRC and Hong Kong to prevent and control the disease will be loosen for which the economies of the PRC and Hong Kong are expected to gradually recover overtime.

The Group expects that the competition within the market for low-voltage electrical power distribution and control devices remains fierce. In addition, the Group has also started to adopt more competitive pricing strategies since the Year 2020 in order to secure more new projects. Hence it is expected that the Group will generate lower level of gross profit margins when compared with those in prior years.

## MANAGEMENT DISCUSSION AND ANALYSIS

### MARKET PROSPECT (Continued)

In response to the tough business environment, the Group has started to formulate extensive cost saving and cash preservation measures towards the end of the Year 2020, including negotiating general and specific project discounts with suppliers for bulk purchases of raw materials, avoid incurring unnecessary transportation costs by monitoring production and delivery schedules of the Group's customers, etc. and it is expected the effects from implementation of these cost saving measures will begin to emerge in the year 2021 as the Group's direct and overhead costs would be considerably reduced.

In view of the border restrictions and mandatory quarantine requirements, as oppose to frequent travelling between Hong Kong and the PRC, there will be arrangements for management to reduce travel frequency and to station for longer periods of time in the PRC in order to closely monitor the manufacturing and production process so as to ensure smooth and timely deliveries. The Group aims towards maximising utilisation of production capacity by excelling the project and production management, improving productive efficiency and reducing unnecessary costs incurred for late deliveries for the coming year 2021. This approach is expected to improve the gross profit margin of the group in the near future.

### FINANCIAL REVIEW

#### Revenue

The Group's revenue decreased significantly by approximately HK\$95.3 million, or approximately 45.0%, from approximately HK\$211.7 million for the Year 2019 to approximately HK\$116.5 million for the Year 2020. Such decrease was directly attributable to the effects caused by the outbreak of COVID-19, which had led to prolonged suspension of the Group's production activities following the extended Chinese New Year holiday where the Group's factories were closed for over a month and production operations were suspended for even longer as the majority of workers were not able to return to work due to provincial travel restrictions. Furthermore, even after the production operations resumed, there were major disruptions to the delivery and production schedule as many of the Group's customers requested to defer delivery of the Group's products, which also led to idle some of production capacity during the Year 2020. All these factors contributed severe effects on the Group's revenue stream.

#### Cost of sales

The Group's cost of sales amounted to approximately HK\$114.4 million for the Year 2020, representing a decrease of approximately 27.3% from approximately HK\$157.2 million for the Year 2019. Such decrease was mainly due to decrease in the Group's revenue. Cost of sales mainly comprised of costs of raw materials and staff costs, which accounted for approximately 80.9% and 9.9%, respectively, of the Group's total cost of sales for the Year 2020 (Year 2019 : approximately 79.2% and 11.1%, respectively).

## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL REVIEW (Continued)

#### Gross profit/gross profit margin

The Group's gross profit decreased by approximately 96.2% from approximately HK\$54.5 million for the Year 2019 to approximately HK\$2.1 million for the Year 2020 as a result of the decrease in sales for the year. The overall gross profit margin of the Group decreased from approximately 25.7% for the Year 2019 to approximately 1.8% for the Year 2020. The decrease of gross profit margin was mainly due to (i) lower profit margin of Hong Kong and Macau projects in fierce market competition as a result of recent economic downturn; (ii) a comparatively higher proportion of cost of sales being attributable to fixed cost and indirect cost regardless of the level of sales, such as part of factory staff cost, depreciation of right-of-use assets for factory and depreciation of plants and machineries; and (iii) increase in fixed costs of a new factory, which are also included in the cost of sales.

#### Other income, gains and losses

The Group's other income, gains and losses slightly decreased by approximately HK\$0.3 million, from approximately HK\$0.7 million for the Year 2019 to approximately HK\$0.4 million for the Year 2020. Such decrease was mainly attributable to a decrease in bank interest income of approximately HK\$0.4 million for the Year 2020.

#### Selling and distribution expenses

The Group's selling and distribution expenses decreased by approximately HK\$2.7 million, or approximately 25.9%, from approximately HK\$10.3 million for the Year 2019 to approximately HK\$7.6 million for the Year 2020 which was mainly attributable to a drop in transportation expenses of approximately HK\$2.3 million as a result of a decrease in sales during the Year 2020.

#### Administrative and other expenses

The Group's administrative and other expenses increased by approximately HK\$0.3 million, or approximately 1.2%, from approximately HK\$29.3 million for the Year 2019 to approximately HK\$29.6 million for the Year 2020. The increase was mainly due to the combined effects of (i) written off of bad debts recognised during the Year 2020 of approximately HK\$1.1 million; (ii) decrease in professional fee of approximately HK\$1.4 million; and (iii) impairment loss of approximately HK\$0.5 million was recognised on trade receivables and contract assets for the Year 2020.

#### Finance costs

The Group's finance costs remained relatively stable at less than approximately HK\$0.1 million for each of the Year 2020 and the Year 2019, which mainly represented interest expenses on lease liabilities for both years.

## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL REVIEW (Continued)

#### Taxation

The Group recorded an income tax credit of approximately HK\$3.4 million for the Year 2020 as compared to an income tax expense of approximately HK\$4.1 million for the Year 2019. As net losses were incurred for all companies within the Group, there were no assessable profits chargeable to Hong Kong Profits Tax nor PRC Enterprise Income Tax (the "EIT") during the year. The income tax credit mainly arose from deferred tax recognised for the unused tax losses from a Hong Kong subsidiary.

#### Loss for the year attributable to the owners of the Company

As a result of the significant drop in revenue and gross profit, there was a net loss for the year attributable to the owners of the Company of approximately HK\$31.4 million for the Year 2020, as compared with a net profit for the year attributable to the owners of the Company of 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 its listing on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 11 May 2018 (the "Listing"). There had been no change in the capital structure of the Group for the Year 2020.

As at 31 December 2020, the Group had cash and cash equivalents of approximately HK\$80.3 million (31 December 2019: approximately HK\$77.7 million). The increase is a net effect of (i) less settlement made to suppliers along with more receipts from customers which resulted in a rise in trade and bill payables of approximately HK\$12.2 million and a drop in trade and bill receivables and contract assets of approximately HK\$23.9 million as at year end; and (ii) the net loss generated for the Year 2020.

As at 31 December 2020, the working capital (current assets less current liabilities) and total equity attributable to owners of the Group were approximately HK\$136.5 million (31 December 2019: approximately HK\$159.2 million) and approximately HK\$178.6 million (31 December 2019: approximately HK\$206.6 million) respectively.

The Group did not have any interest-bearing borrowings and thus the computation of the gearing ratio (calculated based on the interests bearing liabilities, which excluded lease liabilities, dividend by the total equity as at the respective end of period and multiplied by 100%) is not applicable for both years.

### TRADE AND BILL RECEIVABLES

The Group's average receivable turnover days for the Year 2020 increased to approximately 184.6 days as compared to that of approximately 120.1 days for the Year 2019. The main reason for the increase is higher outstanding balance of trade receivables as at 31 December 2020. This is due to a large quantity of products were delivered in the last quarter of the Year 2020. Despite a rise in the receivable turnover days, the settlement of outstanding trade receivables during the Year 2020 was satisfactory and although a written off of bad debt recognised of approximately HK\$1.1 million and an impairment loss of approximately HK\$0.4 million was recognised, the Group did not consider there would be default on its other trade receivables balance as at 31 December 2020.



## MANAGEMENT DISCUSSION AND ANALYSIS

### SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITION OR DISPOSALS

There were no significant investments held, nor any material acquisitions or disposals during the Year 2020.

### PLEDGE OF ASSETS

The Group's banking facilities were secured by corporate guarantees provided by the Company for unlimited amounts and certain leasehold land and buildings as at 31 December 2020 and 31 December 2019.

### FUTURE PLAN FOR MATERIAL INVESTMENT AND CAPITAL ASSETS

Save as disclosed elsewhere in this report and in the prospectus of the Company dated 27 April 2018 (the "Prospectus"), the Group does not have other plans for material investments and capital assets as at 31 December 2020 and up to the date of this report.

### Capital Commitment

The Group had the following capital commitment in respect of investment in a subsidiary and acquisition of property, plant and equipment at the end of the Year 2020 and the Year 2019.

	2020 HK\$'000	2019 HK\$'000
Contracted, but not provided for		
– committed investment in a subsidiary	1,000	5,000
– acquisition of property, plant and equipment	415	–
	<b>1,415</b>	<b>5,000</b>

### CONTINGENT LIABILITIES

At 31 December 2020, contingent liabilities not provided for in the year were as follows:

	At 31 December 2020 HK\$'000	2019 HK\$'000
Performance bonds given to customers for due and proper performance of projects undertaken by the Group's subsidiaries	738	–

### 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.

## MANAGEMENT DISCUSSION AND ANALYSIS

### 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 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.

### 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 2020 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.

## MANAGEMENT DISCUSSION AND ANALYSIS

### EMPLOYEES AND REMUNERATION POLICY

The Group had 238 full-time employees as at 31 December 2020 (31 December 2019: 255), among which 44 and 194 (31 December 2019: 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 2020 were approximately HK\$30.4 million (Year 2019: approximately HK\$33.7 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 2020 was in line with the current legislation in the relevant jurisdictions, market conditions and performance of the staff and the Group. The Company has adopted a share option scheme as an incentive to Directors and employees.

### USE OF PROCEEDS FROM THE LISTING

The shares of the Company have been listed on Stock Exchange since 11 May 2018 (the "Listing Date"). Net proceeds from the Listing were approximately HK\$75.0 million (after deducting the underwriting commission and other listing expenses in connection to the Listing), which was different from the estimated net proceeds of HK\$89.7 million as disclosed in the Prospectus. The difference of HK\$14.7 million has been adjusted in the same manner and in the same proportion to the use of proceeds as shown in the Prospectus.

An analysis of the amounts utilised up to 31 December 2020 is set out below:

Description	Net proceeds from Listing (HK\$ million)	Net proceeds utilised up to 31 December 2020 (HK\$ million)	Unutilised net proceeds as at 31 December 2020 (HK\$ million)	Expected timeline for utilising the unutilised net proceeds (Note 1)
(i) Acquisition of a factory in the PRC (" <b>New Factory</b> ")				
– Consideration of the New Factory and the related commission, deed tax, stamp duty and professional fees	37.4	2.1 (Note 2)	35.3	By 30 June 2022 (Note 5)
– Acquisition of machineries and equipment	21.2	3.5 (Note 3)	17.7	By 31 December 2022 (Note 6)
(ii) Acquisition of machineries and equipment for the existing factory located in Dongguan (" <b>DG Factory</b> ")	13.3	3.7 (Note 4)	9.6	By 31 December 2022 (Note 7)
(iii) General Working Capital	3.1	3.1	–	N/A
<b>Total</b>	<b>75.0</b>	<b>12.4</b>	<b>62.6</b>	

## MANAGEMENT DISCUSSION AND ANALYSIS

### USE OF PROCEEDS FROM THE LISTING (Continued)

*Notes:*

1. The Group's plan for the use of net proceeds are all related to acquisitions to be made in the PRC and as such, had been put to a temporary halt primarily due to the outbreak of the COVID-19 in early 2020 which resulted in a series of precautionary and quarantine control measures being implemented in Hong Kong and the PRC, preventing a majority of the Hong Kong staff and the management from travelling to the PRC since the COVID-19 outbreak. As at the date of this report, there are indications that the COVID-19 might become under control soon as vaccinations are now available to the public. The expected timeline for utilising the remaining net proceeds is therefore prepared based on the assumption that the impacts of COVID-19 on the Group's business operations will be considerably lessen towards the latter half of year 2021. In view of the significant effects to the economy and business environment, the plan will be subject to changes based on the development of COVID-19 and its impact on the economic conditions in Hong Kong and the PRC.
2. 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 the 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 DG Factory starting from the Year 2019. The Directors expected 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 last year to cope with the job orders which the Group has 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. Up to 31 December 2020, the Company had utilised the relevant proceeds from the Listing of approximately HK\$2.1 million for rental of a temporary factory in Humen Town and the related renovation costs.
3. Up to 31 December 2020, the Company had utilised the relevant proceeds from the Listing of approximately HK\$3.5 million mainly for acquiring and setting up a new production line for copper bar work and automatic storage for the temporary factory in Humen Town.
4. Up to 31 December 2020, the Company had utilised the relevant proceeds from the Listing of approximately HK\$3.7 million for acquiring machineries and equipment for the DG Factory.
5. The Group had been closely observing the property market in the PRC since the COVID-19 outbreak and will continue to closely pay attention to the availability of factories put up for sale nearby the DG Factory and their asking prices in order to seize the correct timing for acquisition of the New Factory. The Group expects to fully utilise the relevant proceeds for acquisition of the New Factory within one year after the cessation of the impacts of COVID-19 on the Group's business operations (which is assumed to be around the latter half of 2021), i.e. on or before 30 June 2022.
6. The Group has postponed the plan for acquisition of the New Factory as stated in Note 5 above and consequently has also deferred the progress of purchasing the remaining machineries and equipment for the New Factory. Due to limitation of floor size area of the rented Humen Town factory, the acquisition of the remaining machineries and equipment (including the production line for steel work and the automatic powder coating production line) for the New Factory will be executed after acquisition and completion of renovation for the New Factory, which will have sufficient floor area to accommodate all the new production lines. The Group expects to fully utilise the relevant proceeds within half a year after the acquisition and completion of renovation of the New Factory, which is estimated to be on or before 31 December 2022 (assuming that the impacts of COVID-19 on the Group's business operations will cease around the latter half of 2021).

## MANAGEMENT DISCUSSION AND ANALYSIS

### USE OF PROCEEDS FROM THE LISTING (Continued)

Notes: (Continued)

7. All major acquisitions of machineries and equipment would require the Group's senior management responsible for overseeing the operation of the Group's factories (the "**Management**") to travel to the PRC to meet with the suppliers for a full understanding of the functioning of the machineries and equipment and also for physical observation during site visits to ensure the suitability to the Group's factory and existing production line. However, due to the border restrictions and the mandatory quarantine requirement, the Management have not travelled to the PRC since the outbreak of the COVID-19 pandemic. Therefore, the Group have postponed the progress of purchasing the machineries and equipment for the DG Factory. The Group expects the plan for acquisition of machineries and equipment for the DG Factory will be resumed once the travelling restrictions are loosened and the acquisitions shall then be made in different phases to minimise disruption to the Group's production. Therefore the Group expects to fully utilise the relevant proceeds on or before 31 December 2022. In the meantime, the Group shall perform all the relevant foundation work required to prepare the DG Factory for accommodation of the new machineries and equipment so as to speed up the progress of expanding the production line upon actual acquisition of the machineries and equipment.

As at the date of this report, save as disclosed herein, the Directors do not anticipate any material change to the intended use of the net proceeds except that in light of the material change in market and economic condition, the Group will utilise the remaining balance of the net proceeds in a conservative manner.

The unutilised net proceeds of approximately HK\$62.6 million were placed with a licensed bank in Hong Kong.

### EVENTS AFTER THE REPORTING PERIOD

There have been no other material events occurring after 31 December 2020 and up to the date of this report.



## Biographical Details of Directors and Senior Management

### EXECUTIVE DIRECTORS

#### WAN Man Keung

Mr. Wan Man Keung (“Mr. Wan”), aged 59, is an executive Director and the Chairman of the Board and is responsible for the overall strategic planning and daily management of the Group’s business development and operations. Mr. Wan, together with, among others, Mr. Leung Ka Wai, founded the Group on 25 August 1992. He was the non-executive Director for the period between 29 June 2017 and 11 January 2018, and was redesignated as an executive Director on 12 January 2018. He was appointed as the Chairman of the Board on 29 June 2017 and as a member of the remuneration committee of the Company (the “Remuneration Committee”) and nomination committee of the Company (the “Nomination Committee”) on 23 April 2018. He is also a director of all subsidiaries of the Group and the legal representative of two PRC companies, namely Dongguan Quanda Electrical Equipment Limited (“DG Quanda”) and Guangzhou Quanda Electrical Metal Products Limited (“GZ Quanda”). Mr. Wan has more than 28 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 within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”), please refer to the section headed “Report of the Directors” in this report.

#### LEUNG Ka Wai

Mr. Leung Ka Wai (“Mr. Leung”), aged 52, is an executive Director and the chief executive officer of the Group and is responsible for overseeing the daily management of the Group’s business development and operations. Mr. Leung is one of the founders of the Group and was appointed as an executive Director and the Group’s chief executive office 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 28 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.

## Biographical Details of Directors and Senior Management

### NON-EXECUTIVE DIRECTOR

#### KAN Wan Wai Yee Mavis

Mrs. Kan Wan Wai Yee Mavis (“Mrs. Kan”), aged 64, 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 obtained her diploma in management studies from a program jointly organised 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 chartered tax adviser of the Taxation Institute of Hong Kong and a fellow member of The Association of Chartered Certified Accountants. Mrs. Kan started her career with The Hong Kong and Shanghai Banking Corporation (currently known as The Hongkong and Shanghai Banking Corporation Limited) from 1977 to 1980. She worked for a firm which is one of the biggest accountancy practice in Hong Kong from 1980 to 1985. She was a partner of a local accountancy practice from 1997 and retired from the partnership in 2010. She founded a tax consultancy firm and an accountancy practice in 2010 and 2012 respectively. 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 in 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 63, 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 42 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.

## Biographical Details of Directors and Senior Management

### CHENG Sum Hing

Mr. Cheng Sum Hing (“Mr. Cheng”), aged 64, 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 43 years of experience in the quantity surveying industry. He worked for Widnell, a chartered quantity surveyors firm, from April 1993 to June 2005, Hong Kong Construction (Holdings) Limited (stock code: 190), the issued shares of which are listed on the Stock Exchange, as an executive director from August 2005 to June 2007, Construction Industry Training Authority as a consultant from September 2007 to September 2008, and H. A. Brechin Co. Limited, a chartered quantity surveyors firm, as a director from September 2008 to March 2013. He then continued to serve Turner & Townsend Brechin Limited as a director, when H.A. Brechin Co. Limited merged with Turner & Townsend plc in March 2013, and is currently serving as a director. Mr. Cheng was a director of the Hong Kong Green Building Council Limited from January 2012 to December 2017 and is currently serving as a director of BEAM Society Limited.

### NG Ching Ying

Ms. Ng Ching Ying (“Ms. Ng”), aged 45, was appointed as an independent non-executive Director and the chairlady of the Audit Committee on 23 April 2018. She is responsible for supervising and providing independent judgment to the Board and the Audit Committee. Ms. Ng obtained a bachelor degree of business administration with honours in accounting from the Hong Kong Baptist University in December 1997. She has been a member of the Hong Kong Institute of Certified Public Accountants since April 2001. Ms. Ng has rich experience in the accounting, auditing and finance industry. She worked for Deloitte Touche Tohmatsu, a certified public accountant firm, from September 1997 to April 2002 with her last position as senior accountant, China Healthcare Holdings Limited (stock code: 673) (currently known as China Health Group Limited), the issued shares of which are listed on the Stock Exchange, as a financial controller from May 2002 to May 2006, China Travel International Investment Hong Kong Limited from May 2006 to May 2017, with her last position as assistant general manager of the finance department, and Shun Tak - China Travel Ship Management Limited, a company that provides ferry services, from January 2010 to May 2017 as a deputy financial controller.

## Biographical Details of Directors and Senior Management

### SENIOR MANAGEMENT

#### CHOW Chi Ling Janice

Ms. Chow Chi Ling Janice (“Ms. Chow”), aged 38, was the Group’s chief financial officer and company secretary and she resigned on 28 February 2021. She was responsible for managing the financial operations as well as overseeing the company secretarial and compliance affairs of the Group. Ms. Chow obtained a bachelor degree of commerce from The University of Auckland, New Zealand, in May 2004 and a master degree of commerce in finance from The University of New South Wales, Australia, in September 2005. She is currently a certified public accountant of the Hong Kong Institute of Certified Public Accountants. Ms. Chow joined the Group in January 2017 as the chief financial officer of Ready Electrical Metal and was appointed as the Company’s company secretary on 29 June 2017. Prior to joining the Group, Ms. Chow worked for Stirling SCI as a graduate accountant in audit division from July 2004 to May 2005, Wong Lam Leung & Kwok C.P.A. Limited from September 2005 to December 2007 with her last position as an accountant II, Moore Stephens Associates Limited from January 2008 to September 2012 with her last position as an audit supervisor, and Boer Power Holdings Limited (stock code: 1685), the issued shares of which are listed on the Stock Exchange, as an assistant finance manager from February 2013 to July 2016. From October 2016 to December 2016, she was employed by Sky Business Consultants Limited as a consulting manager. 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. On 28 February 2021, she resigned from her capacity as our chief financial officer and company secretary.

#### LIU Kwok Wai

Mr. Liu Kwok Wai (“Mr. Liu”), aged 45, 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 22 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 48, 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 22 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.

## Biographical Details of Directors and Senior Management

### COMPANY SECRETARY

#### CHIK Wai Chun

Ms. Chik Wai Chun (“Ms. Chik”), aged 36, was appointed as the company secretary of the Company on 28 February 2021. Ms. Chik has over 13 years of auditing, accounting, corporate governance and company secretarial experience. She obtained a degree of Master of Corporate Governance from the Hong Kong Polytechnic University in September 2015. She has been a member of The CPA Australia since June 2011 and a member of The Hong Kong Institute of Certified Public Accountants since September 2011. She has also been an associate member of The Hong Kong Institute of Chartered Secretaries and The Chartered Governance Institute both since March 2016. She is currently the company secretary, authorized representative and process agent of HangKan Group Limited (stock code: 8331), which is listed on the GEM of the Stock Exchange (currently known as P.B. Group Limited).



# Corporate Governance Report

## 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 2020.

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 2020.

## 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 2020 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

## Corporate Governance Report

### **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 13 to 17 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.

## Corporate Governance Report

### **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.

## Corporate Governance Report

### **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 2020 is set out on page 24 of this report.

## Corporate Governance Report

### BOARD COMMITTEES (Continued)

#### Audit Committee (Continued)

The Audit Committee convened five meetings during the Year 2020. The Audit Committee performed the following work during the Year 2020:

- (a) reviewed the Group's annual audited financial statements for the Year 2019, and reviewed the unaudited interim financial statements for the six months ended 30 June 2020 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 2020 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.



## Corporate Governance Report

### **BOARD COMMITTEES (Continued)**

#### *Nomination Committee (Continued)*

Attendance record of meeting during the Year 2020 is set out on page 24 of this report.

The Nomination Committee convened one meeting during the Year 2020. The main works performed by the Nomination Committee during the Year 2020 included reviewing the independence of the independent non-executive Directors, considering the qualifications of the retiring Directors standing for election at the 2020 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 2020 is set out on page 24 of this report.

The Remuneration Committee convened one meeting during the Year 2020.

The main works performed by the Remuneration Committee during the Year 2020 included reviewing the remuneration packages of the executive Directors, non-executive Director, independent non-executive Directors and senior management.

## Corporate Governance Report

### REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Details of the remuneration of each Director and the 5 highest paid employees for the Year 2020 are set out in note 11 to the consolidated financial statements. The remuneration of the senior management for the Year 2020 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 2020 is set out in the table below:

Name of Director	Attendance/Number of Meetings				2020 Annual general meeting
	Board	Audit Committee	Remuneration Committee	Nomination Committee	
Mr. Wan Man Keung	5/5	–	1/1	1/1	1/1
Mr. Leung Ka Wai	5/5	–	–	–	1/1
Mrs. Kan Wan Wai Yee Mavis	5/5	5/5	–	–	1/1
Mr. Ng Chi Keung Alex	5/5	–	1/1	1/1	1/1
Mr. Cheng Sum Hing	5/5	5/5	1/1	1/1	1/1
Ms. Ng Ching Ying	5/5	5/5	–	–	1/1

During the Year 2020, one meeting was also held between the Chairman and the independent non-executive Directors without the presence of other Directors.

## Corporate Governance Report

### 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 2020 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:

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

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

## Corporate Governance Report

### 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.

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills.

During the Year 2020, 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 2020.

### DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the Group's consolidated financial statements for the Year 2020.

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 Auditor's Report on pages 55 to 59 of this report.

### AUDITOR'S REMUNERATION

The Audit Committee has reviewed and ensured the independence and objectivity of the external auditors, Wellink CPA Limited ("Wellink"). Details of the fees paid or payable to Wellink for the Year 2020 are as follows:

Nature of services	Amount HK\$'000
Audit services	650
Non-audit services:	
– agreed-upon procedures reviews	350
	<hr/> 1,000

## Corporate Governance Report

### **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 2020, 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 risk 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.

## Corporate Governance Report

### 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 2020, she has taken no less than 15 hours of relevant professional training. Ms. Chow resigned as the company secretary and Ms. Chik Wai Chun was appointed as the company secretary with effect from 28 February 2021. The biographies of Ms. Chow and Ms. Chik are 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 5, 4th Floor, Chai Wan Industrial City Phase II, No. 70 Wing Tai Road, 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 2020 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 2020.

### 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 32 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 2020 are set forth in the consolidated statement of profit or loss and other comprehensive income on page 60 of this report. The Board does not recommend the payment of a final dividend for the Year 2020 (Year 2019: 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 116 of this report. Such summary does not form part of the audited consolidated financial statements for the Year 2020.

### PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the Year 2020 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 25 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 2020.



## Report of the Directors

### RESERVES AND DISTRIBUTABLE RESERVES

As at 31 December 2020, the Company's reserves available for distribution to Shareholders amounted to approximately HK\$129.7 million (31 December 2019: approximately HK\$133.7 million).

Movements of the reserves of the Company and of the Group during the Year 2020 are set out in note 34 to the consolidated financial statements and in the consolidated statement of changes in equity on page 63, respectively.

### MAJOR CUSTOMERS AND SUPPLIERS

During the Year 2020, the five largest customers of the Group accounted for approximately 60.7% of the total revenue of the Group and the largest customer accounted for approximately 20.6% of the total revenue of the Group.

The aggregate purchases attributable to the Group's largest supplier and five largest suppliers accounted for approximately 28.2% and 65.8% of the Group's total purchases for the Year 2020, 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 2020 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.

## Report of the Directors

Accordingly, Mr. Leung Ka Wai and Ms. Ng Ching Ying shall retire at the forthcoming annual general meeting of the Company 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 31 to the consolidated financial information, no other transactions, arrangements or contracts of significance, to which the Company or any of its subsidiaries was a party and in which a Director or an entity connected with him/her had a material interest, whether directly or indirectly, subsisted at the end of the Year 2020 or at any time during the Year 2020.

### **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 AGM 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 statement.

### **PERMITTED INDEMNITY PROVISION**

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

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

### **DIRECTORS' INTERESTS IN COMPETING BUSINESS**

During the Year 2020 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.

## Report of the Directors

### DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the Year 2020 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 2020, 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 ordinary 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:

- The letter "L" denotes a person's "long position" (as defined under Part XV of the SFO) in such Shares.
- 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) and Mr. Wan Chak Ming (the son of Mr. MK Wan who was appointed as a director on 6 August 2020). 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.

## Report of the Directors

### 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:

- The letter "L" denotes a person's "long position" (as defined under Part XV of the SFO) in such shares.
- 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, Ms. Wun Tsz Ying (the daughter of Mr. CK Wun who was nominated by Mr. CK Wun) and Mr. Wan Chak Ming (the son of Mr. MK Wan who was appointed as a director on 6 August 2020). 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 2020, 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.

## Report of the Directors

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

As at 31 December 2020, 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%

## Report of the Directors

### **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, Ms. Wun Tsz Ying (the daughter of Mr. CK Wun who was nominated by Mr. CK Wun) and Mr. Wan Chak Ming (the son of Mr. MK Wan who was appointed as a director on 6 August 2020). 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 2020, 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.

## Report of the Directors

### 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 2020.

### RELATED PARTY TRANSACTIONS

The Directors confirm that the related party transactions of the Group during the Year 2020 as set out in note 31 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 2020, 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 2020.

### 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 2020 or subsisted at the end of the Year 2020.

### 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.



## Report of the Directors

### SHARE OPTION SCHEME (Continued)

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 2020 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.

## Report of the Directors

### 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 39 to 54 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 18 to 28 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 2020 and up to the date of this report.

### DONATION

During the Year 2020, the Group did not make charitable and other donations. (2019: nil).

### 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 2020.

### AUDITOR

On 24 July 2020, Deloitte Touche Tohmatsu ("Deloitte") resigned as the auditor of the Group and Wellink CPA Limited ("Wellink") was appointed by the Directors to fill the casual vacancy following the resignation of Deloitte with effect from 24 July 2020.

The consolidated financial statements for the Year 2020 have been audited by Wellink who will retire and, being eligible, offer themselves for re-appointment at the forthcoming AGM. A resolution will be proposed to the Shareholders at the forthcoming AGM to re-appoint Wellink as the auditor of the Company.

On behalf of the Board

**Wan Man Keung**

*Chairman*

Hong Kong  
30 March 2021

# Environmental, Social and Governance Report

## 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 make continuous improvements in corporate social responsibility 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 ended 31 December 2020, 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 2020 to 31 December 2020. The reporting scope covers the whole business operation of the Group of manufacturing and sales of low-voltage electrical power distribution and control devices in the PRC and Hong Kong, and the activities of the Group’s headquarters in Hong Kong.

## 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 assisted 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	<ul style="list-style-type: none"><li>• Corporate website</li><li>• Customer assessment</li><li>• Project meetings</li></ul>
Employees	<ul style="list-style-type: none"><li>• Performance appraisals</li><li>• Internal emails and publications</li><li>• Trainings</li><li>• Meetings</li></ul>
Suppliers/Sub-contractors	<ul style="list-style-type: none"><li>• Project meetings</li><li>• Supplier assessment</li><li>• Site visiting</li></ul>
Investors/Shareholders	<ul style="list-style-type: none"><li>• Annual general meeting</li><li>• Annual and interim reports</li><li>• Announcement and other disclosure documents</li><li>• Corporate website</li></ul>
Community	<ul style="list-style-type: none"><li>• Industrial events</li><li>• Corporate social responsibility activities</li></ul>

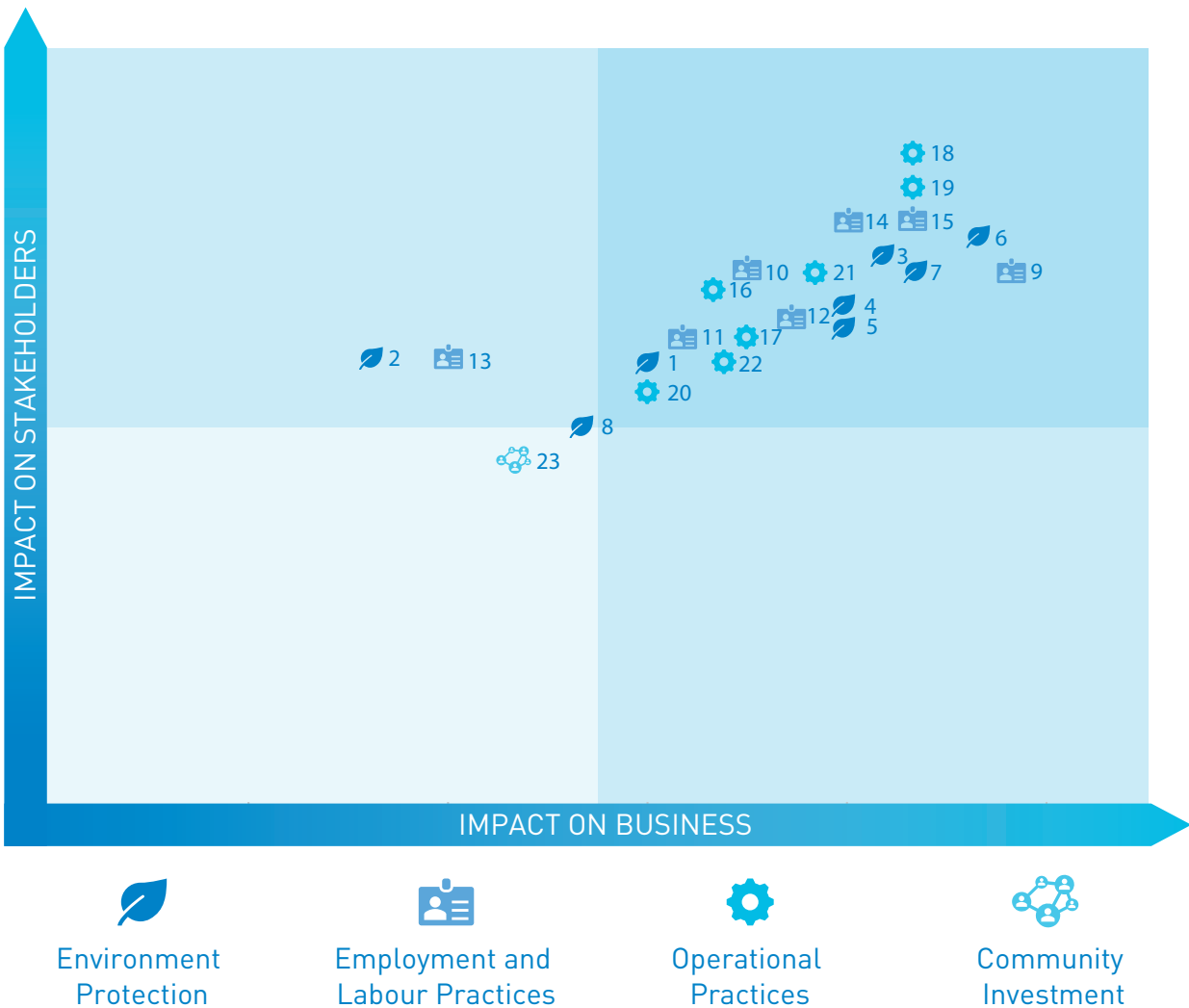
# Environmental, Social and Governance Report

## 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 assessment started from identifying corporate social responsibility issues from four different aspects, including environmental protection, employment and labour practices, operation practices, community investment. Based on the 23 issues identified, interviews and questionnaires were conducted to collect opinions from internal and external stakeholders.

A materiality matrix was developed based on the replies from stakeholders, which 19 critical issues were identified. Among the critical issues, approximately 37% are related to operational practices, followed by employment and labour practices at approximately 32%, and environment protection at approximately 31%.



# Environmental, Social and Governance Report

## INTRODUCTION *(Continued)*

### Feedback

To enhance the Group's future business and sustainable development, you are welcome to provide your valuable comments to [enquiry@rem-group.com.hk](mailto: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 to minimise its impact to the environment.

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

During the Year 2020, the Group was not aware of any material non-compliance with relevant laws and regulations that have a significant impact to the environment.

### Air emissions and Greenhouse Gas ("GHG") emissions

The Group focuses on manufacturing of low-voltage electrical power distribution and control devices, which comprises copper bar installations, steel case production and electrical parts and equipment assembly and installation process. These manufacturing processes involved the employment of various machines, including punching machines, bending machines, shearing machines, rubber coating machines, generators, dusting machines and other automatic machines for production. These machines are mainly electricity driven, and thus contributed heavily to energy indirect emissions. With this regard, the Group has regularly conduct performance and condition test to ensure machine are operating in a good condition without excessive emissions. Also, operation manual and trainings are provided to workers to enhance the effectiveness and efficiency of using equipment, which help to reduce unnecessary emissions.

On the other hand, general activities associated to business operations will also generate emissions, they include daily general usage of liquefied petroleum gas for cooking in the factories, fuels consumed from motor vehicle for travelling, and paper usage for general documentation. With the aim to reduce vehicle emissions and GHG emission, the Group has targeted to replace the petrol and diesel cars in use with electronic cars by 2030.

## Environmental, Social and Governance Report

### ENVIRONMENTAL PROTECTION (Continued)

Below sets out the Group's air emissions data and GHG emission data for the Year 2020 and Year 2019.

	Note	Unit	2020	2019
<b>Gaseous fuel consumption emissions</b>				
NOx Emissions		kg	61,023.60	61,023.60
SOx Emissions		kg	303.6	303.60
<b>Vehicles emissions</b>				
NOx Emissions		kg	29.22	14.41
SOx Emissions		kg	0.16	0.19
PM Emissions		kg	2.69	1.23
<b>GHG emissions in CO<sub>2</sub>e</b>				
<i>Scope 1 – Direct emissions</i>				
Combustion		tonnes	27.00	38.50
<i>Scope 2 – “Energy indirect” emissions</i>				
Electricity purchased	Note 1	tonnes	806.05	903.10
<i>Scope 3 – Other indirect emissions</i>				
Paper waste disposed at landfills		tonnes	11.03	18.74
Electricity used for processing fresh water and sewage by government department	Note 2	tonnes	26.38	19.85
Business air travel by employees		tonnes	2.48	5.52

Notes:

- For electricity supplied from Hong Kong, the Emission Factor (0.81 kg/kWh and 0.37 kg/kWh) is available from HK Electric Company's 2019 Sustainability Report and CLP's 2020 Sustainability Report respectively.  
  
For electricity supplied from the PRC, the Emission Factor (0.8367 kg/kWh) is available from Ministry of Ecology and Environment's Electricity Emission Factor Report 2018.
- For water supplied from Hong Kong and PRC, the unit electricity consumption of water (0.424 m<sup>3</sup>/kWh) is available from Water Supplies Department Annual Report 2018/19. Data of the Year 2019 water consumption has been revised to include the consumption of PRC factories.

Since the outbreak of COVID 19, the Group strives to protect its employees from unnecessarily connection with others and offered on-demand pick up services for employees who need to travel frequently. As a result, the Group's vehicles emissions had increased dramatically compared to last year. Whereas energy indirect emissions and other indirect emissions had decreased by approximately 11% and 10% respectively, since the Group's factories were forced to shut down during February and March of 2020 due to lock down of cities.

## Environmental, Social and Governance Report

### ENVIRONMENTAL PROTECTION *(Continued)*

#### Waste

The Group has established various procedures to deal with different kinds of wasted materials. Wasted powder, wasted material and sewage are the three major sources of waste produced from the manufacturing process. Waste collector and sewage container are employed to collect wastages in production to avoid waste dispose and sewage leak. Once wastages are collected, they are stored separately and sent to qualified organizations for recycle or disposal. To comply with the Law of the People's Republic of China on Prevention and Treatment of Water Pollution and Law of the People's Republic of China on Prevention and Treatment of Environment Pollution of Solid Waste, the Group has signed wasted water transfer agreement and wasted material recycle agreement with authorised professionals to handle the wastage. To the best of the Group's knowledge, no material hazardous wastes was generated.

The table below shows the quantity of waste produced from the Group's operation.

	Unit	2020	2019
Non-hazardous waste			
Wasted powder	tonnes	0.60	1.52
Wasted material	tonnes	179.84	–
Sewage	tonnes	27.00	36.00
Non-hazardous waste per operating facility	tonnes/unit	29.63	5.36

Note: The data for quantity of waste produced for wasted material was collected and disclosed for the first time. Comparative figure was not available.

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.

#### 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. 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 2020, 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, Social and Governance Report

### ENVIRONMENTAL PROTECTION *(Continued)*

#### Use of Resources *(Continued)*

As the Group's factories were forced to shut down during the Year 2020, the overall resources consumption had been decreased accordingly. The respective resources consumption data of the Group are set out below:

	Unit	2020	2019
<b>Energy consumption</b>			
Factory	kWh	968,221.80	1,012,757.00
Office and workshop	kWh	1,606.00	2,973.00
Energy consumption per operating facility	kWh/unit	138,546.83	145,104.29
<b>Water consumption</b>			
Factory	m <sup>3</sup>	20,703.80	24,348.60
Office and workshop	m <sup>3</sup>	51.00	214.00
Water consumption per operating facility	m <sup>3</sup> /unit	2,964.97	3,508.94
<b>Packaging materials used</b>			
Carton paper box	tonnes	21.60	30.00
Packaging Foam	sheets	2,600.00	4,000.00

#### The Environment and Natural Resources

The Group aims to create a corporate culture of saving resources and environmentally friendly by diminishing the adverse impact from business activities to the environment. The Group concentrates in enhancing its manufacturing process to decrease the creation of unnecessary resources wastage and selects environmentally friendly materials, equipment and machineries to reduce unfavourable effect towards the environment. In addition, the Group has entered agreements with qualified organizations to collect or recycle wastages produced. To reduce waste of resources, the Group has advocated the 3R policy which encourages the employees to "Reuse", "Reduce", and "Recycle" to minimise wastage in everyday operations.

# Environmental, Social and Governance Report

## **SOCIAL – EMPLOYMENT AND LABOUR PRACTICES**

### Employment

The Group values its employees as the most crucial assets and believes that linking business objectives to the Human Resources (“HR”) system is a key to success. Therefore, to maintain a fair and safe working environment to attract and retain talents, clear HR policies and guideline is established and delivered to employees.

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 any time during employment period when there are updates. In addition, employment checklist is established to document the procedures and required documents to be collected during hiring and termination process. The HR management ensure the established HR policies and procedures follow 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.

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 of 31 December 2020, the total number of employees, who are in direct employment relationship with the Group, is 238 (2019: 255). This resulted in a decrease of approximately 7% as compared to last year, and the total employee turnover rate is approximately 26% (2019: 25%). During the year, majority of the resigned staff, at approximately 88%, are factory workers in PRC, their job duties mainly involve drawings, installation and assembly works, machine operation and administrative works. The number of staff leaving employment of these entry level positions are constantly high in the previous years.

The Hong Kong staff to PRC staff ratio and the female to male ratio remain stable at approximately 1:5 and 1:2 respectively.

## Environmental, Social and Governance Report

### SOCIAL – EMPLOYMENT AND LABOUR PRACTICES *(Continued)*

#### Employment *(Continued)*

The following table sets out breakdowns of the employees' data of the Group by gender, employment types, age group and geographic region.

	2020		2019	
	Turnover rate	Number of employees	Turnover rate	Number of employees
<b>Gender</b>				
Male	20.42%	164	24.20%	169
Female	37.50%	74	27.71%	86
<b>Employment types</b>				
Senior management	17.65%	16	24.24%	18
Middle management	–	24	–	24
Entry level	29.68%	198	25.05%	213
<b>Age groups</b>				
30 or below	50.00%	50	42.98%	66
31 to 50	13.99%	148	22.38%	138
51 or above	32.97%	40	9.76%	51
<b>Geographical regions</b>				
Hong Kong	17.98%	44	32.61%	45
PRC	27.72%	194	23.71%	210

Note: The employee turnover rates are calculated using number of employees leaving employment divided by average number of employees for the year.

During the Year 2020, 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.

## Environmental, Social and Governance Report

### SOCIAL – EMPLOYMENT AND LABOUR PRACTICES *(Continued)*

#### Health and Safety

The Group strives to minimise accidents in our 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 construction works. During the Year 2020, the Group is pleased that no work-related fatalities have been reported. However, two incidents of work injuries were occurred and the total loss days due to work injury is 102 days.

During the Year 2020, 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

The Group believe that bringing out the best of the employees can drive growth of the Group and achieve its strategic goals. To support employees maintaining and enhancing their skills and knowledge, wide range of internal training programs are organised by the Group to different departments and individual employees. In Year 2020, the Group has provided a total of 733 hours of occupational training to 181 employees, representing approximately 73% of staff has been trained and average training hour per staff was 2.97 hours. Below table sets out the average training hours and percentage of employees trained by gender and employment types.

	2020	
	Percentage of employees trained	Average training hours per employee
<b>Gender</b>		
Male	69.67%	2.89
Female	81.25%	3.14
<b>Employment types</b>		
Senior management	41.18%	1.32
Middle management	75.00%	4.46
Entry level	75.91%	2.94

Note:

1. Training records were collected and disclosed for the first time. Comparative figure was not available.
2. The percentage of employees trained is calculated using number of trained employees divided by average number of employees for the year.
3. Average training hours per employee are calculated using total training hours divided by average number of employees for the year.

# Environmental, Social and Governance Report

## **SOCIAL – EMPLOYMENT AND LABOUR PRACTICES** *(Continued)*

### *Development and Training (Continued)*

The Group’s training cover various topics which aim to increase staff’s awareness and knowledge in, among others, corporate governance, health and safety, and technical skills. 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 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, such as copy of identification documents must be obtained to verify the age of job applicants.

During the Year 2020, 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 – OPERATING PRACTICES**

### 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 shortage of supply from one supplier.

**2020**

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#### **Geographical regions**

Hong Kong	<b>31</b>
China	<b>73</b>
Others	<b>1</b>

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.

## Environmental, Social and Governance Report

### **SOCIAL – EMPLOYMENT AND LABOUR PRACTICES** *(Continued)*

#### 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 sign off the work completion certificate and 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.

#### *Our quality commitments*



Meticulous design, supply, manufacture and installation of low-voltage switchboards, motor control centres, and local motor control panels



Provide customers with satisfactory products and meet customer and legal requirements



Continuous improvement and innovation to make customers more satisfied and assured

The Group's achievement in product quality is recognisable. The Group has been included in the register of registered electrical contractors kept under of the Electricity (Registration) Regulations and the list of approved suppliers of materials and specialist contractors for public work under the category of low-voltage cubicle switchboard installation maintained by the Development Bureau of the Government. Furthermore, the Group's major products have also obtained the Association of Short-Circuit Authorities (ASTA) Certificates of Verification Tests and Certificates for China Compulsory Product Certification (CCC) issued by the China Quality Certification Centre.

During the Year 2020, 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. Also, the Group did not receive any complaints related to product and services, and no record of recalls of products due to safety and health reasons.

## Environmental, Social and Governance Report

### **SOCIAL – EMPLOYMENT AND LABOUR PRACTICES** *(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. The Group will always support all employees to raise allegations without fear of retaliation. It is the Group's policy to handle all whistle-blowing cases in a confidential and sensitive manner. Employees who raise true and appropriate allegations will be treated fairly, and are protected from unfair dismissal, harm, or improper disciplinary actions, even if the allegations raised cannot be proven. If employees have reasonable concerns about any suspected misconducts, suspicious or illegal behaviour (including bribery, extortion, fraud and money laundering), they can directly report the matters verbally or in writing to the senior management or the chairman of the audit committee. Any matters of genuine concern are to be thoroughly investigated by the management and actions will be taken accordingly.

During the Year 2020, 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.

### **SOCIAL – COMMUNITY**

#### 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.

Since the outbreak of COVID-19, the Group did its utmost to keep their staff healthy and safe from the virus. The Group regularly provides epidemic care packs to their employees, which included alcohol swabs, masks, wet wipes, alcohol sprays, and hand rubs. In the future, the Group will continue to participate actively in social welfare activities to better serve the community.



# Environmental, Social and Governance Report

## 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 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, and a description of reduction target(s) set and steps taken to achieve them.	• Waste
Aspect A2: Use of Resources		
General Disclosure	Information on: Policies on the efficient use of resources, including energy, water and other raw materials.	• Use of Resources
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total and intensity (e.g. per unit of production volume, per facility).	• Use of Resources
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	• Use of Resources
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	• Use of Resources
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	• Use of Resources
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	• Use of Resources

## Environmental, Social and Governance Report

### 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.	<ul style="list-style-type: none"> <li>The Environment and Natural Resources</li> </ul>
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	<ul style="list-style-type: none"> <li>Emissions</li> <li>Waste</li> <li>Use of Resources</li> <li>The Environment and Natural Resources</li> </ul>
SOCIAL		Section Reference
Aspect B1: Employment		
General Disclosure	Information on: <ol style="list-style-type: none"> <li>the policies; and</li> <li>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.</li> </ol>	<ul style="list-style-type: none"> <li>Employment</li> </ul>
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	<ul style="list-style-type: none"> <li>Employment</li> </ul>
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	<ul style="list-style-type: none"> <li>Employment</li> </ul>
Aspect B2: Health and Safety		
General Disclosure	Information on: <ol style="list-style-type: none"> <li>the policies; and</li> <li>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.</li> </ol>	<ul style="list-style-type: none"> <li>Health and Safety</li> </ul>
KPI B2.1	Number and rate of work-related fatalities.	<ul style="list-style-type: none"> <li>Health and Safety</li> </ul>
KPI B2.2	Lost days due to work injury.	<ul style="list-style-type: none"> <li>Health and Safety</li> </ul>
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	<ul style="list-style-type: none"> <li>Health and Safety</li> </ul>

## Environmental, Social and Governance Report

### CONTENT INDEX *(Continued)*

ENVIRONMENTAL		Section Reference
Aspect B3: Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	• Development and Training
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	• Development and Training
KPI B3.2	The average training hours completed per employee by gender and employee category.	• Development and Training
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
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	• Labour Standards
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	• Labour Standards
Aspect B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	• Supply Chain Management
KPI B5.1	Number of suppliers by geographical region.	• Supply Chain Management
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	• Supply Chain Management

## Environmental, Social and Governance Report

### CONTENT INDEX *(Continued)*

ENVIRONMENTAL		Section Reference
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 6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	• Product Responsibility
KPI B6.2	Number of products and service-related complaints received and how they are dealt with.	• Product Responsibility
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	• Product Responsibility
KPI B6.4	Description of quality assurance process and recall procedures.	• 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 B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	• 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

## Independent Auditor's Report

*Wellink* CPA Limited

匯聯會計師事務所有限公司

**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 60 to 115, which comprise the consolidated statement of financial position as at 31 December 2020, 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 2020, 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 ("HKSA") 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 judgement, 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.

# Independent Auditor's Report

## KEY AUDIT MATTERS

### Key audit matter

### How our audit addressed the key audit matter

#### *Impairment assessment of trade receivables and contract assets*

Refer to notes 3, 4, 16, 17 and 27 to the consolidated financial statements.

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 2020, the Group's net trade receivables and net contract assets amounting to approximately HK\$51,834,000 and HK\$29,065,000, respectively, which represented approximately 22.6% and 12.7% respectively of total assets of the Group.

As disclosed in note 27 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.

As disclosed in note 27 to the consolidated financial statements, the Group's lifetime ECL on trade receivables and contract assets as at 31 December 2020 amounted to approximately HK\$1,890,000 in aggregate.

Our audit 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 2020, 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 2020, 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).

## Independent Auditor's Report

### 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.

The directors of the Company are assisted by those charged with governance in discharging their responsibilities for oversee the Group's financial reporting process.

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 HKSAAs 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.

## Independent Auditor's Report

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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



## Independent Auditor's Report

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.

**WELLINK CPA LIMITED**

*Certified Public Accountants*

**CHAN YAN TING**

Practising Certificate number P06380

Hong Kong, 30 March 2021

## Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2020

	Notes	2020 HK\$'000	2019 HK\$'000
Revenue	5	116,457	211,741
Cost of sales		(114,370)	(157,234)
Gross profit		2,087	54,507
Other income, gains and losses, net	6	443	689
Selling and distribution expenses		(7,618)	(10,276)
Administrative and other expenses		(29,598)	(29,258)
Finance costs	7	(131)	(108)
<b>(Loss) profit before taxation</b>	8	<b>(34,817)</b>	15,554
Income tax credit (expense)	9	3,395	(4,093)
<b>(Loss) profit for the year</b>		<b>(31,422)</b>	11,461
<b>Other comprehensive income (expense) for the year:</b>			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		3,409	(1,447)
<b>Total comprehensive (expense) income for the year</b>		<b>(28,013)</b>	10,014
<b>(Loss) earnings per share (HK cents) – basic</b>	12	<b>(1.75)</b>	0.64

## Consolidated Statement of Financial Position

At 31 December 2020

	Notes	2020 HK\$'000	2019 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	13	27,257	26,195
Right-of-use assets	14	4,361	4,590
Rental deposits		23	84
Contract assets	16	11,342	18,473
Deferred tax assets	24	857	–
		<b>43,840</b>	<b>49,342</b>
<b>Current assets</b>			
Inventories	15	25,963	30,485
Trade and other receivables	17	59,015	72,266
Contract assets	16	17,723	20,413
Financial assets at fair value through profit or loss	18	699	523
Amount due from a director	19	18	–
Tax recoverable		2,020	–
Restricted bank balance	20	39	–
Bank balances and cash	20	80,327	77,709
		<b>185,804</b>	<b>201,396</b>
<b>Current liabilities</b>			
Trade and other payables	21	46,234	34,084
Contract liabilities	22	1,151	1,516
Lease liabilities	23	589	1,337
Amount due to a director	19	49	56
Tax payable		1,259	5,228
		<b>49,282</b>	<b>42,221</b>
<b>Net current assets</b>		<b>136,522</b>	<b>159,175</b>
<b>Total assets less current liabilities</b>		<b>180,362</b>	<b>208,517</b>

## Consolidated Statement of Financial Position

At 31 December 2020

	Notes	2020 HK\$'000	2019 HK\$'000
<b>Non-current liabilities</b>			
Lease liabilities	23	949	504
Provision for long service payments		790	790
Deferred tax liabilities	24	–	587
		<b>1,739</b>	1,881
<b>Net assets</b>			
		<b>178,623</b>	206,636
<b>Capital and reserves</b>			
Share capital	25	18,000	18,000
Share premium and reserves		160,623	188,636
<b>Total equity</b>			
		<b>178,623</b>	206,636

The consolidated financial statements on pages 60 to 115 were approved and authorised for issue by the board of directors on 30 March 2021 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 2020

	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 2019	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	<b>18,000</b>	<b>157,668</b>	<b>(80,018)</b>	<b>1,248</b>	<b>109,738</b>	<b>206,636</b>
Loss for the year	-	-	-	-	(31,422)	(31,422)
Other comprehensive income	-	-	-	3,409	-	3,409
Total comprehensive income (expense) for the year	-	-	-	3,409	(31,422)	(28,013)
At 31 December 2020	<b>18,000</b>	<b>157,668</b>	<b>(80,018)</b>	<b>4,657</b>	<b>78,316</b>	<b>178,623</b>

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 in 2017.

## Consolidated Statement of Cash Flows

For the year ended 31 December 2020

	2020 HK\$'000	2019 HK\$'000
Operating activities		
(Loss) profit before taxation	(34,817)	15,554
Adjustments for:		
Depreciation of property, plant and equipment	3,757	2,608
Depreciation of right-of-use assets	1,355	1,169
Written off of bad debts	1,134	–
Net impairment loss recognised on trade receivables and contract assets	463	776
Provision for long service payments	–	54
Increase in fair value changes of financial assets at fair value through profit or loss	(133)	(83)
Interest income	(218)	(620)
Finance costs	131	108
Operating cash flows before movements in working capital	(28,328)	19,566
Decrease (increase) in inventories	5,848	(3,982)
Decrease in trade and other receivables	10,758	8,220
Decrease (increase) in contract assets	10,677	(17,071)
Increase (decrease) in trade and other payables	11,080	(15,615)
Increase in restricted bank balance	(39)	–
Increase in contract liabilities	624	125
Cash from (used in) operations	10,620	(8,757)
Income tax paid, net of refund	(4,132)	(2,191)
Net cash from (used in) operating activities	6,488	(10,948)
Investing activities		
Withdrawal of short-term bank deposit with original maturity more than three months	–	8,580
Interest received	218	620
Repayment from a director	186	18
Purchase of property, plant and equipment	(3,611)	(9,197)
Refund of rental deposits	63	41
Advance to a director	(204)	–
Net cash (used in) from investing activities	(3,348)	62

## Consolidated Statement of Cash Flows

For the year ended 31 December 2020

	2020 HK\$'000	2019 HK\$'000
Financing activities		
Repayment of lease liabilities	(1,257)	(1,056)
Repayment to a director	(56)	(310)
Repayments of bank loan	–	(271)
Interest paid	(131)	(108)
Advance from a director	49	363
Net cash used in financing activities	(1,395)	(1,382)
Net increase (decrease) in cash and cash equivalents	1,745	(12,268)
Cash and cash equivalents at the beginning of the year	77,709	90,541
Effect of foreign exchange rate changes	873	(564)
Cash and cash equivalents at the end of the year, represented by bank balances and cash	80,327	77,709

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 1. GENERAL INFORMATION

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 Windward 3, Regatta Office Park, PO Box 1350, Grand Cayman, KY1- 1108, Cayman Islands and Unit 5, 4/F., Phase II Chai Wan Industrial City, No. 70 Wing Tai Road, 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”)

### (a) New and amended standards adopted by the Group

In the current year, the Company and its subsidiaries (the “Group”) have applied the following new and amendments to HKFRSs, Hong Kong Accounting Standards (“HKAS”), amendments and interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time which are mandatorily effective for the annual period beginning on or after 1 January 2020. Of these, the following developments are relevant to the Group’s consolidated financial statements.

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform
Amendments to HKFRS 16	COVID-19-Related Rent Concessions (early applied)

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



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

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

The Group has not early applied the following new and amendments to HKFRSs which are not yet effective:

Amendments to HKAS 39, HKFRS 7, HKFRS 9, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase <sup>2</sup> <sup>1</sup>
Amendments to HKFRS 3	Reference to the Conceptual Framework <sup>2</sup>
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use <sup>2</sup>
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract <sup>2</sup>
Amendments to HKFRSs HKFRS 17	Annual Improvements to HKFRSs 2018–2020 <sup>2</sup> Insurance Contracts <sup>3</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) <sup>3</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>4</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2021

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2022

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2023

<sup>4</sup> Effective for annual periods beginning on or after a date to be determined

The directors of the Company anticipate that the application of these new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 3. SIGNIFICANT ACCOUNTING POLICIES

### Basis of preparation of consolidated financial statements

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 "Leases", and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of Assets".

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 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.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 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*

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.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### Leases *(Continued)*

##### *The Group as a lessee (Continued)*

#### Short-term leases

The Group applies the short-term lease recognition exemption to leases of workshop that 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.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### Leases *(Continued)*

##### *The Group as a lessee (Continued)*

#### Lease liabilities

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

The lease payments include:

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

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.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### Leases *(Continued)*

##### *The Group as a lessee (Continued)*

##### Lease modifications *(Continued)*

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.

##### 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 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 (loss)/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.

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.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### *Taxation (Continued)*

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.

### 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.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

*Financial assets (Continued)*

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

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.

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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Financial instruments *(Continued)*

#### *Financial assets (Continued)*

##### 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.

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;

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

*Financial assets (Continued)*

Impairment of financial assets *(Continued)*

(i) *Significant increase in credit risk (Continued)*

- 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.

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 foregoing, 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

*Financial assets (Continued)*

Impairment of financial assets *(Continued)*

*(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.

*(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.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

*Financial assets (Continued)*

Impairment of financial assets *(Continued)*

(v) *Measurement and recognition of ECL (Continued)*

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.

*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) are subsequently measured at amortised cost using the effective interest method.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Financial instruments *(Continued)*

#### *Derecognition*

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

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

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

#### Foreign currencies

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

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

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the foreign operations are translated into the presentation currency of the Group (i.e. HK\$) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates 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.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### 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” 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.

#### 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.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Impairment on property, plant and equipment and right-of-use assets other than goodwill *(Continued)*

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. 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.

### Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

### Government grants

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

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

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### Related parties

- (1) A person, or a close member of that person's family, is related to the Group if that person:
- (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of the key management personnel of the Group or the Group's parent.
- (2) An entity is related to the Group if any of the following conditions applies:
- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - (iii) Both entities are joint ventures of the same third party.
  - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
  - (vi) The entity is controlled or jointly controlled by a person identified in (1).
  - (vii) A person identified in (1)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
  - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

## 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.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 4. KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

#### 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 27.

#### 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 2020, the carrying amount of inventories is HK\$25,963,000 (2019: HK\$30,485,000).

### 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.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 5. REVENUE AND SEGMENT INFORMATION (Continued)

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

	2020 HK\$'000	2019 HK\$'000
Low-voltage switchboard	67,506	92,111
Local motor control panel	31,270	84,901
Motor control centre	8,755	21,605
Electrical distribution board and control box	3,418	4,997
Electrical parts and replacements	5,508	8,127
	<b>116,457</b>	211,741

The Group sells all products directly to customers. Revenue is recognised when control of the goods has transferred or the services has performed, being when the goods or services 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:

	2020 HK\$'000	2019 HK\$'000
Revenue		
– Hong Kong	92,566	118,907
– Macau	18,428	11,603
– People's Republic of China ("PRC")	5,463	81,231
	<b>116,457</b>	211,741

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

	2020 HK\$'000	2019 HK\$'000
Customer A	N/A*	83,441
Customer B	20,301	21,792
Customer C	23,979	N/A*

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

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 5. REVENUE AND SEGMENT INFORMATION *(Continued)*

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

	2020 HK\$'000	2019 HK\$'000
Hong Kong	6,905	6,700
PRC	24,713	24,085
	31,618	30,785

### 6. OTHER INCOME, GAINS AND LOSSES, NET

	2020 HK\$'000	2019 HK\$'000
Net exchange loss	(218)	(205)
Interest income	218	620
Increase in fair value changes of financial assets at FVTPL	133	83
Others	310	191
	443	689

### 7. FINANCE COSTS

	2020 HK\$'000	2019 HK\$'000
Interest expenses on bank loan	–	2
Interest expenses on lease liabilities	131	106
	131	108

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 8. (LOSS) PROFIT BEFORE TAXATION

	2020 HK\$'000	2019 HK\$'000
(Loss) profit before taxation has been arrived at after charging:		
Depreciation of property, plant and equipment		
– cost of sales	1,338	800
– administrative and other expenses	2,419	1,808
Total depreciation of property, plant and equipment	3,757	2,608
Depreciation of right-of-use assets	1,355	1,169
Directors' emoluments (Note 11)		
– fees	504	504
– salaries and other allowance	1,141	1,104
– retirement benefit scheme contributions	36	36
	1,681	1,644
– Other staff's salaries and other allowance	27,020	28,696
– Other staff's retirement benefits scheme contributions	1,741	3,311
Total staff costs	30,442	33,651
Auditor's remuneration	650	1,300
Cost of inventories recognised as expenses	107,968	145,640
Expenses related to short-term leases	138	236
Net impairment losses on trade receivables and contract assets	463	776
Written off of bad debts	1,134	–
Government subsidies in relation to the Coronavirus Disease 2019 (“COVID-19”) (Note)	2,267	–

Note: COVID-19 related government subsidies from Hong Kong Special Administrative Region (“HKSAR”) government which has been offset against the staff costs of the Group.

### 9. INCOME TAX (CREDIT) EXPENSE

	2020 HK\$'000	2019 HK\$'000
The taxation (credit) charge comprises:		
Current tax		
Hong Kong Profits Tax		
– Provision for the year	–	408
– Over-provision in respect of prior years	(1,547)	–
PRC Enterprise Income Tax		
– Provision for the year	–	3,546
– Over-provision in respect of prior year	(404)	–
Deferred tax (Note 24)	(1,444)	139
Income tax (credit) expense	(3,395)	4,093

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 9. INCOME TAX (CREDIT) EXPENSE (Continued)

For the year ended 31 December 2019, 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. No provision for Hong Kong Profits Tax is provided for the year ended 31 December 2020 as the subsidiaries operating in Hong Kong have no assessable profits.

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%. No provision for Enterprises Income Tax ("EIT") is provided as the subsidiaries did not have any assessable profits subject to EIT in PRC during the year.

Income tax (credit) charge for the year can be reconciled to the (loss) profit before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	2020 HK\$'000	2019 HK\$'000
(Loss) profit before taxation	(34,817)	15,554
Tax at the applicable income tax rate at 16.5%	(5,745)	2,566
Effect of two-tiered tax rates regime	–	(165)
Tax effect of expenses not deductible for tax purpose	1,543	662
Tax effect of income not taxable for tax purpose	(441)	(123)
Effect of different tax rates of subsidiaries operating in the PRC	(1,164)	1,140
Tax effect of tax losses not recognised	4,305	–
Over-provision for prior years	(1,951)	–
Others	58	13
Income tax (credit) charge for the year	(3,395)	4,093

As at 31 December 2020, the Group has unused tax losses of approximately HK\$28,915,000 (2019: nil) available for offset against future profits. A deferred tax assets has been recognised in respect of approximately HK\$11,697,000 (2019: nil) of such losses. No deferred tax asset has been recognised in respect of these tax losses of approximately HK\$17,218,000 (2019: nil) due to unpredictability of relevant future profit streams, where it may be carried forward for five years from the year in which the losses arose.

Deferred taxation has not been recognised in respect of the undistributed retained profits earned by the subsidiaries in the PRC amounting to HK\$5,598,000 for the year ended 31 December 2020 (2019: HK\$22,816,000), 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 2020, nor has any dividend been proposed since the end of the year (2019: nil).



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 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 2020*

Name of directors	Fee HK\$'000	Salaries and other allowance HK\$'000	Retirement benefit scheme contributions HK\$'000	Total HK\$'000
<b>Executive directors</b>				
Mr. Wan Man Keung (Note i)	–	591	18	609
Mr. Leung Ka Wai	–	550	18	568
<b>Non-executive director</b>				
Mrs. Kan Wan Wai Yee Mavis	120	–	–	120
<b>Independent non-executive directors</b>				
Ms. Ng Ching Ying	144	–	–	144
Mr. Cheng Sum Hing	120	–	–	120
Mr. Ng Chi Keung Alex	120	–	–	120
	<b>504</b>	<b>1,141</b>	<b>36</b>	<b>1,681</b>

*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
<b>Executive directors</b>				
Mr. Wan Man Keung (Note i)	–	582	18	600
Mr. Leung Ka Wai	–	522	18	540
<b>Non-executive director</b>				
Mrs. Kan Wan Wai Yee Mavis	120	–	–	120
<b>Independent non-executive directors</b>				
Ms. Ng Ching Ying	144	–	–	144
Mr. Cheng Sum Hing	120	–	–	120
Mr. Ng Chi Keung Alex	120	–	–	120
	<b>504</b>	<b>1,104</b>	<b>36</b>	<b>1,644</b>

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

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

Notes:

- (i) Mr. Wan Man Keung is the chairman of the board and Mr. Leung Ka Wai is the Chief Executive of the Company.
- (ii) No director received any emoluments from the Group as an inducement to join or upon joining the Group or as compensation for loss of office during the year (2019: nil). No director waived or agreed to waive any emoluments.

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.

#### Employees' emoluments

Of the five individuals with the highest emoluments in the Group, one (2019: one) of them was a director of the Company whose emolument is disclosed above. Details of the emoluments of the remaining four (2019: four) individuals for the year ended 31 December 2020, are as follows:

	2020 HK\$'000	2019 HK\$'000
Salaries and other allowance	2,801	2,583
Discretionary bonus	–	–
Retirement benefit scheme contributions	72	68
	<b>2,873</b>	<b>2,651</b>

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

	2020 No. of individuals	2019 No. of individuals
Nil to HK\$1,000,000	4	4

During the year, no emoluments were paid by the Group to the directors of the Company or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 12. (LOSS) EARNINGS PER SHARE

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

	2020 HK\$'000	2019 HK\$'000
(Loss) earnings		
(Loss) profit for the year attributable to owners of the Company for the purpose of basic (loss) earnings per share	(31,422)	11,461
	2020 '000	2019 '000
Weighted average number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,800,000	1,800,000

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

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 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
<b>COST</b>						
At 1 January 2019	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
Additions	-	1,550	148	514	1,399	3,611
Exchange adjustment	1,370	172	605	125	38	2,310
At 31 December 2020	25,412	7,050	9,945	8,336	3,706	54,449
<b>ACCUMULATED DEPRECIATION</b>						
At 1 January 2019	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
Provided for the year	1,157	926	899	383	392	3,757
Exchange adjustment	610	59	291	106	36	1,102
At 31 December 2020	10,986	2,553	4,857	7,228	1,568	27,192
<b>NET BOOK VALUE</b>						
At 31 December 2020	14,426	4,497	5,088	1,108	2,138	27,257
At 31 December 2019	14,823	3,760	5,525	958	1,129	26,195

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 2020, the Group's leasehold land and buildings situated in Hong Kong with carrying amount of HK\$2,321,000 (2019: HK\$2,460,000) were secured for the banking facilities granted to the Group.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 14. RIGHT-OF-USE ASSETS

	Leasehold lands HK\$'000	Leasehold land and buildings HK\$'000	Total HK\$'000
As at 1 January 2019	2,906	872	3,778
Inception of lease contracts	–	1,351	1,351
Depreciation	(77)	(1,092)	(1,169)
Modification of lease contracts	–	702	702
Exchange difference	(52)	(20)	(72)
As at 31 December 2019	2,777	1,813	4,590
Inception of lease contracts	–	955	955
Depreciation	(76)	(1,279)	(1,355)
Modification of lease contracts	–	(74)	(74)
Exchange difference	180	65	245
As at 31 December 2020	2,881	1,480	4,361

	2020 HK\$'000	2019 HK\$'000
Expense relating to short-term leases and with lease terms and within 12 months of the date of initial application of HKFRS 16	138	236
Total cash outflow of leases	1,526	1,398
Additions to right-of-use assets	955	2,053

### 15. INVENTORIES

	2020 HK\$'000	2019 HK\$'000
Raw materials	16,087	13,400
Work in progress	7,736	14,409
Finished goods	2,140	2,676
	25,963	30,485

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 16. CONTRACT ASSETS

Contract assets represent the retention receivables of approximately HK\$29,065,000 (2019: HK\$38,886,000) net of allowance for expected credit losses of approximately HK\$414,000 (2019: HK\$561,000). 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:

	2020 HK\$'000	2019 HK\$'000
Within one year	17,723	20,413
After one year	11,342	18,473
	<b>29,065</b>	<b>38,886</b>

As at 1 January 2019, contract assets are approximately HK\$22,345,000.

### 17. TRADE AND OTHER RECEIVABLES

	2020 HK\$'000	2019 HK\$'000
Trade receivables	53,310	61,309
Less: Allowance for credit losses	(1,476)	(822)
	<b>51,834</b>	<b>60,487</b>
Bill receivables (Note)	–	5,460
Other receivables, prepayment and deposits	7,181	6,319
	<b>59,015</b>	<b>72,266</b>

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

As at 1 January 2019, trade receivables from contracts with customers are approximately HK\$73,358,000.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 17. 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 0 to 90 days (2019: 30 to 90 days) to its trade customers. A longer credit period may be granted to large or long established customers with good payment history. The following is an analysis of trade receivables by age, presented based on the invoice date.

	2020 HK\$'000	2019 HK\$'000
0 – 30 days	31,158	35,181
31 – 60 days	3,495	11,093
61 – 90 days	2,503	3,678
91 – 180 days	4,493	3,751
181 – 365 days	1,420	2,289
Over 1 year	8,765	4,495
	51,834	60,487

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 2020, included in the Group's trade receivables balance are debtors with aggregate carrying amount of approximately HK\$19,198,000 (2019: HK\$20,581,000) which are past due as at the reporting date. Out of the past due balances, approximately HK\$12,940,000 (2019: HK\$6,887,000) 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 27.

### 18. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020 HK\$'000	2019 HK\$'000
Unlisted investments		
Managed fund	699	523

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.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 19. AMOUNTS DUE FROM (TO) DIRECTORS

	2020 HK\$'000	2019 HK\$'000
Amount due from a director:		
– Mr . Leung Ka Wai	18	–
Maximum amount outstanding for amounts due from directors during the year:		
– Mr . Leung Ka Wai	86	18
Amounts due to directors:		
– Mr. Wan Man Keung	(49)	–
– Mr . Leung Ka Wai	–	(56)

All the balances are unsecured, interest-free, non-trade nature and repayable on demand as at 31 December 2020 and 31 December 2019.

### 20. BANK BALANCES AND CASH/RESTRICTED BANK BALANCE

	2020 HK\$'000	2019 HK\$'000
Bank balances and cash	80,366	77,709
Less: Restricted bank balance	(39)	–
	80,327	77,709

Bank balances carry interest at prevailing market interest rates.

Restricted bank balance represents cash set aside by the Group in banks designated as surety bonds in favour of a customer for due performance of the Group's obligations under a contract with which is expected to be completed for the year ending 31 December 2022 (2019: nil). The balances are therefore classified as current assets (2019: nil). The interest rate of restricted bank balances are carried at prevailing market rate 0.3% per annum (2019: nil per annum) during the year ended 31 December 2020 and will be released upon completion of the contract.



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 21. TRADE AND OTHER PAYABLES

	2020 HK\$'000	2019 HK\$'000
Trade payables	35,357	25,744
Bill payables	4,507	1,877
	39,864	27,621
Accruals and other payables	6,370	6,463
	46,234	34,084

The credit period granted by suppliers to the Group ranged from 0 to 75 days (2019: 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:

	2020 HK\$'000	2019 HK\$'000
0 – 30 days	15,610	5,550
31 – 60 days	8,673	7,965
61 – 90 days	7,190	5,905
Over 90 days	8,391	8,201
	39,864	27,621

The Group's bill payables are denominated in USD.

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

### 22. CONTRACT LIABILITIES

	2020 HK\$'000	2019 HK\$'000
Sales of low-voltage electrical power distribution and control devices	1,151	1,516

As at 1 January 2019, contract liabilities are approximately HK\$1,397,000.

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\$388,000 (2019: HK\$1,379,000) was included in the contract liabilities at the beginning of the year.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 23. LEASE LIABILITIES

	2020 HK\$'000	2019 HK\$'000
At 1 January	1,841	872
Inception of lease contracts	955	1,351
Interest expenses on lease liabilities	131	106
Payment for lease liabilities (included interest)	(1,388)	(1,162)
Modification of lease contracts	(69)	702
Exchange difference	68	(28)
At 31 December	1,538	1,841
	2020 HK\$'000	2019 HK\$'000
Lease liabilities payable:		
Within one year	589	1,337
Within a period of more than one year but not more than five years	825	504
Over five years	124	–
	1,538	1,841
Less: Amount due for settlement with 12 months shown under current liabilities	(589)	(1,337)
Amount due for settlement after 12 months shown under non-current liabilities	949	504

### 24. DEFERRED TAX ASSETS (LIABILITIES)

	Tax Loss HK\$'000	Accelerated tax depreciation HK\$'000	Total HK\$'000
At 1 January 2019	–	(448)	(448)
Charge to profit or loss	–	(139)	(139)
At 31 December 2019	–	(587)	(587)
Credit to profit or loss	1,392	52	1,444
At 31 December 2020	1,392	(535)	857

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 25. SHARE CAPITAL

	2020		2019	
	Number of shares '000	Amount HK\$'000	Number of shares '000	Amount HK\$'000
<b>Ordinary shares of HK\$0.01 each in the share capital of the Company ("Share(s)")</b>				
Authorised:				
At 1 January and 31 December	10,000,000	100,000	10,000,000	100,000
Issued and fully paid:				
At 1 January and 31 December	1,800,000	18,000	1,800,000	18,000

### 26. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of net debt, which includes 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.

### 27. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2020 HK\$'000	2019 HK\$'000
<b>Financial assets</b>		
Financial assets at amortised cost	136,799	148,068
Financial assets at FVTPL	699	523
	<b>137,498</b>	148,591
<b>Financial liabilities</b>		
Amortised cost	40,526	28,285

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, restricted bank balance, bank balances and cash, trade and other payables, amount due to a director. 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.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 27. 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:

	2020 HK\$'000	2019 HK\$'000
<b>Assets</b>		
MOP	1,056	5
RMB	2	1,749
USD	46	55
AUD	43	35
<b>Liabilities</b>		
USD	4,507	1,877

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 27. 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 pegged to USD, hence the group entities with functional currency of 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. 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.

	RMB impact	
	2020 HK\$'000	2019 HK\$'000
Increase in profit for the year	-	73

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 23 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 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.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 27. 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 10 basis points increase or decrease in bank balances, is used which represents management's assessment of the reasonably possible change in interest rates.

If interest rates on bank balances had been 10 basis points higher/lower and all of other variables were held constant, the post-tax loss for the year ended 31 December 2020 would decrease/increase approximately by HK\$67,000 (2019: post-tax profit would increase/decrease by HK\$65,000).

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.

The Group is exposed to concentration of credit risk as at 31 December 2020 on trade receivables from the Group's 5 major customers, which amounted to approximately HK\$25,240,000 (2019: HK\$22,763,000), and accounted for 49% (2019: 38%) of the Group's total trade receivables. The major customers of the Group are certain reputable organisations who have long term/on-going trading relationships with the Group and have good repayment records. The management of the Group considers that the credit risk is limited in this regard.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 27. 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 2020 and 31 December 2019 within lifetime ECL (not credit impaired). Debtors with credit-impaired with gross carrying amounts of HK\$nil as at 31 December 2020 (2019: HK\$138,000) were assessed individually.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 27. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

Gross carrying amount

2020

Internal credit rating	Average loss rate	Trade receivables HK\$'000	Contract assets HK\$'000
Low risk	0.44%	40,108	25,362
Watch list	7.04%	12,396	4,117
Doubtful	54.78%	806	–
		53,310	29,479

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

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 2020, the Group provided HK\$757,000 and recognised reversal of HK\$155,000 (2019: HK\$239,000 and HK\$499,000) of impairment allowance for trade receivables and contract assets respectively, net of written off of bad debts of approximately HK\$995,000, based on the provision matrix. Impairment allowance of HK\$nil (2019: HK\$38,000) was made on trade receivables for credit-impaired debtors.



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 27. 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 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	448	101	549
Net impairment losses recognised	239	38	277
Exchange adjustment	(3)	(1)	(4)
As at 31 December 2019 and 1 January 2020	684	138	822
Net impairment losses recognised	1,603	–	1,603
Write-offs	(846)	(139)	(985)
Exchange adjustment	35	1	36
As at 31 December 2020	1,476	–	1,476

The following table shows the movement in lifetime ECL that has been recognised for 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	63	–	63
Net impairment losses recognised	499	–	499
Exchange adjustment	(1)	–	(1)
As at 31 December 2019 and 1 January 2020	561	–	561
Net impairment losses recognised	(6)	–	(6)
Write-offs	(149)	–	(149)
Exchange adjustment	8	–	8
As at 31 December 2020	414	–	414

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 27. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

*Credit risk and impairment assessment (Continued)*

Gross carrying amount *(Continued)*

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 bill 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 restricted bank balance 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.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 27. 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 5 years HK\$'000	Over 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying amount HK\$'000
<b>31 December 2020</b>						
Trade and bill payables	-	39,864	-	-	39,864	39,864
Other payables	-	613	-	-	613	613
Amount due to a director	-	49	-	-	49	49
Lease liabilities	4.91	664	965	148	1,777	1,538
		41,190	965	148	42,303	42,064
<b>31 December 2019</b>						
Trade and bill 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

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 27. 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
	2020 HK\$'000	2019 HK\$'000		
Financial assets at FVTPL – unlisted investments managed fund	699	523	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.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 28. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	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 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
Addition of lease liabilities	–	955	–	–	955
Financing cash flows	(7)	(1,388)	–	–	(1,395)
Interest accrued	–	131	–	–	131
Modification of lease contract	–	(69)	–	–	(69)
Exchange adjustments	–	68	–	–	68
At 31 December 2020	49	1,538	–	–	1,587

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 29. COMMITMENTS

#### Capital Commitment

The Group had the following capital commitment in respect of investment in a subsidiary and acquisition of property, plant and equipment at the end of reporting period.

	2020 HK\$'000	2019 HK\$'000
Contracted, but not provided for		
– committed investment in a subsidiary	1,000	5,000
– acquisition of property, plant and equipment	415	–
	<b>1,415</b>	5,000

### 30. 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\$1,777,000 (2019: HK\$3,347,000) for the year ended 31 December 2020 represents contributions payable to these schemes. As at 31 December 2020, contributions of HK\$121,000 (2019: HK\$124,000) due in respect of the reporting period had not been paid. The amount were paid subsequently after the end of the reporting period.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 31. 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	2020 HK\$'000	2019 HK\$'000
	Sales of goods	–	145
	Payments of leases	240	20
	Purchase of raw materials	48	–
	Expenses related to short-term lease	–	198

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.
- (iii) The Group entered into transaction with 深圳市建達機電設備有限公司, a related company in PRC under the control of Mr. Wan Man Keung, the chairman and an executive director of the Company during the year ended 31 December 2020.

#### (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:

	2020 HK\$'000	2019 HK\$'000
Director fees	504	504
Salaries and other allowance	2,942	2,879
Discretionary bonus	–	–
Retirement benefits scheme contributions	90	90
	<b>3,536</b>	<b>3,473</b>

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

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 32. 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/ operation	Date of incorporation/ establishment	Paid-up capital/registered capital	Equity interest attributable to the Group as at 31 December		Principal activities
				2020	2019	
<b>Directly owned</b>						
REM Capital	BVI	7 November 2016	US\$50,000	100%	100%	Investment holding
<b>Indirectly owned</b>						
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%	100%	Manufacturing of low-voltage electrical power distribution and control devices

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

None of the subsidiaries had any debt securities subsisting at 31 December 2020 or at any time during the year.



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 33. CONTINGENT LIABILITIES

At 31 December 2020, contingent liabilities not provided for in the year were as follows:

	At 31 December	
	2020 HK\$'000	2019 HK\$'000
Performance bonds given to customers for due and proper performance of projects undertaken by the Group's subsidiaries	738	–

### 34. STATEMENT OF FINANCIAL POSITION

	2020 HK\$'000	2019 HK\$'000
Non-current assets		
Unlisted investment in subsidiaries	81,578	81,578
Current assets		
Other receivables	521	1,069
Amounts due from subsidiaries	23,283	16,827
Bank balances and cash	43,187	53,521
	66,991	71,417
Current liabilities		
Other payables	820	1,270
Net current assets	66,171	70,147
Net assets	147,749	151,725
Capital and reserves		
Share capital	18,000	18,000
Reserves (Note)	129,749	133,725
Total equity	147,749	151,725

Note:

	Share premium HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 January 2019	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
Loss and total comprehensive expenses for the year	–	(3,976)	(3,976)
At 31 December 2020	157,668	(27,919)	129,749

### 35. COMPARATIVE FIGURES

Certain comparable figures have been reclassified and represented to conform periods presentation.

## 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				
	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000	2017 HK\$'000	2016 HK\$'000
Revenue	116,457	211,741	186,284	198,507	179,292
(Loss) profit before income tax	(34,817)	15,554	15,708	17,982	32,781
Income tax credit (expense)	3,395	(4,093)	(5,551)	(5,534)	(6,194)
(Loss) profit for the year	(31,422)	11,461	10,157	12,448	26,587
Attributable to:					
Owners of the Company	(31,422)	11,461	10,157	12,431	26,285
Non-controlling interests	–	–	–	17	302

### ASSETS AND LIABILITIES

	As at 31 December				
	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000	2017 HK\$'000	2016 HK\$'000
Total assets	229,644	250,738	252,860	155,691	154,944
Total liabilities	(51,021)	(44,102)	(56,238)	(58,762)	(73,815)
Total equity	178,623	206,636	196,622	96,929	81,129
Attributable to:					
Owners of the Company	178,623	206,636	196,622	96,929	80,014
Non-controlling interests	–	–	–	–	1,115