



# 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

ANNUAL REPORT  
**2021**

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# 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 and resigned on 16 July 2021)  
Mr. Yip Chi Fai (appointed on 16 July 2021)

## COMPANY SECRETARY

Ms. Chow Chi Ling Janice (resigned on 28 February 2021)  
Ms. Chik Wai Chun (appointed on 28 February 2021 and resigned on 16 July 2021)  
Mr. Yip Chi Fai (appointed on 16 July 2021)

## AUDITORS

Cheng & Cheng 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, 4/F  
Chai Wan Industrial City Phase II  
No. 70 Wing Tai Road  
Hong Kong

## COMPANY WEBSITE

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

## STOCK CODE

1750

## 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 2021 (the "Year 2021") 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").

During the Year 2021, the outbreak of COVID-19 pandemic and its consequential travel restrictions situation have unfortunately persisted, which brought lingering impacts to the Group's operation. The suspension and delay in global logistics chains, postpone the delivery schedule by the customer, as well as the ongoing boarder restrictions, have all created difficulties for the industry. During the year, the Group's revenue increased by approximately HK\$14.1 million, from approximately HK\$116.5 million for the year 31 December 2020 (the "Year 2020") to approximately HK\$130.6 million for the Year 2021. The Group recorded a net loss of approximately HK\$20.2 million for the Year 2021 as compared with net loss of approximately HK\$31.4million for the Year 2020.

Looking ahead, the Group anticipates that macro environment will continue to be unpredictable due to COVID-19 pandemic. Despite the fact that vaccination programme, social distancing measures and increasing public health awareness have been proved to effective in Hong Kong, Macau and PRC, our Group has been actively reforming and adopting cost control strategies. Apart from that, the Group's production line in Humen has been suspended at the end of November 2021, due to mitigate the operation risk and to cope with the cost control strategies. The Group will closely monitor the operation of the existing owned factory in Doungguan to have better utilisation of the production capacity. Despite the uncertainties in market and pandemic, the Group is optimistic of the existing business in order to drive the Group's sustainable growth and strengthen its financial position.

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 2022

# 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.

During 2021, in view of the fact that the outbreak of COVID-19 pandemic further slowed down the economic in Hong Kong and imposed adverse impacts on the construction industry. Despite various precautionary measures had been implemented by the Government to minimise the adverse impact of COVID-19. The Group's operations were also significantly affected by material supply chain disruptions, the market for low-voltage electrical power distribution and control devices remains fierce and delays or suspensions in construction sites. Facing with such a difficult business environment, the Group continued to apply cost-saving measures, avoid incurring unnecessary production and transportation costs by monitoring production and delivery schedules for our Group's customers, and change the supply chain from oversea to the PRC to maintain stable supply of materials. The Group also suspended the production line in Humen at the end of November 2021 and re-engineer the production flow by fully utilising existing machines and equipment, maximise the production efficiency and refine the production process thus to reduce the cost.

As a result of the above, the Group's revenue was slightly increased by approximately 12.2%. Revenue attributed to sales in Hong Kong, Macau and the PRC amounted to approximately HK\$113.7 million, approximately HK\$10.8 million and approximately HK\$6.1 million, respectively, for the Year 2021 (Year ended 31 December 2020 ("Year 2020")): approximately HK\$92.6 million, approximately HK\$18.4 million and approximately HK\$5.5 million, respectively).

The Group recorded a loss for the year of approximately HK\$20.2 million for the Year 2021, compared with a net loss of approximately HK\$31.4 million for the Year 2020. The net loss after tax was narrowed down by approximately 35.8% as the revenue improved with the cost control strategies implement during the year.

## MARKET PROSPECT

The Directors are of the view that the Year 2022 will be a challenging year due to COVID-19 pandemic continues to spread around the world and there is outbreak of fifth wave of epidemic in Hong Kong, which continue to bring an industry uncertainty in Hong Kong and Macau. Looking forward, despite the global economic situation and COVID-19 remains uncertain, with our prudent and pragmatic business, the Group will strive on and tread cautiously to ride through the current and coming difficulties and challenges.

## FINANCIAL REVIEW

### Revenue

The Group's revenue increased by approximately HK\$14.1 million, or approximately 12.2%, from approximately HK\$116.5 million for the Year 2020 to approximately HK\$130.6 million for the Year 2021. Such increase was directly attributable to the resumption of our factory's operation after the lockdown implemented since the Year 2020 and provincial travel restrictions were released in the PRC. The production capacity is increased steadily to fulfil the requirements of the sales orders during the year. Also, the delivery and production schedule to customers are monitored by the management to ensure the production capacity can be fully utilised. All these factors contributed to the increase the Group's revenue during the Year 2021.

## Management Discussion and Analysis

### FINANCIAL REVIEW *(Continued)*

#### Cost of sales

The Group's cost of sales amounted to approximately HK\$119.2 million for the Year 2021, representing an increase of approximately 4.2% from approximately HK\$114.4 million for the Year 2020. The increase of the cost of sales is slightly lower than the increase in the revenue as the group strictly adopted the cost control strategies. Cost of sales mainly comprised of costs of raw materials and staff costs, which accounted for approximately 75.3% and 15.2% respectively of the Group's total cost of sales for the Year 2021 (Year 2020: approximately 80.9% and 9.9%, respectively).

#### Gross profit/Gross profit margin

The Group's gross profit increased by approximately HK\$9.3 million from approximately HK\$2.1 million for the Year 2020 to approximately HK\$11.4 million for the Year 2021 as a result of the increased in sales for the year. The overall gross profit margin of the Group, on the other hand, increased by approximately 6.9% from approximately 1.8% for the year 2020 to approximately 8.7% for the Year 2021. The increase of gross margin was mainly due to the increase in revenue which is relatively higher than the increase of cost of sales as a series of cost saving measures were implemented during the year. Since the lockdown and provincial travel restrictions is eased in the PRC, the production and manufacturing process can be closely monitored by the Group's management and thus to reduce the idle production capacity.

#### Other income, gains and losses, net

The Group's other income, gains and losses slightly decreased by approximately HK\$0.8 million, from approximately HK\$0.4 million net gains for the Year 2020 to approximately HK\$0.4 million net losses for the Year 2021. Such decrease was mainly attributable to a decrease in bank interest income of approximately HK\$0.2 million and an increase of exchange losses of approximately HK\$0.4 million during the year.

#### Selling and distribution expenses

The Group's selling and distribution expenses decreased by approximately HK\$1.7 million, or approximately 22.3%, from approximately HK\$7.6 million for the Year 2020 to approximately HK\$5.9 million for the Year 2021 which was mainly attributable to a drop in transportation expenses of approximately HK\$1.8 million as the cost saving measures strictly implemented during the year.

#### Administrative and other expenses

The Group's administrative and other expenses decreased by approximately HK\$4.9 million, or approximately 16.4%, from approximately HK\$29.6 million for the Year 2020 to approximately HK\$24.7 million for the Year 2021. The decrease was mainly due to the combined effects of (i) no bad debt expenses recognised during the Year 2021 (Year 2020: approximately HK\$1.1 million) (ii) the decrease in professional fee of approximately HK\$0.8 million and (iii) the reduction of impairment loss recognised on trade receivables and contract assets from debtors in Hong Kong, Macau and the PRC of approximately HK\$1.2 million for the Year 2021.

## Management Discussion and Analysis

### FINANCIAL REVIEW (Continued)

#### Finance costs

The Group's finance costs increased by approximately HK\$0.1 million, from approximately HK\$0.1 million for the Year 2020 to approximately HK\$0.2 million for the Year 2021, which was mainly represented interest expenses on lease liabilities and other loans for the Year 2021.

#### Taxation

The Group recorded an income tax expense of approximately HK\$0.2 million for the Year 2021 as compared to an income tax credit of approximately HK\$3.4 million for the Year 2020, which was mainly represented overprovision of tax provision in prior year and reversal of deferred tax asset during the year.

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

As a result of the above effect, loss for the year attributable to the owners of the Company of approximately HK\$20.2 million, as compared with a net loss for the year attributable to the owners of the Company of approximately HK\$31.4 million for the Year 2020.

### LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group has funded its liquidity and capital requirements primarily through cash inflows from operating activities, short-term borrowings and the 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 since the Listing.

As at 31 December 2021, the Group had bank balances and cash of approximately HK\$71.8 million (31 December 2020: approximately HK\$80.3 million). The decrease is a net effect of (i) proceeds received from short-term borrowings, and (ii) the net loss generated for the Year 2021.

As at 31 December 2021, the working capital (current assets less current liabilities) and total equity attributable to owners of the Group were approximately HK\$119.3 million (31 December 2020: approximately HK\$136.5 million) and approximately HK\$160.3 million (31 December 2020: approximately HK\$178.6 million) respectively.

Gearing ratio (calculated based on the interests bearing liabilities, which excluded lease liabilities, divided by the total equity as at the respective end of period and multiplied by 100%) as at 31 December 2021 was approximately 4.7% (31 December 2020: Not applicable). Such increase was mainly due to the short-term borrowings raised during the year.

### TRADE AND BILL RECEIVABLES

The Group's average receivable turnover days for the Year 2021 decreased to approximately 155.9 days as compared to that of approximately 184.6 days for the Year 2020. The better receivable turnover days mainly due to better collection process implemented and the large amount of the outstanding receivables were settled during the year.

However, the ending balance of trade receivables of the Year 2021 was increased when comparing to the Year 2020. This is mainly due to a large quantity of products being delivered in the last quarter of the Year 2021. Despite a rise in the balance of trade and bill receivables, the settlement of outstanding trade receivables during the Year 2021 was satisfactory and the reversal of impairment loss of approximately HK\$0.8 million was recognised, the Group did not consider there to be default on any of its other trade receivables balance as at 31 December 2021.

## Management Discussion and Analysis

### SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITION OR DISPOSALS

There were no significant investments held, nor any material acquisitions or disposals of subsidiaries, associates and joint ventures during the Year 2021.

### PLEDGE OF ASSETS

The Group's banking facilities were secured by corporate guarantees provided by the Company for unlimited amounts as at 31 December 2021 and 31 December 2020.

### 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 2021 and up to the date of this report.

### CAPITAL COMMITMENTS

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 2021 and the Year 2020.

	2021 HK\$'000	2020 HK\$'000
Contracted, but not provided for		
– committed investment in a subsidiary	1,000	1,000
– acquisition of property, plant and equipment	–	415
	<b>1,000</b>	<b>1,415</b>

### CONTINGENT LIABILITIES

At 31 December 2021, contingent liabilities not provided for in the year were as follows:

	At 31 December	
	2021 HK\$'000	2020 HK\$'000
Performance bonds given to customers for due and proper performance of projects undertaken by the Group's subsidiaries	<b>6,975</b>	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.

## Management Discussion and Analysis

### 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 2021 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.

### EMPLOYEES AND REMUNERATION POLICY

The Group had 221 full-time employees as at 31 December 2021 (31 December 2020: 238), among which 44 and 177 (31 December 2020: 44 and 194) 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 2021 were approximately HK\$34.5 million (Year 2020: approximately HK\$30.4 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 2021 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.

## Management Discussion and Analysis

### USE OF PROCEEDS FROM THE LISTING

The shares of the Company (the "Shares") have been listed on the Stock Exchange since 11 May 2018. 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 2021 is set out below:

Description	Net proceeds from Listing (HK\$ million)	Net proceeds utilised up to 31 December 2021 (HK\$ million)	Unutilised net proceeds as at 31 December 2021 (HK\$ million)	Expected timeline for utilising the unutilised net proceeds (Note 1)
(i) Acquisition of a factory in the PRC ("New Factory")				
– Consideration of the New Factory and the related commission, deed tax, stamp duty and professional fees	37.4	2.9 (Note 2)	34.5	By 30 June 2023 (Note 5)
– Acquisition of machineries and equipment	21.2	3.7 (Note 3)	17.5	By 31 December 2023 (Note 6)
(ii) Acquisition of machineries and equipment for the existing factory located in Dongguan ("DG Factory")	13.3	4.5 (Note 4)	8.8	By 31 December 2022 (Note 7)
(iii) General Working Capital	3.1	3.1	–	N/A
<b>Total</b>	<b>75.0</b>	<b>14.2</b>	<b>60.8</b>	

Notes:

- The Group's plan for the use of net proceeds are all related to acquisitions to be made in the PRC and as such, is being temporary halted due to the outbreak of COVID-19 continues to spread around the world which resulted in a series of travel restrictions and quarantine control measures being implemented in Hong Kong and the PRC, affecting a majority of the Hong Kong staff and the management from travelling to the PRC. 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 year 2022. 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.

## Management Discussion and Analysis

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

Notes: *(Continued)*

2. Up to 31 December 2021, the Company had utilised the relevant proceeds from the Listing of approximately HK\$2.9 million for rental of a temporary factory in Humen Town and the related renovation costs.
3. Up to 31 December 2021, the Company had utilised the relevant proceeds from the initial public offering of approximately HK\$3.7 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 2021, the Company had utilised the relevant proceeds from the initial public offering of approximately HK\$4.5 million for acquiring machineries and equipment for the DG Factory.
5. The Group had been closely observing the property market in the PRC since COVID-19 outbreak and will continue to closely monitor 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 in the latter half of 2022), i.e. on or before 30 June 2023.
6. The Group has postponed the plan for acquisition of the New Factory as stated in Note 5, and consequently have also deferred the progress of purchasing the remaining machineries and equipment for the New Factory. 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 2023 (assuming that the impacts of COVID-19 on the Group's business operations will cease in the latter half of 2022).
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, the mandatory quarantine requirement, and shortage of manpower. Therefore, the Group have slowed down 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 phrases 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\$60.8 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 2021 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 60, 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 53, 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 65, 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 64, 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 65, 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. When H.A. Brechin Co. Limited merged with Turner & Townsend plc in March 2013, he then continued to serve Turner & Townsend Brechin Limited as a director, and retired on April 2022. Mr. Cheng was a director of the Hong Kong Green Building Council Limited from January 2012 to December 2017 and served as a director of BEAM Society Limited from October 2014 to June 2021.

### NG Ching Ying

Ms. Ng Ching Ying ("Ms. Ng"), aged 46, 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 39, 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 46, 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. He passed away on 29 December 2021.

#### TO Kwai Sang

Mr. To Kwai Sang ("Mr. To"), aged 49, 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. On 26 June 2021, he resigned from his capacity as our senior technical manager.



## Biographical Details of Directors and Senior Management

### WONG Man Wai Thomas

Mr. Wong Man Wai Thomas ("Mr. Wong"), aged 54, was appointed as the general manager of the Company on 1 February 2022. He is responsible for overseeing the daily operation of and coordination in the Group's projects. He has over 21 years of experience in electrical and mechanical engineering industry. He completed form five education in June 1984 in Hong Kong. Prior to joining our Group, Mr. Wong worked for SEM Holdings Limited, which is listed on the Main Board of the Stock Exchange (Stock code: 9929), from April 2008 to January 2022 as a project manager.

### COMPANY SECRETARY

#### CHIK Wai Chun

Ms. Chik Wai Chun ("Ms. Chik"), aged 37, was appointed as the company secretary of the Company on 28 February 2021 and resigned on 16 July 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 (a company listed on the GEM of the Stock Exchange with stock code: 8331) (currently known as P.B. Group Limited).

#### YIP Chi Fai

Mr. Yip Chi Fai ("Mr. Yip"), aged 41 was appointed as the company secretary of the Company on 16 July 2021. Mr. Yip has over 20 years of audit, accounting and company secretarial experience. From November 2020 to July 2021, he was the company secretary and authorised representative of a company listed on the main board of the Stock Exchange. Mr. Yip is a member of The Hong Kong Institute of Certified Public Accounts and he has awarded one-year advanced certificate in accountancy by Hong Kong Christian Service Kwun Tong Vocational Training Centre.

# 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 2021.

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 2021.

## 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 2021 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 12 to 16 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 (the "AGM") 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 AGM, 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 AGM 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.

## Corporate Governance Report

### THE BOARD OF DIRECTORS *(Continued)*

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

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

The 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 2021 is set out on page 23 of this report.

## Corporate Governance Report

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

#### **Audit Committee** *(Continued)*

The Audit Committee convened five meetings during the Year 2021. The Audit Committee performed the following work during the Year 2021:

- (a) reviewed the Group's annual audited financial statements for the Year 2020, and reviewed the unaudited interim financial statements for the six months ended 30 June 2021 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;
- (d) considered and made recommendations on the re-appointment of the independent auditor of the Group, and the terms of engagement; and
- (e) considered and made recommendations on the change of the independent auditor of the Group, and the terms of engagement.

The Company's annual results for the Year 2021 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 2021 is set out on page 23 of this report.

The Nomination Committee convened one meeting during the Year 2021. The main works performed by the Nomination Committee during the Year 2021 included reviewing the independence of the independent non-executive Directors, considering the qualifications of the retiring Directors standing for election at the 2021 AGM, 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 2021 is set out on page 23 of this report.

The Remuneration Committee convened one meeting during the Year 2021. The main works performed by the Remuneration Committee during the Year 2021 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 2021 are set out in note 11 to the consolidated financial statements. The remuneration of the senior management for the Year 2021 is listed below by band:

Band of Remuneration (HK\$)	Number of Persons
HK\$Nil to HK\$1,000,000	5

### CORPORATE GOVERNANCE

The Board is also responsible for performing the functions set out in the code provision A2.1 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 2021 is set out in the table below:

Name of Director	Attendance/Number of Meetings				2021 AGM
	Board	Audit committee	Remuneration committee	Nomination committee	
Mr. Wan Man Keung	4/4		1/1	1/1	1/1
Mr. Leung Ka Wai	4/4				1/1
Mrs. Kan Wan Wai Yee Mavis	4/4	5/5			1/1
Mr. Ng Chi Keung Alex	4/4		1/1	1/1	1/1
Mr. Cheng Sum Hing	4/4	5/5	1/1	1/1	1/1
Ms. Ng Ching Ying	4/4	5/5			1/1

During the Year 2021, 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 2021 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				✓

The Company's diversity philosophy including the gender diversity was generally followed in the workforce throughout the Group for the year ended 31 December 2021. As of the date of this report, 67% of Directors and 65% of total workforce were male. The Company will continue to take, steps to promote diversity, including gender diversity, at workforce levels.

## 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. Such induction shall be supplemented by visits to the Company's key plant sites or meetings with senior management of the Company.

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

During the Year 2021, 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 2021.

### DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the Group's consolidated financial statements for the Year 2021.

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 58 to 62 of this report.

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

### AUDITORS' REMUNERATION

The Audit Committee has reviewed and ensured the independence and objectivity of the external auditors, Cheng & Cheng Limited. Details of the fees paid or payable to Cheng & Cheng Limited for the Year 2021 are as follows:

<b>Nature of services</b>	<b>Amount HK\$'000</b>
Audit services	600
	600

## Corporate Governance Report

### AUDITORS

The consolidated financial statements of the Group for the years ended 31 December 2019 was audited by Deloitte Touche Tohmatsu, who were appointed by the Directors as the first auditor of the Company.

The consolidated financial statements of the Group for the year ended 31 December 2020 were audited by Wellink CPA Limited, who were appointed as the Company's auditor on 24 July 2020 to fill the casual vacancy arising from the resignation of Deloitte Touche Tohmatsu on 24 July 2020.

The consolidated financial statements of the Group for the year ended 31 December 2021 were audited by Cheng & Cheng Limited, who were appointed as the Company's auditor on 23 December 2021 to fill the casual vacancy arising from the resignation of Wellink CPA Limited on 23 December 2021. Save as disclosed above, there has been no other change of auditor for the preceding three years.

### 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 2021, LIF Consultants Limited (the "Consultant") was engaged to review the effectiveness of the risk management and internal control systems. The Consultant worked closely with the Group to identify risk components and risk owners in different aspects through interviews with and workshops provided to the Group's management. Also, the Consultant assisted the Group to evaluate the adequacy of the existing mitigation plans. In addition, an independent review was conducted by the Consultant under the Committee of Sponsoring Organisation of the Treadway Commission's 2013 framework to identify weaknesses and enhance the effectiveness and efficiency of the internal control system of the Group. Last but not least, findings and recommendations resulting from the review were reported to and discussed with the Audit Committee, and the Consultant concluded that no significant area of concern that may affect the financial, operational, compliance control and risk management of the Group has been identified.

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

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

## Corporate Governance Report

### ENVIRONMENTAL POLICIES AND PERFORMANCE

The Board has overall responsibility for the Group's environmental, social and governance strategy and reporting. The Board is responsible for the Group's environmental, social and governance ("ESG") risk management and internal control systems to ensure that the ESG strategies and reporting requirements are met. Detailed information on the environmental, social and governance practices adopted by the Group is set out in the sections headed "Environmental, Social and Governance Report" ("ESG Report") of this report.

### DISCLOSURE OF INSIDE INFORMATION

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

### COMPANY SECRETARY

The Company has appointed Ms. Chow Chi Ling Janice ("Ms. Chow"), who is an employee of the Group as its company secretary. Ms. Chow resigned as the company secretary and Ms. Chik Wai Chun ("Ms. Chik") was appointed as the company secretary with effect from 28 February 2021. Ms. Chik resigned as company secretary and Mr. Yip Chi Fai ("Mr. Yip") was appointed as the company secretary with effect from 16 July 2021, respectively. The biographies of Ms. Chow, Ms. Chik and Mr. Yip are set out in the section headed "Biographical Details of Directors and Senior Management" of this report.

Ms. Chow, Ms. Chik and Mr. Yip confirmed that for the year under review, they have taken no less than 15 hours of relevant professional training. All members of the Board have access to the advice and services of the Company Secretary.

The appointment and removal of the Company Secretary will be subject to the approval of the Board at its meeting.

## Corporate Governance 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](mailto: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 2021 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 2021.

### 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 2021 are set forth in the consolidated statement of profit or loss and other comprehensive income on page 63 of this report. The Board does not recommend the payment of a final dividend for the Year 2021 (Year 2020: 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 118 of this report. Such summary does not form part of the audited consolidated financial statements for the Year 2021.

### PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the Year 2021 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 2021.

### RESERVES AND DISTRIBUTABLE RESERVES

As at 31 December 2021, the Company's reserves available for distribution to Shareholders amounted to approximately HK\$125.1 million (31 December 2020: approximately HK\$129.7 million).

Movements of the reserves of the Company and of the Group during the Year 2021 are set out in note 34 to the consolidated financial statements and in the consolidated statement of changes in equity on page 66, respectively.

## Report of the Directors

### MAJOR CUSTOMERS AND SUPPLIERS

During the Year 2021, the five largest customers of the Group accounted for approximately 46.9% of the total revenue of the Group and the largest customer accounted for approximately 21.5% of the total revenue of the Group.

The aggregate purchases attributable to the Group's largest supplier and five largest suppliers accounted for approximately 23.3% and 67.0% of the Group's total purchases for the Year 2021, 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 2021 and up to the date of this report are as follow:

#### Executive Directors

Mr. Wan Man Keung (*Chairman*)

Mr. Leung Ka Wai (*Chief Executive Officer*)

#### Non-Executive Director

Mrs. Kan Wan Wai Yee Mavis

#### Independent Non-Executive Directors

Mr. Ng Chi Keung Alex

Mr. Cheng Sum Hing

Ms. Ng Ching Ying

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

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

Accordingly, Mrs. Kan Wan Wai Yee Mavis and Mr. Cheng Sum Hing 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.

## Report of the Directors

### **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 2021 or at any time during the Year 2021.

### **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 2021 and up to the date of this report, none of the Directors or their respective associates (as defined in the Listing Rules) had any interest in any business which were in competition or were likely to compete, either directly or indirectly with the Group's business which needs to be disclosed pursuant to Rule 8.10 of the Listing Rules.

### **DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES**

At no time during the Year 2021 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.



## Report of the Directors

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

As at 31 December 2021, 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:

1. The letter "L" denotes a person's "long position" (as defined under Part XV of the SFO) in such Shares.
2. Unique Best Limited ("Unique Best") is owned by WANs Limited, REM Enterprises Limited ("REM Enterprises") and REM Limited as to 85.14%, 13.33% and 1.53%, respectively. WANs Limited is wholly owned by WAN Union Limited ("WAN Union") (as trustee of the WAN Union Trust), while REM Enterprises is wholly owned by Mr. KW Leung and REM Limited is wholly owned by Mr. Yu Chi Kwan ("Mr. CK Yu"). The WAN Union Trust is a discretionary family trust established by Mr. MK Wan, Mr. Wun Chi Wai ("Mr. CW Wun") and Mr. Wun Chi Keung ("Mr. CK Wun") as settlors and WAN Union as trustee which holds the entire interest in WANs Limited on trust for the benefits of Mr. MK Wan, Mr. CW Wun and Mr. CK Wun, and their immediate family members. By virtue of the SFO, Mr. MK Wan and Mr. CW Wun, being the settlors and beneficiaries, and WAN Union, being the trustee, are deemed to be interested in the Shares in which WANs Limited is interested. The board of directors of WAN Union comprises solely Mr. MK Wan, 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). Mr. CW Wun resigned as the director of WAN Union on 23 February 2022. 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

### 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. The board of directors of WAN Union comprises solely Mr. MK Wan, 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). Mr. CW Wun resigned as the director of WAN Union on 23 February 2022. 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 2021, 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 2021, 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%

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. The board of directors of WAN Union comprises solely Mr. MK Wan, 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). Mr. CW Wun resigned as the director of WAN Union on 23 February 2022. 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

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 2021, the Directors were not aware of any person (other than the Directors and chief executive of the Company) who had an interest and short position in Shares or underlying Shares as recorded in the register required to be kept by the Company under section 336 of the SFO.

### CONNECTED TRANSACTION

The Company had no connected transactions or continuing connected transactions which requires compliance with any of the reporting, announcement or independent Shareholders' approval requirements under Chapter 14A of the Listing Rules during the Year 2021.

### RELATED PARTY TRANSACTIONS

The Directors confirm that the related party transactions of the Group during the Year 2021 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 2021, 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 nonexecutive 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 2021.

### 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 2021 or subsisted at the end of the Year 2021.

## Report of the Directors

### TAX RELIEF

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

### SHARE OPTION SCHEME

On 23 April 2018, the Company adopted the share option scheme (the "Share Option Scheme") as incentive or reward for contributions that the eligible participants have made or may make to the Group. Pursuant to the Share Option Scheme, the Company may grant options to any employee, advisor, consultant, service provider, agent, client, partner or joint venture partner of the Company or its subsidiaries (including any Director or any director of the Group's subsidiaries) who is in full-time or part-time employment with or otherwise engaged by the Company or any subsidiary at the time when an option is granted to such person under the Share Option Scheme or any person who, in the absolute discretion of the Board, has contributed or may contribute to the Group (the "Eligible Participants") to subscribe for the Shares thereby linking their interest with that of the Group.

Subject to the terms of the Share Option Scheme, the Board may, in their absolute discretion make offer to the Eligible Participants. The Share Option Scheme will remain in force for a period of 10 years from the date of adoption, after which period no further options will be granted but the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any options granted or exercised prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme.

The maximum number of Shares in respect of which options may be granted at any time under the Share Option Scheme (together with options which may be granted under any other share option schemes) shall not exceed such number of Shares as equal to 10% of the issued share capital of the Company at the date of the Listing.

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

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

There were no share options outstanding under the Share Option Scheme nor were any share options granted, agreed to be granted, exercised, cancelled or lapsed under the Share Option Scheme since its adoption date and up to the date of this report. The total number of Shares available for grant under the scheme was 180,000,000 Shares, representing 10% of the issued share capital of the Company as at the date of this report.

## Report of the Directors

### **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 2021 and up to the date of this report, the Group had obtained all the registrations and certifications required for its business and operations in Hong Kong and the PRC, and had complied with all applicable laws and regulations in the above-mentioned jurisdictions in all material respect.

### **ENVIRONMENTAL POLICIES AND PERFORMANCE**

The Group is committed to ensure the long-term sustainability of the environment and persistently strives to operate its business in an economic, social and environmentally sustainable manner. Discussions on the Group’s environmental policies, relationships with its key stakeholders and compliance with relevant laws and regulations which have a significant impact on the Group are contained in the Environmental, Social and Governance Report on pages 39 to 57 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 2021 and up to the date of this report.

### **DONATION**

During the Year 2021, the Group did not make charitable and other donations. (2020: 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 2021.

## Report of the Directors

### AUDITOR

Cheng & Cheng Limited was appointed as the auditor of the Company on 23 December 2021 to fill the casual vacancy following the resignation of Wellink CPA Limited.

The consolidated financial statements for the year ended 31 December 2021 have been audited by Cheng & Cheng Limited 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 Cheng & Cheng Limited as the auditor of the Company.

On behalf of the Board

**Wan Man Keung**

*Chairman*

Hong Kong

30 March 2022

# Environmental, Social and Governance Report 2021

## 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 ESG Report for the Year 2021, 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 2021 to 31 December 2021. 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.

The Board holds the overall responsibility on the ESG issues and implementation on the ESG strategies, direction and policies. The Board discusses and reviews the risks and opportunities, performance, progress, goals and targets regularly to monitor the ESG performance, related issues and potential risks. The Board institutionalise the overall ESG issues into smaller issues and meetings are arranged regularly to evaluate the effectiveness of current policies and procedures and formulate appropriate solutions to improve the overall performance of ESG policies. Existing and upcoming plans will be discussed during the meetings to monitor and manage the Group's strategic goals in terms of sustainable development, mitigate potential risks, and minimise their negative impacts on our business operations.

## Reporting principles

During the preparation for this ESG Report, the Group has applied the reporting principles in Appendix 27 as follows:

Reporting principles	Application
Materiality	During the reporting period, materiality assessment was conducted to identify key aspects of the Group's long-term sustainability. Please refer to "materiality assessment" for more details.
Quantitative	This ESG report has disclosed the standards, methodologies, assumptions and/or calculation tools used, and source of conversion factors used, for the reporting of emissions/energy consumption (where applicable).
Balance	The ESG report provide an unbiased picture of the Group's performance.
Consistency	The key performance indicators ("KPIs") used, methods and other relevant factors are substantially unchanged, comparing to the previous year. For changes in scope of disclosure and calculation methodologies, proper disclosures and explanations are provided.



# Environmental, Social and Governance Report 2021

## 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>

## 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 and community investment. Based on the 24 issues identified, interviews and questionnaires were conducted to collect opinions from internal and external stakeholders.

# Environmental, Social and Governance Report 2021

A materiality matrix was developed based on the replies from stakeholders, which 18 critical issues were identified. Among the critical issues, approximately 44% are related to environmental protection, followed by employment and labour practices at approximately 33%, and operational practices at approximately 23%.



## 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, Social and Governance Report 2021

## 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 reporting year, 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.

## Environmental, Social and Governance Report 2021

On the other hand, general activities associated to business operations will generate emissions included fuels consumed from motor vehicle for travelling and paper usage for general documentation. With the aim to ease gaseous fuel consumption emissions, the Group had replaced the daily general usage of liquefied petroleum gas stoves with electronic appliances for cooking to eliminate the gaseous fuel consumption emission during the reporting year. In addition, the Group has targeted to further reduce emission by replacing the petrol and diesel cars in use with electronic cars.

Below sets out the Group's air emissions data and GHG emission data for the Year 2021 and the Year 2020.

	Note	Unit	2021	2020
<b>Gaseous fuel consumption emissions</b>				
NOx Emissions		kg	-	61,023.60
SOx Emissions		kg	-	303.60
<b>Vehicles emissions</b>				
NOx Emissions		kg	<b>31.03</b>	29.22
SOx Emissions		kg	<b>0.19</b>	0.16
PM Emissions		kg	<b>2.83</b>	2.69
<b>GHG emissions in CO<sub>2</sub>e</b>				
<i>Scope 1 - Direct emissions</i>				
Combustion		tonnes	<b>33.19</b>	27.00
<i>Scope 2 - "Energy indirect" emissions</i>				
Electricity purchased	Note 1	tonnes	<b>608.98</b>	806.05
<i>Scope 3 - Other indirect emissions</i>				
Paper waste disposed at landfills		tonnes	<b>11.02</b>	11.03
Electricity used for processing fresh water and sewage by government department	Note 2	tonnes	<b>22.07</b>	26.38
Business air travel by employees		tonnes	<b>1.75</b>	2.48

Notes:

- For electricity supplied from Hong Kong, the Emission Factor (0.71 kg/kWh and 0.39 kg/kWh) is available from HK Electric Company's 2020 Sustainability Report and CLP's 2021 Sustainability Report respectively.  
  
For electricity supplied from the PRC, the Emission Factor (0.6101 kg/kWh) is available from Ministry of Ecology and Environment's Electricity Emission Factor Report 2019.
- For water supplied from Hong Kong and PRC, the unit electricity consumption of water (0.417 m<sup>3</sup>/kWh) is available from Water Supplies Department Annual Report 2019/20.

# Environmental, Social and Governance Report 2021

## 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	2021	2020
<b>Non-hazardous waste</b>			
Wasted powder	tonnes	1.06	0.60
Wasted material	tonnes	197.99	179.84
Sewage	tonnes	24.00	27.00
Non-hazardous waste per operating facility	tonnes/unit	37.18	29.63

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. The Group targets to reduce the waste to below 35 tonnes per unit in the next fiscal year, measures will be 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. The Group targets to reduce energy consumption of factory by 2% in the next fiscal year, by continuing to educate its employees on conservation habitats and regularly monitor the consumption of energy.

During the Year 2021, 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.

## Environmental, Social and Governance Report 2021

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.

As the Group's factories were temporary shut down during the Year 2020 and production resumed during Year 2021, the overall energy consumption had been increased accordingly. The respective resources consumption data of the Group are set out below:

	Unit	2021	2020
<b>Energy consumption</b>	Note 1		
Factory	kWh	<b>944,234.40</b>	925,060.80
Office and workshop	kWh	<b>46,459.00</b>	44,767.00
Energy consumption per operating facility	kWh/unit	<b>165,115.57</b>	138,546.83
<b>Water consumption</b>			
Factory	m <sup>3</sup>	<b>17,627.20</b>	20,703.80
Office and workshop	m <sup>3</sup>	<b>22.00</b>	51.00
Water consumption per operating facility	m <sup>3</sup> /unit	<b>2,941.53</b>	2,964.97
<b>Packaging materials used</b>			
Carton paper box	tonnes	<b>18.00</b>	21.60
Packaging Foam	sheets	<b>2,800.00</b>	2,600.00

Note:

1. A workshop was reclassified from factory to office and workshop during Year 2021 and comparative figures have been revised to comfort with current year presentation.

### 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 organisations 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 2021

## Climate Change

Climate change has been a worldwide growing issue. In Year 2021, the Group aimed to improve transparency of risk identified associated with the climate change and thus, has aligned the climate disclosure with the Taskforce on Climate-related Financial Disclosure ("TCFD") recommendations.

### Strategy

The Group has assessed the risks and opportunities brought by climate change and evaluate the significance of impact with climate scenario.

### Risk Management

The Group continuously keeps tracking on the changes in environmental laws and regulations. With the references to these laws and regulations, the Group identify relevant risks and carry out appropriate follow-up action.

### Metrics And Targets

To progressively meet the energy and carbon emission targets set, the Group records the energy consumption and greenhouse gas emissions regularly.

The Group has identified the climate change risks and opportunities and assessed the related impacts on the business are set out in the following table:

Risks	Description	Response strategies
<b>Physical risks</b>		
Acute risk	Increased severity of extreme weather events such as typhoons and floods may cause damage to the production line and affect the transportation of raw materials and products.	Established disasters emergency plan
Chronic risk	Rising mean temperature and change in weather patterns may increase energy consumption.	Implied various energy saving measures
<b>Transition risks</b>		
Policy and legal risks	Enhanced emissions-reporting obligations and proposing of related policies and regulations which increased the operating costs.	Keep track of the update of the reporting obligation, policies and regulations
Technology risk	More low-carbon, energy-saving technologies are produced may lead to reduce in demand of the existing products and increase research and development expenditure.	Analysis the benefits of the latest environmental technologies, apply only when necessary
Market risk	More customers are considering climate-related risks and opportunities, which may lead to shift in customer preference.	Pay attention to customer need and continue to improve the products to fit customer preference
Reputation risk	Increased stakeholder concern may lead to reduction in capital availability.	Communicate with stakeholders and understand their concerns

## Environmental, Social and Governance Report 2021

While climate change imposes physical and transitional risks towards the operations, there are also opportunities for the operations if the Group can take the right approach in addressing the issue.

Opportunities	Description
Resource efficiency	The Group seeks to use more efficient production and distribution process and use of recycling to reduce operating cost and increase production capacity.
Energy source	The Group seeks to use lower-emission sources of energy to reduce exposure to GHG emission and reduce the operational cost.
Products and services	The Group seeks opportunities to shift in consumer preferences to increase revenue and better competitive position.
Markets	The Group seeks opportunities to access to new market to increase revenue and diversify risk.
Resilience	The Group seeks opportunities to substitute or diversify the resource used to ensure resiliency.

### 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 2021, the total number of employees, who are in direct employment relationship with the Group, is 221 (2020: 238). This resulted in a decrease of approximately 7% as compared to last year, and the total employee turnover rate is approximately 33% (2020: 26%). During the year, majority of the resigned staff, at approximately 74%, 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.



## Environmental, Social and Governance Report 2021

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

	2021		2020	
	Turnover rate	Number of employees	Turnover rate	Number of employees
<b>Gender</b>				
Male	36.36%	144	20.42%	164
Female	26.49%	77	37.50%	74
<b>Employment types</b>				
Senior management	54.55%	17	17.65%	16
Middle management	41.03%	15	-	24
Entry level	30.49%	189	29.68%	198
<b>Age groups</b>				
30 or below	62.65%	33	50.00%	50
31 to 50	28.47%	140	13.99%	148
51 or above	20.45%	48	32.97%	40
<b>Geographical regions</b>				
Hong Kong	45.45%	44	17.98%	44
PRC	30.19%	177	27.72%	194

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 2021, 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.

### 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 regarding onsite health and safety in the construction site to strive for zero accidents of all persons involved in construction works. The Group is pleased that no work-related fatalities have been reported in each of the past three years including the reporting year. However, one (2020: two) incidents of work injuries were occurred and the total loss days due to work injury is 19 (2020: 102) days for the Year 2021.

## Environmental, Social and Governance Report 2021

During the Year 2021, 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 2021, the Group has provided a total of 602 (2020: 733) hours of occupational training to 158 (2020: 181) employees, representing approximately 69% (2020: 73%) of staff has been trained and average training hour per staff was 2.62 (2020: 2.97) hours. Below table sets out the average training hours and percentage of employees trained by gender and employment types.

	2021		2020	
	Percentage of employees trained	Average training hours per employee	Percentage of employees trained	Average training hours per employee
<b>Gender</b>				
Male	70.13%	2.92	69.67%	2.89
Female	66.23%	2.02	81.25%	3.14
<b>Employment types</b>				
Senior management	54.55%	0.82	41.18%	1.32
Middle management	66.67%	3.85	75.00%	4.46
Entry level	70.10%	2.65	75.91%	2.94

Note:

1. The percentage of employees trained is calculated using number of trained employees divided by average number of employees for the year.
2. Average training hours per employee are calculated using total training hours divided by average number of employees for the year.

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.

# Environmental, Social and Governance Report 2021

## 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 formalised the minimum age requirement of 18 years old in the recruitment policies by verifying the personal information in each new hire's identity card and adequate background check. The Group has formal procedures in place to eliminate illegal labour practices if discovered, including investigation, reporting to authorities, rectification actions etc. During the Year 2021, 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 by each qualified supplier. The Group purchase materials only from reputable and reliable suppliers, most of whom they have long-term relationships with. 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.

	2021	2020
<b>Geographical regions</b>		
Hong Kong	25	31
China	100	73
Others	1	1

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. The Group also requires its supply chain partners to uphold the Group's principles of ethical business conduct thereby minimizing the environmental and social risk that may be encountered by the Group.

In addition, supplier vetting process is required for all new suppliers. The Group's selection and continued support of suppliers is heavily influenced by the outcome of supplier vetting process, the quality of suppliers' products and their performance affecting occupational health, safety, quality and the environment. The vetting criteria of suppliers and subcontractors included but not limit to background check, certification to a recognised standard and approval by regulatory authorities. Suppliers with inferior past records of material environmental or social accidents, such as excessive pollutions discharges to the environment, exploitation of workers and safety incidents, will be exempted from the supplier list.

# Environmental, Social and Governance Report 2021

## 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. If any defects detected by customers, the project manager would investigate and follow-up actions would be taken.

### *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 2021, 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 2021

The Group's senior management is responsible for safeguarding the intellectual properties. The logo and name of our brands have been registered as trademarks in Hong Kong and PRC. In the event of intellectual property infringement by third parties, the Group will engage its legal counsel to take necessary action (i.e. warning letters, litigation) against them.

Contracts between the Group and employees and relevant parties contain a confidentiality clause to prevent the disclosure of sensitive information. In addition, data protection and privacy measures are set up by the senior management to protect and monitor all data with regards to customers, suppliers and other relevant parties. The Group adheres to the relevant privacy rules and regulation in the operating environment and is unaware of any unauthorised access, accidental, usage or amendments of these data.

### 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 audit committee. Any matters of genuine concern are to be thoroughly investigated by the management and actions will be taken accordingly. The Board would monitor the aforesaid implementation and arrange training related to anti-corruption and anti-bribery on a regular basis.

During the Year 2021, 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 2021

## CONTENT INDEX

ENVIRONMENTAL		Section reference
<b>Aspect A1: Emissions</b>		
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	Direct (Scope 1) and energy indirect (Scope 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 emissions target(s) set and steps taken to achieve them.	• 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
<b>Aspect A2: Use of Resources</b>		
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 (kWh in '000s) 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 target(s) set and steps taken to achieve them.	• Use of Resources
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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 2021

ENVIRONMENTAL		Section reference
<b>Aspect A3: The Environment and Natural Resources</b>		
General Disclosure	Policies on minimising the issuer's significant impacts 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>
<b>Aspect A4: Climate Change</b>		
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	<ul style="list-style-type: none"> <li>• Climate Change</li> </ul>
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	<ul style="list-style-type: none"> <li>• Climate Change</li> </ul>

# Environmental, Social and Governance Report 2021

SOCIAL		Section reference
<b>Aspect B1: Employment</b>		
General Disclosure	Information on: a) the policies; and b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	<ul style="list-style-type: none"> <li>• Employment</li> </ul>
KPI B1.1	Total workforce by gender, employment type (for example, full- or parttime), 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>
<b>Aspect B2: Health and Safety</b>		
General Disclosure	Information on: a) the policies; and b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	<ul style="list-style-type: none"> <li>• Health and Safety</li> </ul>
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	<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, and how they are implemented and monitored.	<ul style="list-style-type: none"> <li>• Health and Safety</li> </ul>
<b>Aspect B3: Development and Training</b>		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	<ul style="list-style-type: none"> <li>• Development and Training</li> </ul>
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	<ul style="list-style-type: none"> <li>• Development and Training</li> </ul>
KPI B3.2	The average training hours completed per employee by gender and employee category.	<ul style="list-style-type: none"> <li>• Development and Training</li> </ul>



# Environmental, Social and Governance Report 2021

SOCIAL		Section reference
<b>Aspect B4: Labour Standards</b>		
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.	<ul style="list-style-type: none"> <li>Labour Standards</li> </ul>
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	<ul style="list-style-type: none"> <li>Labour Standards</li> </ul>
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	<ul style="list-style-type: none"> <li>Labour Standards</li> </ul>
<b>Aspect B5: Supply Chain Management</b>		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	<ul style="list-style-type: none"> <li>Supply Chain Management</li> </ul>
KPI B5.1	Number of suppliers by geographical region.	<ul style="list-style-type: none"> <li>Supply Chain Management</li> </ul>
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	<ul style="list-style-type: none"> <li>Supply Chain Management</li> </ul>
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	<ul style="list-style-type: none"> <li>Supply Chain Management</li> </ul>
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	<ul style="list-style-type: none"> <li>Supply Chain Management</li> </ul>
<b>Aspect B6: Product Responsibility</b>		
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.	<ul style="list-style-type: none"> <li>Product Responsibility</li> </ul>
KPI 6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	<ul style="list-style-type: none"> <li>Product Responsibility</li> </ul>
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	<ul style="list-style-type: none"> <li>Product Responsibility</li> </ul>
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	<ul style="list-style-type: none"> <li>Product Responsibility</li> </ul>
KPI B6.4	Description of quality assurance process and recall procedures.	<ul style="list-style-type: none"> <li>Product Responsibility</li> </ul>
KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	<ul style="list-style-type: none"> <li>Product Responsibility</li> </ul>

## Environmental, Social and Governance Report 2021

SOCIAL		Section reference
<b>Aspect B7: Anti-corruption</b>		
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.	<ul style="list-style-type: none"> <li>• Anti-corruption</li> </ul>
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.	<ul style="list-style-type: none"> <li>• Anti-corruption</li> </ul>
KPI B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	<ul style="list-style-type: none"> <li>• Anti-corruption</li> </ul>
KPI B7.3	Description of anti-corruption training provided to directors and staff.	<ul style="list-style-type: none"> <li>• Anti-corruption</li> </ul>
<b>Aspect B8: Community Investment</b>		
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.	<ul style="list-style-type: none"> <li>• Community Investment</li> </ul>
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	<ul style="list-style-type: none"> <li>• Community Investment</li> </ul>
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	<ul style="list-style-type: none"> <li>• Community Investment</li> </ul>

# Independent Auditor's Report



## **CHENG & CHENG LIMITED**

CERTIFIED PUBLIC ACCOUNTANTS

鄭 鄭 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 63 to 117, which comprise the consolidated statement of financial position as at 31 December 2021, 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 2021, 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 2021, the Group's net trade receivables and net contract assets amounting to approximately HK\$57,405,000 and HK\$22,058,000, respectively, which represented approximately 25.1% and 9.7% 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 2021 amounted to approximately HK\$1,129,000 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 and historical payment records as at 31 December 2021, on a sample basis, by comparing individual items in the analysis with the relevant supporting documents;
- Challenging management's basis and judgement in determining credit loss allowance on trade receivables and contract assets as at 31 December 2021, including their identification of credit impaired trade receivables and contract assets, the reasonableness of management's grouping of the remaining trade debtors and contract assets into different categories in the provision matrix, and the basis of estimated loss rates applied in each category in the provision matrix (with reference to historical default rates and forward-looking information); and
- Checking subsequent settlements, on a sample basis.

## Independent Auditor's Report

### OTHER MATTER

The consolidated financial statements of the Group for the year ended 31 December 2020, were audited by another auditor who expressed an unmodified opinion on those statements on 30 March 2021.

### OTHER INFORMATION

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

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

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

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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.

**CHENG & CHENG LIMITED**

*Certified Public Accountants*

**Lui Chun Yip**

Practising Certificate number PO7004

Hong Kong, 30 March 2022

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2021

	Notes	2021 HK\$'000	2020 HK\$'000
Revenue	5	130,636	116,457
Cost of sales		(119,229)	(114,370)
Gross profit		11,407	2,087
Other income, gains and losses, net	6	(445)	443
Selling and distribution expenses		(5,916)	(7,618)
Administrative and other expenses		(24,739)	(29,598)
Finance costs	7	(230)	(131)
<b>Loss before taxation</b>	8	<b>(19,923)</b>	(34,817)
Income tax (expense) credit	9	(242)	3,395
<b>Loss for the year</b>		<b>(20,165)</b>	(31,422)
<b>Other comprehensive income for the year:</b>			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		1,829	3,409
<b>Total comprehensive expense for the year</b>		<b>(18,336)</b>	(28,013)
<b>Loss per share (HK cents) – basic</b>	12	<b>(1.12)</b>	(1.75)



# Consolidated Statement of Financial Position

At 31 December 2021

	Notes	2021 HK\$'000	2020 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	13	24,526	27,257
Right-of-use assets	14	3,856	4,361
Rental deposits		23	23
Contract assets	16	13,811	11,342
Deferred tax assets	24	-	857
		<b>42,216</b>	<b>43,840</b>
<b>Current assets</b>			
Inventories	15	37,827	25,963
Trade and other receivables	17	63,554	59,015
Contract assets	16	8,247	17,723
Financial assets at fair value through profit or loss	18	-	699
Amount due from a director	19	18	18
Tax recoverable		2	2,020
Restricted bank balances	20	4,571	39
Bank balances and cash	20	71,752	80,327
		<b>185,971</b>	<b>185,804</b>
<b>Current liabilities</b>			
Trade and other payables	21	57,566	46,234
Contract liabilities	22	8,056	1,151
Lease liabilities	23	322	589
Amount due to a director	19	49	49
Tax payable		657	1,259
		<b>66,650</b>	<b>49,282</b>
<b>Net current assets</b>		<b>119,321</b>	<b>136,522</b>
<b>Total assets less current liabilities</b>		<b>161,537</b>	<b>180,362</b>

## Consolidated Statement of Financial Position

At 31 December 2021

	Notes	2021 HK\$'000	2020 HK\$'000
<b>Non-current liabilities</b>			
Lease liabilities	23	746	949
Provision for long service payments		504	790
		<b>1,250</b>	1,739
<b>Net assets</b>			
		<b>160,287</b>	178,623
<b>Capital and reserves</b>			
Share capital	25	18,000	18,000
Share premium and reserves		142,287	160,623
<b>Total equity</b>		<b>160,287</b>	178,623

The consolidated financial statements on pages 63 to 117 were approved and authorised for issue by the board of directors on 30 March 2022 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 2021

	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 2020	18,000	157,668	(80,018)	1,248	109,738	206,636
Loss for the year	-	-	-	-	(31,422)	(31,422)
Other comprehensive expense	-	-	-	3,409	-	3,409
Total comprehensive (expense) income 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>
Loss for the year	-	-	-	-	(20,165)	(20,165)
Other comprehensive income	-	-	-	1,829	-	1,829
Total comprehensive income (expense) for the year	-	-	-	1,829	(20,165)	(18,336)
At 31 December 2021	<b>18,000</b>	<b>157,668</b>	<b>(80,018)</b>	<b>6,486</b>	<b>58,151</b>	<b>160,287</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 2021

	2021 HK\$'000	2020 HK\$'000
Operating activities		
Loss before taxation	(19,923)	(34,817)
Adjustments for:		
Depreciation of property, plant and equipment	4,145	3,757
Depreciation of right-of-use assets	620	1,355
Written off of bad debts	-	1,134
Written off of property, plant and equipment	59	-
Net impairment loss (reversed) recognised on trade receivables and contract assets	(781)	463
Reversal of long service payments	(286)	-
Increase in fair value changes of financial assets at fair value through profit or loss	-	(133)
Loss on redemption of financial assets at fair value through profit or loss	36	-
Interest income	(49)	(218)
Finance costs	230	131
Operating cash flows before movements in working capital	(15,949)	(28,328)
(Increase) decrease in inventories	(11,160)	5,848
(Increase) decrease in trade and other receivables	(3,589)	10,758
Decrease in contract assets	7,472	10,677
Increase in trade and other payables	3,238	11,080
Increase in restricted bank balance	(4,460)	(39)
Increase in contract liabilities	6,853	624
Cash (used in) from operations	(17,595)	10,620
Net income tax refund (paid)	2,006	(4,132)
Net cash (used in) from operating activities	(15,589)	6,488
Investing activities		
Proceed from redemption of financial assets at fair value through profit or loss	663	-
Interest received	49	218
Repayment from a director	-	186
Purchase of property, plant and equipment	(925)	(3,611)
Refund of rental deposits	-	63
Advance to a director	-	(204)
Net cash used in investing activities	(213)	(3,348)

## Consolidated Statement of Cash Flows

For the year ended 31 December 2021

	2021 HK\$'000	2020 HK\$'000
Financing activities		
Repayment of lease liabilities	(495)	(1,257)
Repayment to a director	-	(56)
Advance from other loans	10,366	-
Repayment of other loans	(3,048)	-
Interest paid	(76)	(131)
Advance from a director	-	49
Net cash from (used in) financing activities	6,747	(1,395)
Net (decrease) increase in cash and cash equivalents	(9,055)	1,745
Cash and cash equivalents at the beginning of the year	80,327	77,709
Effect of foreign exchange rate changes	480	873
Cash and cash equivalents at the end of the year, represented by bank balances and cash	71,752	80,327

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 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 Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2021 for the preparation of the consolidated financial statements:

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2
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In addition, the Group has early applied the Amendment to HKFRS 16 “Covid-19-Related Rent Concessions beyond 30 June 2021”.

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

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

### 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

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, and a new standard, HKFRS 17, Insurance contracts, which are not yet effective for the year ended 31 December 2021 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

Amendments to HKFRS 3	Reference to the Conceptual Framework <sup>1</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) <sup>2</sup>
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies <sup>2</sup>
Amendments to HKAS 8	Definition of Accounting Estimates <sup>2</sup>
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction <sup>2</sup>
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use <sup>1</sup>
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract <sup>1</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020 <sup>1</sup>

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

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2023.

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 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 2021

## 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 2021

### 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 of HKFRS 16, 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 2021

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

#### Leases *(Continued)*

##### ***The Group as a lessee***

##### Short-term leases

The Group applies the short-term lease recognition exemption to leases of workshop, warehouse and staff quarters 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 2021

## 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 2021

### 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 2021

## 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 2021

## 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 2021

## 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 2021

## 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 2021

### 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 2021

### 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 2021

## 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 2021

## 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 2021

### 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" 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 leasehold land and building under property, plant and equipment.

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

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 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 2021

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

#### Impairment on property, plant and equipment and right-of-use assets *(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 2021

## 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 2021

### 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 2021

### 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 2021, the carrying amount of inventories is HK\$37,827,000 (2020: HK\$25,963,000).

### 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 2021

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

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

	2021 HK\$'000	2020 HK\$'000
Low-voltage switchboard	55,741	67,506
Local motor control panel	41,607	31,270
Motor control centre	19,141	8,755
Electrical distribution board and control box	5,951	3,418
Electrical parts and replacements	8,196	5,508
	<b>130,636</b>	116,457

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:

	2021 HK\$'000	2020 HK\$'000
Revenue		
– Hong Kong	113,701	92,566
– Macau	10,849	18,428
– People's Republic of China ("PRC")	6,086	5,463
	<b>130,636</b>	116,457

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

	2021 HK\$'000	2020 HK\$'000
Customer A	28,074	20,301
Customer B	N/A*	23,979

\* The revenue generated from the relevant customers did not exceed 10% of the total revenue of the Group for the relevant years.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

### 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:

	2021 HK\$'000	2020 HK\$'000
Hong Kong	5,444	6,905
PRC	22,938	24,713
	<b>28,382</b>	<b>31,618</b>

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

	2021 HK\$'000	2020 HK\$'000
Net exchange loss	(673)	(218)
Interest income	49	218
Increase in fair value changes of financial assets at FVTPL	-	133
Loss on redemption of financial assets at FVTPL	(36)	-
Others	215	310
	<b>(445)</b>	<b>443</b>

### 7. FINANCE COSTS

	2021 HK\$'000	2020 HK\$'000
Interest expenses on other loans	154	-
Interest expenses on lease liabilities	76	131
	<b>230</b>	<b>131</b>

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

### 8. LOSS BEFORE TAXATION

	2021 HK\$'000	2020 HK\$'000
Loss before taxation has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment		
– cost of sales	1,505	1,338
– administrative and other expenses	2,640	2,419
Total depreciation of property, plant and equipment	4,145	3,757
Depreciation of right-of-use assets	620	1,355
Directors' emoluments (Note 11)		
– fees	504	504
– salaries and other allowance	969	1,141
– retirement benefit scheme contributions	36	36
Other staff's salaries and other allowance	1,509	1,681
Other staff's retirement benefits scheme contributions	29,171	27,020
Total staff costs	3,772	1,741
Auditor's remuneration	34,452	30,442
Cost of inventories recognised as expenses	600	650
Expenses related to short-term leases	110,479	107,968
Net (reversal of) impairment losses on trade receivables and contract assets	45	138
Written off of bad debts	(781)	463
Government subsidies in relation to the Coronavirus Disease 2019 ("COVID-19") (Note)	–	1,134
Written off of property, plant and equipment	–	2,267
	59	–

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 EXPENSE (CREDIT)

	2021 HK\$'000	2020 HK\$'000
The taxation charge (credit) comprises:		
Current tax		
Hong Kong Profits Tax		
– Provision for the year	–	–
– Over-provision in respect of prior years	–	(1,547)
PRC Enterprise Income Tax ("EIT")		
– Provision for the year	–	–
– Over-provision in respect of prior year	(615)	(404)
Deferred tax (Note 24)	857	(1,444)
Income tax expense (credit)	242	(3,395)

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

No provision for Hong Kong Profits Tax is provided for the years ended 31 December 2021 and 2020 as the subsidiaries operating in Hong Kong have no assessable profits.

Under the Law of the PRC 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 is provided as the current year's taxable profits has been set-off by previous year's losses (2020: no provision for EIT is provided as the subsidiaries did not have any assessable profits subject to EIT in the PRC during the year).

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

	2021 HK\$'000	2020 HK\$'000
Loss before taxation	(19,923)	(34,817)
Tax at the applicable income tax rate at 16.5%	(3,287)	(5,745)
Tax effect of origination and reversal of temporary differences	485	-
Tax effect of expenses not deductible for tax purpose	1,056	1,543
Tax effect of income not taxable for tax purpose	(126)	(441)
Tax effect of different tax rates of subsidiaries operating in the PRC	(477)	(1,164)
Tax effect of tax losses not recognised	3,658	4,305
Tax effect of prior years' unrecognised tax loss utilised in the year	(452)	-
Over-provision for prior years	(615)	(1,951)
Others	-	58
Income tax charge (credit) for the year	242	(3,395)

As at 31 December 2021, the Group has unused tax losses of approximately HK\$34,629,000 (2020: HK\$16,874,000) available for offset against future profits. A deferred tax assets has been recognised in respect of approximately HK\$3,917,000 (2020: HK\$8,436,000) of such losses. No deferred tax asset has been recognised in respect of these tax losses of approximately HK\$30,712,000 (2020: HK\$8,438,000) due to the unpredictability of relevant future profit streams. Included in unused tax losses are tax losses of approximately HK\$8,931,000 (2020: HK\$5,093,000) that may be carried forward for five years from the year in which the tax losses arose, the remaining unused tax losses may be carried forward indefinitely.

Deferred taxation has not been recognised in respect of the undistributed retained profits earned by the subsidiaries in the PRC amounting to HK\$10,078,000 for the year ended 31 December 2021 (2020: HK\$5,598,000), 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 2021, nor has any dividend been proposed since the end of the year (2020: nil).

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

### 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 during the year are as follows:

#### *Year ended 31 December 2021*

Name of directors	Fees 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)	-	499	18	517
Mr. Leung Ka Wai (Note i)	-	470	18	488
<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
	504	969	36	1,509

#### *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 (Note i)	-	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
	504	1,141	36	1,681

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

### 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 (2020: 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 (2020: one) of them was a director of the Company whose emolument is disclosed above. Details of the emoluments of the remaining four (2020: four) individuals for the year ended 31 December 2021, are as follows:

	2021 HK\$'000	2020 HK\$'000
Salaries and other allowance	3,076	2,801
Retirement benefit scheme contributions	90	72
	<b>3,166</b>	<b>2,873</b>

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

	2021 No. of individuals	2020 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 2021

### 12. LOSS PER SHARE

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

	2021 HK\$'000	2020 HK\$'000
Loss		
Loss for the year attributable to owners of the Company for the purpose of basic loss per share	<b>(20,165)</b>	(31,422)
	2021 '000	2020 '000
Weighted average number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	<b>1,800,000</b>	1,800,000

No diluted loss 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 2021

### 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 2020	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	<b>25,412</b>	<b>7,050</b>	<b>9,945</b>	<b>8,336</b>	<b>3,706</b>	<b>54,449</b>
Additions	-	391	-	534	-	925
Written off	-	-	(1,163)	(596)	-	(1,759)
Exchange adjustment	600	118	269	55	18	1,060
At 31 December 2021	<b>26,012</b>	<b>7,559</b>	<b>9,051</b>	<b>8,329</b>	<b>3,724</b>	<b>54,675</b>
<b>ACCUMULATED DEPRECIATION</b>						
At 1 January 2020	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	<b>10,986</b>	<b>2,553</b>	<b>4,857</b>	<b>7,228</b>	<b>1,568</b>	<b>27,192</b>
Provided for the year	1,270	922	970	448	535	4,145
Eliminated on written off	-	-	(1,104)	(596)	-	(1,700)
Exchange adjustment	288	37	126	44	17	512
At 31 December 2021	<b>12,544</b>	<b>3,512</b>	<b>4,849</b>	<b>7,124</b>	<b>2,120</b>	<b>30,149</b>
<b>NET BOOK VALUE</b>						
At 31 December 2021	<b>13,468</b>	<b>4,047</b>	<b>4,202</b>	<b>1,205</b>	<b>1,604</b>	<b>24,526</b>
At 31 December 2020	14,426	4,497	5,088	1,108	2,138	27,257

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 2021, the Group's leasehold land and buildings situated in Hong Kong with carrying amount of HK\$2,183,000 (2020: HK\$2,321,000) were secured for the banking facilities granted to the Group.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

### 14. RIGHT-OF-USE ASSETS

	Leasehold lands HK\$'000	Leasehold land and buildings HK\$'000	Total HK\$'000
As at 1 January 2020	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
Depreciation	(95)	(525)	(620)
Exchange difference	91	24	115
As at 31 December 2021	2,877	979	3,856

For both years, the Group leases a workshop and factories for its operations. Lease contracts are entered into for fixed term of two to eight years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

In addition, the Group owns a factory located in the PRC where its manufacturing facilities are primarily located. The Group is the registered owner of the property interests, including the underlying leasehold lands. Lump sum payments were made upfront to acquire the property interests. The leasehold land components of the owned properties are presented separately only if the payments made can be allocated reliably.

Leases of workshop and factories are with fixed lease payments over the lease term.

	2021 HK\$'000	2020 HK\$'000
Expense relating to short-term leases	45	138
Total cash outflow of leases	616	1,526
Additions to right-of-use assets	-	955

### 15. INVENTORIES

	2021 HK\$'000	2020 HK\$'000
Raw materials	22,220	16,087
Work in progress	12,840	7,736
Finished goods	2,767	2,140
	37,827	25,963

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

### 16. CONTRACT ASSETS

Contract assets represent the retention receivables of approximately HK\$22,058,000 (2020: HK\$29,065,000) net of allowance for expected credit losses of approximately HK\$236,000 (2020: HK\$414,000). 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:

	2021 HK\$'000	2020 HK\$'000
Within one year	8,247	17,723
After one year	13,811	11,342
	<b>22,058</b>	29,065

### 17. TRADE AND OTHER RECEIVABLES

	2021 HK\$'000	2020 HK\$'000
Trade receivables	58,298	53,310
Less: Allowance for credit losses	(893)	(1,476)
	<b>57,405</b>	51,834
Other receivables, prepayment and deposits	6,149	7,181
	<b>63,554</b>	59,015

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

### 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 (2020: 0 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.

	2021 HK\$'000	2020 HK\$'000
0 - 30 days	24,148	31,158
31 - 60 days	14,976	3,495
61 - 90 days	1,205	2,503
91 - 180 days	5,348	4,493
181 - 365 days	4,112	1,420
Over 1 year	7,616	8,765
	<b>57,405</b>	<b>51,834</b>

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 2021, included in the Group's trade receivables balance are debtors with aggregate carrying amount of approximately HK\$26,376,000 (2020: HK\$19,198,000) which are past due as at the reporting date. Out of the past due balances, approximately HK\$16,280,000 (2020: HK\$12,940,000) 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

	2021 HK\$'000	2020 HK\$'000
Unlisted investments		
Managed fund	-	699

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 2021

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

	2021 HK\$'000	2020 HK\$'000
Amount due from a director:		
- Mr. Leung Ka Wai	18	18
Maximum amount outstanding for amounts due from directors during the year:		
- Mr. Leung Ka Wai	18	86
Amounts due to directors:		
- Mr. Wan Man Keung	(49)	(49)

All the balances are unsecured, interest-free, non-trade nature and repayable on demand as at 31 December 2021 and 31 December 2020.

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

	2021 HK\$'000	2020 HK\$'000
Bank balances and cash	76,323	80,366
Less: Restricted bank balances	(4,571)	(39)
	71,752	80,327

Bank balances carry interest at prevailing market interest rates.

Restricted bank balances 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 (2020: expected to be completed for the year ending 31 December 2021). The balances are therefore classified as current assets in the consolidated statement of financial position as at 31 December 2020. The interest rate of restricted bank balances are carried at prevailing market rate 0.3% per annum (2020: 0.3% per annum) during the years ended 31 December 2021 and 2020 and will be released upon completion of the contract.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

### 21. TRADE AND OTHER PAYABLES

	2021 HK\$'000	2020 HK\$'000
Trade payables	39,261	35,357
Bill payables	2,833	4,507
	<b>42,094</b>	39,864
Accruals and other payables	7,882	6,370
Other loans	7,590	-
	<b>57,566</b>	46,234

The credit period granted by suppliers to the Group ranged from 0 to 75 days (2020: 0 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:

	2021 HK\$'000	2020 HK\$'000
0 - 30 days	7,390	15,610
31 - 60 days	14,483	8,673
61 - 90 days	8,446	7,190
Over 90 days	11,775	8,391
	<b>42,094</b>	39,864

The Group's bill payables are denominated in USD.

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

The other loans mainly represent: (i) an unsecured loan from a third party amounted to RMB2,500,000 (equivalent to HK\$3,061,000), which carry interests of 4.75% per annum and repayable within one year after the end of the reporting date; and (ii) an unsecured loan from a related company amounted to RMB3,600,000 (equivalent to HK\$4,408,000), which carry interests of 4.35% per annum and repayable within one year after the end of the reporting date.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

### 22. CONTRACT LIABILITIES

	2021 HK\$'000	2020 HK\$'000
Sales of low-voltage electrical power distribution and control devices	8,056	1,151

The Group receives a deposit for sales contracts from certain new customers which gives rise to contract liabilities at the start of a contract, until the revenue recognised on the relevant contracts exceeds the amount of the deposit. Contract liabilities are analysed and classified as current liabilities as the contract liabilities are expected to be unutilised in normal operating cycle. During the year, revenue recognised amounting to HK\$1,078,000 (2020: HK\$388,000) was included in the contract liabilities at the beginning of the year.

### 23. LEASE LIABILITIES

	2021 HK\$'000	2020 HK\$'000
At 1 January	1,538	1,841
Inception of lease contracts	-	955
Interest expenses on lease liabilities	76	131
Payment for lease liabilities (included interest)	(571)	(1,388)
Modification of lease contracts	-	(69)
Exchange difference	25	68
At 31 December	1,068	1,538

	2021 HK\$'000	2020 HK\$'000
Lease liabilities payable:		
Within one year	322	589
Within a period of more than one year but not more than five years	569	825
Over five years	177	124
	1,068	1,538
Less: Amount due for settlement within 12 months shown under current liabilities	(322)	(589)
Amount due for settlement after 12 months shown under non-current liabilities	746	949

The weighted average incremental borrowing rates applied to lease liabilities range from 4.90% to 5.00% (2020: from 4.75% to 5.00%).



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

### 24. DEFERRED TAX ASSETS (LIABILITIES)

	Tax Loss HK\$'000	Accelerated tax depreciation HK\$'000	Total HK\$'000
At 1 January 2020	-	(587)	(587)
Credit to profit or loss	1,392	52	1,444
At 31 December 2020	1,392	(535)	857
Charge to profit or loss	(746)	(111)	(857)
At 31 December 2021	646	(646)	-

### 25. SHARE CAPITAL

	2021		2020	
	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.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

### 27. FINANCIAL INSTRUMENTS

#### Categories of financial instruments

	2021 HK\$'000	2020 HK\$'000
<b>Financial assets</b>		
Financial assets at amortised cost	133,728	136,799
Financial assets at FVTPL	-	699
	<b>133,728</b>	<b>137,498</b>
<b>Financial liabilities</b>		
Amortised cost	50,801	40,526

#### 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.

#### **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:

	2021 HK\$'000	2020 HK\$'000
<b>Assets</b>		
MOP	4,685	1,056
RMB	2	2
USD	55	46
AUD	34	43
<b>Liabilities</b>		
USD	2,833	4,507

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

### 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, 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, RMB and AUD are prepared as the directors of the Company consider the impact of such foreign currency risk are insignificant.

##### 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.

##### *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 50 basis points (2020: 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 50 basis points (2020: 10 basis points) higher/lower and all of other variables were held constant, the post-tax loss for the year ended 31 December 2021 would decrease/increase approximately by HK\$319,000 (2020: HK\$67,000).

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

#### Financial risk management objectives and policies *(Continued)*

##### **Market risk** *(Continued)*

##### **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 is exposed to concentration of credit risk as at 31 December 2021 on trade receivables from the Group's 5 major customers, which amounted to approximately HK\$25,626,000 (2020: HK\$25,240,000), and accounted for 45% (2020: 49%) 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 2021

### 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 2021 and 31 December 2020 within lifetime ECL (not credit impaired). Debtors with credit-impaired with gross carrying amounts of HK\$nil as at 31 December 2021 (2020: HK\$nil) were assessed individually.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

### 27. FINANCIAL INSTRUMENTS (Continued)

#### Financial risk management objectives and policies (Continued)

##### Credit risk and impairment assessment (Continued)

Gross carrying amount

2021

Internal credit rating	Average loss rate	Trade receivables HK\$'000	Contract assets HK\$'000
Low risk	0.29%	52,824	21,081
Watch list	8.22%	4,686	1,213
Doubtful	54.57%	788	-
		58,298	22,294

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

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 2021, the Group recognised reversal of HK\$600,000 and HK\$181,000 (2020: provided HK\$757,000 and recognised reversal of HK\$155,000) of impairment allowance for trade receivables and contract assets respectively, net of written off of bad debts of HK\$nil (2020: HK\$995,000), based on the provision matrix. No impairment allowance (2020: HK\$nil) was made on trade receivables for credit-impaired debtors.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

### 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 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 and 1 January 2021	1,476	-	1,476
Net impairment losses reversed	(600)	-	(600)
Exchange adjustment	17	-	17
As at 31 December 2021	893	-	893

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 2020	561	-	561
Net impairment losses recognised	(6)	-	(6)
Write-offs	(149)	-	(149)
Exchange adjustment	8	-	8
As at 31 December 2020 and 1 January 2021	414	-	414
Net impairment losses reversed	(181)	-	(181)
Exchange adjustment	3	-	3
As at 31 December 2021	236	-	236

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

### 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 movements in the lifetime ECL of trade receivables are as follows:

	2021 HK\$'000	2020 HK\$'000
At 1 January	1,476	822
(Reversal of impairment losses)/impairment loss, net		
- Settlement of trade debtors	(774)	(767)
- New trade receivables	174	2,370
	(600)	1,603
Write-offs	-	(985)
Exchange adjustment	17	36
At 31 December	893	1,476

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.

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 2021

### 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.

	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 2021</b>					
Trade and bill payables	42,094	-	-	42,094	42,094
Other loans	7,786	-	-	7,786	7,590
Amount due to a director	49	-	-	49	49
Lease liabilities	374	677	186	1,237	1,068
	<b>50,303</b>	<b>677</b>	<b>186</b>	<b>51,166</b>	<b>50,801</b>
<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	664	965	148	1,777	1,538
	<b>41,190</b>	<b>965</b>	<b>148</b>	<b>42,303</b>	<b>42,064</b>

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

### 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
	2021 HK\$'000	2020 HK\$'000		
Financial assets at FVTPL – unlisted investments managed fund	-	699	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.

### 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	Other loans HK\$'000	Total HK\$'000
At 1 January 2020	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
Financing cash flows	-	(571)	7,318	6,747
Interest accrued	-	76	154	230
Exchange adjustments	-	25	118	143
At 31 December 2021	49	1,068	7,590	8,707

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

### 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.

	2021 HK\$'000	2020 HK\$'000
Contracted, but not provided for		
- committed investment in a subsidiary	1,000	1,000
- acquisition of property, plant and equipment	-	415
	<b>1,000</b>	<b>1,415</b>

### 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\$3,808,000 (2020: HK\$1,777,000) for the year ended 31 December 2021 represents contributions payable to these schemes. As at 31 December 2021, contributions of HK\$115,000 (2020: HK\$121,000) 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 2021

### 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	2021 HK\$'000	2020 HK\$'000
	Sales of goods	1,186	-
	Payments of leases	240	240
	Purchase of raw materials	-	48
	Interest expenses on other loans	50	-

Notes:

- (i) The Group entered into transactions with 深圳市建達機電設備有限公司 and 深圳市建達建築工程有限公司 (related companies in PRC), both related companies are under the control of Mr. Wan Man Keung, the chairman and an executive director of the Company during the year ended 31 December 2021.
- (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.
- (iv) The Group entered into a loan agreement 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 2021.

#### (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:

	2021 HK\$'000	2020 HK\$'000
Director fees	504	504
Salaries and other allowance	2,243	2,942
Retirement benefits scheme contributions	72	90
	<b>2,819</b>	<b>3,536</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 2021

### 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
				2021	2020	
<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
Guangzhou Quanda Electric Appliance Metal Products Co., Ltd* (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
Dongguan Quanda Mechanical & Electrical Equipment Co., Ltd* (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
Dongguan Quanda Electrical Equipment Co., Ltd* (東莞全達電器設備有限公司)	PRC-wholly owned foreign enterprise	14 January 2019	HK\$9,000,000	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 2021 or at any time during the year.

\* For identification only.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

### 33. CONTINGENT LIABILITIES

At 31 December 2021, contingent liabilities not provided for in the year were as follows:

	At 31 December	
	2021 HK\$'000	2020 HK\$'000
Performance bonds given to customers for due and proper performance of projects undertaken by the Group's subsidiaries	6,975	738

### 34. STATEMENT OF FINANCIAL POSITION

	2021 HK\$'000	2020 HK\$'000
Non-current assets		
Unlisted investment in subsidiaries	81,578	81,578
Current assets		
Other receivables	384	521
Amounts due from subsidiaries	25,275	23,283
Bank balances and cash	36,917	43,187
	62,576	66,991
Current liabilities		
Other payables	970	820
Amount due to a subsidiary	66	-
	1,036	820
Net current assets	61,540	66,171
Net assets	143,118	147,749
Capital and reserves		
Share capital	18,000	18,000
Reserves (Note)	125,118	129,749
Total equity	143,118	147,749

Note:

	Share premium HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 January 2020	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
Loss and total comprehensive expenses for the year	-	(4,631)	(4,631)
At 31 December 2021	157,668	(32,550)	125,118

### 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				
	2021 HK\$'000	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000	2017 HK\$'000
Revenue	130,636	116,457	211,741	186,284	198,507
(Loss) profit before income tax	(19,923)	(34,817)	15,554	15,708	17,982
Income tax (expense) credit	(242)	3,395	(4,093)	(5,551)	(5,534)
(Loss) profit for the year	(20,165)	(31,422)	11,461	10,157	12,448
Attributable to:					
Owners of the Company	(20,165)	(31,422)	11,461	10,157	12,431
Non-controlling interests	-	-	-	-	17

### ASSETS AND LIABILITIES

	As at 31 December				
	2021 HK\$'000	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000	2017 HK\$'000
Total assets	228,187	229,644	250,738	252,860	155,691
Total liabilities	(67,900)	(51,021)	(44,102)	(56,238)	(58,762)
Total equity	160,287	178,623	206,636	196,622	96,929
Attributable to:					
Owners of the Company	160,287	178,623	206,636	196,622	96,929
Non-controlling interests	-	-	-	-	-