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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)

UPDATE ON USE OF PROCEEDS
AND
SUPPLEMENTAL ANNOUNCEMENT TO THE
ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

Reference is made to (i) the prospectus of REM Group (Holdings) Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) dated 27 April 2018 (the “**Prospectus**”), which contained the proposed use of net proceeds (the “**Net Proceeds**”) raised from the listing (the “**Listing**”) of shares of the Company on the Stock Exchange of Hong Kong Limited and (ii) the annual report of the Group for the year ended 31 December 2019 published on 27 April 2020 (the “**2019 Annual Report**”). The capitalised terms used herein shall have the same meanings as those defined in the 2019 Annual Report unless the context requires otherwise.

The Board would like to provide an update to the use of the Net Proceeds as supplemental information to the 2019 Annual Report.

The Net Proceeds, after deducting the underwriting commission and other listing expenses in connection to the Listing, amounted to approximately HK\$75 million. As at 31 December 2019, the Company had utilised approximately HK\$9.9 million of the Net Proceeds. As at 30 June 2020, the Company had utilised approximately HK\$10.6 million of the Net Proceeds. The unutilised Net Proceeds amounted to approximately HK\$64.4 million. As at the date of this announcement, there has not been any change to the intended use of the Net Proceeds or the allocated amount as disclosed in the 2019 Annual Report.

Details of the use of the Net Proceeds and the expected timeline for the intended use of the unutilised Net Proceeds are as follows:

Description	Original	Net	Unutilised	Net	Unutilised	Expected
	allocation	Proceeds	Net	Proceeds	Net	timeline for
	of the Net	utilised	Proceeds	utilised	Proceeds	utilising
	Proceeds	up to 31	as at 31	up to	as at	the
	Proceeds	December	December	30 June	30 June	unutilised
	(HK\$	2019	2019	2020	2020	Net
	million)	(HK\$	(HK\$	(HK\$	(HK\$	Proceeds
		million)	million)	million)	million)	(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	1.4	36.0	1.8	35.6	By 31 December 2021 (Note 2)
– Acquisition of machineries and equipment	21.2	3.3	17.9	3.5	17.7	By 30 June 2022 (Note 3)
(ii) Acquisition of machineries and equipment for the existing factory located in Dongguan (“ DG Factory ”)	13.3	2.1	11.2	2.2	11.1	By 30 June 2022 (Note 4)
(iii) General Working Capital	3.1	3.1	–	3.1	–	N/A
Total	<u>75.0</u>	<u>9.9</u>	<u>65.1</u>	<u>10.6</u>	<u>64.4</u>	

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, had been put to a temporary halt primarily due to the outbreak of the COVID-19 in early 2020 which resulted in a series of precautionary and quarantine control measures being implemented in Hong Kong and the PRC, preventing a majority of the Hong Kong staff and the management from travelling to the PRC since the COVID-19 outbreak. As at the date of this announcement, there are no signs that the COVID-19 will be ending soon. The expected timeline for utilising the remaining Net Proceeds is therefore prepared based on the assumption that the impacts of COVID-19 will continue to affect the Group’s business operations until early next year. In view of the significant effects to the economy and business environment, the plan will be subject to changes based on the development of COVID-19 and its impact on the economic conditions in Hong Kong and the PRC.

2. Subsequent to the Listing, the Group has made a number of attempts to search for suitable factories for sale in the Humen Town for setting up the New Factory. However, the level of prices of the available factories in Humen Town were continuously rising. In view of this, the Directors have started searching for suitable factories in other areas nearby the DG Factory starting from 2019. The Directors expected that the Group may not be able to locate an appropriate factory unit in the immediate future. Alternatively, the Group had leased a factory in Humen Town last year to cope with the job orders which the Group has secured after the Listing and also to further expand the Group's market share in the PRC so as to benefit from the growing low-voltage electrical power distribution and control devices market in the PRC. Up to 30 June 2020, the Company had utilised the relevant proceeds from the initial public offering of approximately HK\$1.8 million for rental of a temporary factory in Humen Town and the related renovation costs. The Group had been closely observing the property market in the PRC since the 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 early next year), i.e. on or before 31 December 2021.
3. Up to 30 June 2020, the Company had utilised the relevant proceeds from the initial public offering of approximately HK\$3.5 million mainly for acquiring and setting up a new production line for copper bar work and automatic storage for the temporary factory in Humen Town. The Group has postponed the plan for acquisition of the New Factory as stated in Note 2, and consequently have also deferred the progress of purchasing the remaining machineries and equipment for the New Factory. Due to limitation of floor size area of the rented Humen Town factory, the acquisition of the remaining machineries and equipment (including the production line for steel work and the automatic powder coating production line) for the New Factory will be executed after acquisition and completion of renovation for the New Factory, which will have sufficient floor area to accommodate all the new production lines. The Group expects to fully utilise the relevant proceeds within half a year after the acquisition and completion of renovation of the New Factory, which is estimated to be on or before 30 June 2022 (assuming that the impacts of COVID-19 on the Group's business operations will cease by early next year).
4. All major acquisitions of machineries and equipment would require the Group's senior management (the "**Management**") to travel to the PRC to meet with the suppliers for a full understanding of the functioning of the machineries and equipment and also for physical observation during site visits to ensure the suitability to the Group's factory and existing production line. However, due to the border restrictions and the mandatory quarantine requirement, the Management have not travelled to the PRC since the outbreak of the COVID-19 pandemic. Therefore, the Group have postponed the progress of purchasing the machineries and equipment for the DG Factory. While the pandemic is escalating, the quarantine arrangement may not be released until early 2021. 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 30 June 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.

The supplemental information provided in this announcement does not affect other information contained in the 2019 Annual Report and, save as disclosed above, the contents of the 2019 Annual Report remain unchanged.

By Order of the Board
REM Group (Holdings) Limited
Wan Man Keung
Chairman and Executive Director

Hong Kong, 24 August 2020

As at the date of this announcement, the executive Directors are Mr. Wan Man Keung and Mr. Leung Ka Wai, the non-executive Director is Mrs. Kan Wan Wai Yee Mavis, and the independent non-executive Directors are Mr. Ng Chi Keung Alex, Mr. Cheng Sum Hing and Ms. Ng Ching Ying.