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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)

INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2020

The board (the “**Board**”) of directors (the “**Directors**”) of REM Group (Holdings) Limited (the “**Company**”) hereby announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 30 June 2020 together with comparative figures for the corresponding six months period in 2019, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	<i>Notes</i>	Six months ended 30 June	
		2020	2019
		HK\$’000	HK\$’000
		(unaudited)	(unaudited)
Revenue	3	31,885	110,946
Cost of sales		(34,284)	(82,917)
Gross (loss) profit		(2,399)	28,029
Other income, gains and losses	4	518	(219)
Selling and distribution expenses		(3,567)	(5,295)
Net impairment loss recognised on trade receivables and contract assets		(935)	(173)
Administrative and other expenses		(11,199)	(11,768)
Finance costs	5	(68)	(38)
(Loss) profit before taxation		(17,650)	10,536
Income tax credit (expense)	6	1,710	(3,686)
(Loss) profit for the period	7	(15,940)	6,850

		Six months ended 30 June	
		2020	2019
<i>Notes</i>		HK\$'000	HK\$'000
		(unaudited)	(unaudited)
Other comprehensive expense for the period:			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
	– Exchange differences arising on translation of foreign operations	<u>(1,670)</u>	<u>(952)</u>
Total comprehensive (expense) income for the period		<u><u>(17,610)</u></u>	<u><u>5,898</u></u>
(Loss) earnings per share			
	– Basic	9 <u><u>(0.89 HK cents)</u></u>	<u><u>0.38 HK cents</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2020

		30 June	31 December
		2020	2019
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(unaudited)	(audited)
Non-current assets			
Property, plant and equipment		24,101	26,195
Right-of-use assets		4,622	4,590
Rental deposits		21	84
Contract assets	10	17,368	18,473
		46,112	49,342
Current assets			
Inventories		34,501	30,485
Contract assets	10	14,239	20,413
Trade and other receivables	11	45,463	72,266
Financial assets at fair value through profit or loss		544	523
Amount due from a director		18	–
Tax recoverable		2,020	–
Bank balances and cash		76,854	77,709
		173,639	201,396
Current liabilities			
Trade and other payables	12	24,812	34,084
Contract liabilities		1,074	1,516
Lease liabilities		861	1,337
Amount due to a director		2	56
Tax payable		1,563	5,228
		28,312	42,221
Net current assets		145,327	159,175
Total assets less current liabilities		191,439	208,517

	30 June 2020 <i>HK\$'000</i> (unaudited)	31 December 2019 <i>HK\$'000</i> (audited)
Non-current liabilities		
Lease liabilities	1,128	504
Provision for long service payments	875	790
Deferred tax liabilities	410	587
	<u>2,413</u>	<u>1,881</u>
NET ASSETS	<u>189,026</u>	<u>206,636</u>
Capital and reserves		
Share capital	18,000	18,000
Share premium and reserves	171,026	188,636
TOTAL EQUITY	<u>189,026</u>	<u>206,636</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

1. GENERAL AND BASIS OF PREPARATION

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 address of the Company’s registered office and the principal place of business are PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman, KY1-1108, Cayman Islands and Unit 5, 4th Floor, Chai Wan Industrial City Phase II, No. 70 Wing Tai Road, Hong Kong, respectively. 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.

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 condensed consolidated financial statements for the six months ended 30 June 2020 have been prepared in accordance with Hong Kong Accounting Standards (“**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”).

The condensed consolidated financial statements are presented in Hong Kong dollars (“**HK\$**”), which is also the functional currency of the Company.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values.

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards (“**HKFRSs**”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2020 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2019.

Application of the amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following amendments to HKFRSs issued by the HKICPA which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKFRS 3	Definition of a Business
Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

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

3. 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 period.

The executive Directors, 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 low-voltage electrical power distribution and control devices as a single operating segment. Other than revenue analysis, the CODM reviews the profit or loss for the period of the Group as a whole to make decisions about performance assessment and resource 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.

Entity-wide information

An analysis of the Group’s revenue by products for the period is as follows:

	Six months ended 30 June	
	2020 <i>HK\$’000</i> (unaudited)	2019 <i>HK\$’000</i> (unaudited)
Low-voltage switchboard	17,903	37,098
Local motor control panel	9,498	54,236
Motor control centre	2,474	12,375
Electrical distribution board and control box	795	3,663
Electrical parts and replacements	1,215	3,574
	<u>31,885</u>	<u>110,946</u>

The Group sells all products directly to customers. Revenue is recognised when control of the goods has transferred, being when the goods have been delivered to the customers’ specific location and customer acceptance has been obtained. The Directors 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:

Revenue:	Six months ended 30 June	
	2020 <i>HK\$’000</i> (unaudited)	2019 <i>HK\$’000</i> (unaudited)
Hong Kong	25,962	45,932
People’s Republic of China (“PRC”)	842	61,762
Macau	5,081	3,252
	<u>31,885</u>	<u>110,946</u>

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

	At 30 June 2020 <i>HK\$'000</i> (unaudited)	At 31 December 2019 <i>HK\$'000</i> (audited)
Hong Kong	5,910	6,700
PRC	22,813	24,085
	<u>28,723</u>	<u>30,785</u>

4. OTHER INCOME, GAINS AND LOSSES

	Six months ended 30 June	
	2020 <i>HK\$'000</i> (unaudited)	2019 <i>HK\$'000</i> (unaudited)
Net exchange gain (loss)	231	(630)
Interest income	97	232
Increase in fair value of financial assets at fair value through profit or loss	32	54
Others	158	125
	<u>518</u>	<u>(219)</u>

5. FINANCE COSTS

	Six months ended 30 June	
	2020 <i>HK\$'000</i> (unaudited)	2019 <i>HK\$'000</i> (unaudited)
Interest expenses on bank loan	–	2
Interest expenses on lease liabilities	68	36
	<u>68</u>	<u>38</u>

6. INCOME TAX (CREDIT) EXPENSE

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Current tax		
Hong Kong profits tax		
– Over-provision in respect of prior years (<i>Note</i>)	(1,547)	–
PRC Enterprise Income Tax		
– Provision for the period	–	4,134
– Under-provision in respect of prior years	14	–
Deferred tax	(177)	(448)
	<u>(1,710)</u>	<u>(448)</u>
Income tax (credit) expense	<u>(1,710)</u>	<u>3,686</u>

Note: The reversal of provision is related to tax refunds of a Hong Kong subsidiary arising from revised tax assessments with respect to prior years.

Under the two-tiered profits tax rates regime of the Hong Kong profits tax, the first HK\$2 million of profits of qualifying corporation will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will be taxed at the flat rate of 16.5% (six months ended 30 June 2019: 16.5%).

For the six months ended 30 June 2020 and 2019, the Hong Kong profits tax of the elected Hong Kong subsidiary is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2 million.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulations of the EIT Law, the tax rate of the subsidiaries in the PRC is 25% for both periods.

7. (LOSS) PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
(Loss) profit for the period has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	1,803	1,235
Depreciation of right-of-use assets	753	460
Government subsidies in relation to the Coronavirus Disease 2019 ("COVID-19") (<i>Note</i>)	(1,205)	–
	<u>1,351</u>	<u>1,755</u>

Note: The amount is recognised and deducted against the staff costs of the Group.

8. DIVIDENDS

The Directors do not recommend payment of any interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: nil).

9. (LOSS) EARNINGS PER SHARE

The calculation of the basic (loss) earnings per share attributable to the owners of the Company is based on the following data:

	Six months ended 30 June	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
(Loss) earnings for the purpose of basic (loss) earnings per share	<u>(15,940)</u>	<u>6,850</u>
	Six months ended 30 June	
	2020 '000	2019 '000
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	<u>1,800,000</u>	<u>1,800,000</u>

No diluted (loss) earnings per share is presented as there were no potential ordinary shares in issue during both periods.

10. CONTRACT ASSETS

Contract assets represent the retention receivables amounting to HK\$31,607,000 (31 December 2019: HK\$38,886,000) net of allowance for expected credit losses of HK\$1,011,000 (31 December 2019: HK\$561,000). Retention receivables are unsecured, interest-free and recoverable at the end of the defect liability period of individual contracts, ranging from 6 months to 2 years from the date of delivery of finished goods to customers, and are calculated at rates ranging from 2.5% to 30% of invoiced amounts. 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:

	At 30 June 2020 HK\$'000 (unaudited)	At 31 December 2019 HK\$'000 (audited)
	Within one year	14,239
After one year	<u>17,368</u>	<u>18,473</u>
	<u>31,607</u>	<u>38,886</u>

11. TRADE AND OTHER RECEIVABLES

	At 30 June 2020 <i>HK\$'000</i> (unaudited)	At 31 December 2019 <i>HK\$'000</i> (audited)
Trade receivables	42,195	61,309
Less: Allowance for expected credit losses	<u>(1,294)</u>	<u>(822)</u>
	40,901	60,487
Bill receivables (<i>Note</i>)	766	5,460
Other receivables, prepayment and deposits	<u>3,796</u>	<u>6,319</u>
	<u>45,463</u>	<u>72,266</u>

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

The Group allows an average credit period of 0 to 90 days to its trade customers. A longer credit period may be granted to large or long established customer with good payment history. The following is an analysis of trade receivables by age, presented based on the invoice date at the end of the reporting period:

	At 30 June 2020 <i>HK\$'000</i> (unaudited)	At 31 December 2019 <i>HK\$'000</i> (audited)
0 – 30 days	13,787	35,181
31 – 60 days	5,756	11,093
61 – 90 days	1,213	3,678
91 – 180 days	2,236	3,751
181 – 365 days	12,459	2,289
Over 1 year	<u>5,450</u>	<u>4,495</u>
	<u>40,901</u>	<u>60,487</u>

12. TRADE AND OTHER PAYABLES

The following is an analysis of trade and bill payables by age, presented based on the invoice date at the end of the reporting period:

	At 30 June 2020 <i>HK\$'000</i> (unaudited)	At 31 December 2019 <i>HK\$'000</i> (audited)
0 – 30 days	5,778	5,550
31 – 60 days	7,468	7,965
61 – 90 days	3,591	5,905
Over 90 days	4,341	8,201
	<hr/> 21,178 <hr/>	<hr/> 27,621 <hr/>

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

13. EVENTS AFTER THE REPORTING PERIOD

The outbreak of COVID-19 in early 2020 has seen major effects on the Group's revenue in terms of deferral on delivery dates of the Group's products, which resulted in the Group not being able to fully convert the orders on hand into revenue during the reporting period. Although the Group's business is expected to improve from the disastrous first half of the year, it is still anticipated that the Group's performance in the immediate future will be worse off than the prior year as new COVID-19 cases continue to emerge despite drastic measures to contain infections in both Hong Kong and the PRC, which is expected to continue to disrupt site construction progress as well as lengthen the approval process on the designs of switchboards and panels as it is predicted that anti-epidemic measures will continue to be implemented, thus resulting in delays to delivery of the Group's products yet again. In response to the challenging business environment, the Group is adopting more competitive pricing strategies to ensure that more new projects are secured in order to achieve a relatively flexible production schedule so as to attain a more stable revenue flow. The Group will also pay close attention to the development of the COVID-19 outbreak and perform further assessment of its impact and take relevant measures to control the operating costs and maintain steady cashflows for the Group's normal operations.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND MARKET PROSPECT

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 experienced a significant decline in business during the six months ended 30 June 2020, that resulted in a recorded net loss of approximately HK\$15.9 million. The outbreak of the COVID-19 in early 2020 has seen major effects on the Hong Kong economy since then, where operations of government departments, public and private companies were all affected as preventive measures to control the spread of COVID-19 were implemented involving shortened business hours and employees working from home, which in turn resulted in suspensions or delays of various workflows for construction projects and thereby having a significant impact on the Group's revenue in terms of deferral on delivery dates of the Group's products. The Group's business in the PRC has also suffered a heavy blow as a number of cities and districts across the PRC were brought into lockdown in the initial few months of the COVID-19 outbreak while provincial travel restrictions were put in place for the rest of the PRC, hindering the progress of construction projects and thus, the delay in delivery of the Group's products to the construction sites. Hence the Group was unable to fully convert the orders on hand into revenue during the reporting period. Nevertheless, the Group did not experience any cancellation of orders due to the COVID-19 pandemic.

The COVID-19 pandemic has created unprecedented challenges for all businesses across the global economy. Although the Group's business is expected to improve from the disastrous first half of the year, it is still anticipated that the Group's performance in the immediate future will be worse off than the prior year as new COVID-19 cases continue to emerge despite drastic measures to contain infections in both Hong Kong and the PRC, which is expected to continue to disrupt site construction progress as well as lengthen the approval process on the designs of switchboards and panels as it is predicted that anti-epidemic measures will continue to be implemented, thus resulting in delays to delivery of the Group's products yet again.

In response to the challenging business environment, the Group is adopting more competitive pricing strategies to ensure that more new projects are secured in order to achieve a relatively flexible production schedule so as to attain a more stable revenue flow. Even though it is difficult to anticipate the extent of impact of the COVID-19 pandemic on the Group's business in the latter half of the year in light of the uncertainties on the development of the pandemic in the immediate future, the Directors are confident that the Group will be able to overcome this tough period based on its strong financial position along with the implementation of certain short-term measures which are aimed at achieving tighter cost control and maintaining a stable level of liquidity and working capital for the Group.

FINANCIAL REVIEW

Revenue

The Group's revenue decreased significantly by approximately HK\$79.1 million, or approximately 71.3%, from approximately HK\$110.9 million for the six months ended 30 June 2019 to approximately HK\$31.9 million for the six months ended 30 June 2020. Such decrease was directly attributable to the outbreak of COVID-19, which had led to prolonged suspension of the Group's production activities following the extended Chinese New Year holiday where the Group's factories were closed for over a month and production operations were suspended for even longer as the majority of workers were not able to return to work due to provincial travel restrictions. In addition, after the production operations recommenced, there were major disruption to the delivery and production schedule as many of the Group's customers were requesting for deferred delivery of the Group's products, which had a severe effect on the Group's revenue stream.

Cost of Sales

The Group's cost of sales amounted to approximately HK\$34.3 million for the six months ended 30 June 2020, representing a decrease of approximately 58.7% from approximately HK\$82.9 million for the six months ended 30 June 2019. Cost of sales mainly comprised of costs of raw materials and staff costs, which accounted for approximately 70.4% and 17.8% respectively of the Group's total cost of sales for the six months ended 30 June 2020 (six months ended 30 June 2019: approximately 77.7% and 10.5% respectively).

Gross Loss/Negative Gross Margin

The Group recorded a gross loss of approximately HK\$2.4 million for the six months ended 30 June 2020 as compared to a gross profit of approximately HK\$28.0 million for the six months ended 30 June 2019, mainly as a result of a significant drop in revenue for the period. The overall gross profit margin of the Group decreased by approximately 32.8% from approximately 25.3% during the six months ended 30 June 2019 to a negative gross margin of approximately 7.5% during the six months ended 30 June 2020. The decrease of gross margin was mainly due to (i) a much higher proportion of cost of sales being attributable to the fixed direct and indirect costs regardless of the level of sales, such as engineering staff cost and part of the factory staff cost, depreciation of right-of-use assets for factory and depreciation of plants and machineries, which resulted in a negative gross margin when the Group were not able to generate sufficient sales to cover for such fixed costs, and (ii) lower gross profit margins recorded for Hong Kong and Macau jobs in general as a result of the increasingly fierce competition in the market due to the recent economic downturn.

In addition, the Group had set up a new factory in the Dongguan city last year to increase the production capacity in order to cope with an anticipated growth in sales from the PRC market. The production operations had commenced during the last quarter of the year 2019 and for the current period, the costs of operating this new factory had instead resulted in an increased burden to the Group as the Group recorded an exceptionally low sales volume in the face of the COVID-19 pandemic.

Other income, gains and losses

The Group's other income, gains and losses increased by approximately 336.5%, from a net loss of approximately HK\$0.2 million for the six months ended 30 June 2019 to a net income of approximately HK\$0.5 million for the six months ended 30 June 2020, which was mainly attributable to net exchange gain of approximately HK\$0.2 million being recorded during the period as opposed to net exchange loss of approximately HK\$0.6 million being recorded for the six months ended 30 June 2019.

Selling and distribution expenses

The Group's selling and distribution expenses decreased by approximately 32.6% from approximately HK\$5.3 million during the six months ended 30 June 2019 to approximately HK\$3.6 million during the six months ended 30 June 2020 and such decrease was mainly attributable to a drop in transportation expenses of approximately HK\$1.7 million.

Administrative and other expenses

The Group's administrative and other expenses decreased by approximately HK\$0.6 million, or approximately 4.8%, from approximately HK\$11.8 million for the six months ended 30 June 2019 to approximately HK\$11.2 million for the six months ended 30 June 2020. The decrease was mainly due to a drop in entertainment expenses of approximately HK\$0.5 million as a result of the social distancing measures implemented by the government.

Impairment loss recognised on trade receivables and contract assets

The impairment loss recognised on trade receivables and contract assets for the six months ended 30 June 2020 is mainly contributed by the additional impairment on trade receivables for Hong Kong debtors and contract assets of PRC customers amounting to a total of approximately HK\$0.5 million and HK\$0.5 million respectively.

Finance costs

The Group's finance costs remained relatively stable at approximately HK\$0.1 million for each of the six months ended 30 June 2020 and 2019, which mainly represented interest expenses on lease liabilities for both periods.

Taxation

The Group recorded an income tax credit of approximately HK\$1.7 million for the six months ended 30 June 2020 as compared to an income tax expense of approximately HK\$3.7 million for the six months ended 30 June 2019. As net losses were incurred for all companies within the Group, there were no taxable profits chargeable to Hong Kong profits tax nor PRC enterprise income tax during the period. The income tax credit arose from reversal of deferred tax liabilities recognised and tax refunds received during the six months ended 30 June 2020.

Loss for the period attributable to the owners of the Company

As a result of the significant drop in revenue for the six months ended 30 June 2020, there was a net loss for the period attributable to the owners of the Company of approximately HK\$15.9 million, as compared with a net profit for the period attributable to owners of the Company of approximately HK\$6.9 million for the six months ended 30 June 2019.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group has financed its operations primarily through cash inflows from operating activities and proceeds received from the Listing. As at 30 June 2020, the Group had cash and cash equivalents of approximately HK\$76.9 million (31 December 2019: approximately HK\$77.7 million).

As at 30 June 2020, the working capital (current assets less current liabilities) and total equity attributable to owners of the Group were approximately HK\$145.3 million (31 December 2019: approximately HK\$159.2 million) and approximately HK\$189.0 million (31 December 2019: approximately HK\$206.6 million) respectively.

The Group did not have any interest-bearing borrowings, which excluded lease liabilities, and thus gearing ratio was not applicable to the Company as at 30 June 2020 and 31 December 2019.

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.

INTEREST RATE RISK

The Group is exposed to 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 interest rates of these bank deposits are determined by reference to the respective bank offer rate. 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.

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITION OR DISPOSALS

There were no significant investments held, nor any material acquisitions or disposals of subsidiaries or associates during the six months ended 30 June 2020.

PLEDGE OF ASSETS

As at 30 June 2020, the Group's banking facilities were secured by corporate guarantees provided by the Company for unlimited amounts, which remains unchanged from 31 December 2019.

FUTURE PLAN FOR MATERIAL INVESTMENT AND CAPITAL ASSETS

Save as disclosed above 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 for the six months ended 30 June 2020 and up to the date of this announcement.

CAPITAL COMMITMENTS

The Group had no material capital commitments as at 30 June 2020 (31 December 2019: nil).

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 30 June 2020 (31 December 2019: nil).

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in note 13 to the condensed consolidated financial statements, there have been no other material events occurring after the reporting period and up to the date of this announcement.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend to shareholders of the Company (the "**Shareholders**") for the six months ended 30 June 2020 (six months ended 30 June 2019: nil).

EMPLOYEES AND REMUNERATION POLICY

The Group had 242 full-time employees as at 30 June 2020 (31 December 2019: 255), among which 47 and 195 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 the six months ended 30 June 2020 were approximately HK\$12.5 million (six months ended 30 June 2019: approximately HK\$15.1 million). The remuneration policy and package of the Group's employees were periodically reviewed. Apart from retirement benefit scheme contributions, salaries increment and discretionary bonuses may be awarded to employees according to the assessment of individual performance. The remuneration policy in place as at 30 June 2020 was in line with the current legislation in the relevant jurisdictions, market conditions and performance of the staff and the Group.

OTHER INFORMATION

Purchase, Sale or Redemption of the Company's Listed Securities

During the six months ended 30 June 2020, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

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**") as set out in Appendix 10 to the Listing Rules as its code of conduct regarding Director's securities transactions. Specific enquires have been made to all Directors and the Directors have confirmed that they have complied with the required standard of dealings as set out in the Model Code throughout the six months ended 30 June 2020.

Compliance with the Corporate Governance Code

It is the belief of the Board that good corporate governance plays a vital part in maintaining the success of the Company. The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value accountability. The Company has complied with all the applicable code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules (the "**CG Code**") throughout the six months ended 30 June 2020. The Company will continue to review the current corporate governance structure from time to time and shall make necessary changes when appropriate and report to Shareholders accordingly.

Share Option Scheme

The Company has adopted a share option scheme on 23 April 2018 (the “**Share Option Scheme**”) as incentive or reward for contributions that the eligible participants have made or may make to the Group. The principal terms of the Share Option Scheme are summarised in the paragraph headed “Statutory and General Information – D. Share Option Scheme” in Appendix V to the Prospectus.

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 and up to the date of this announcement.

Review by Audit Committee

The Company established an audit committee (the “**Audit Committee**”) with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the CG Code. The primary duties of the Audit Committee are, among other things, to review and supervise the financial reporting process, risk management and internal control system of the Group, oversee the audit process and select external auditors and assess their independence and qualifications. The Audit Committee consists of two independent non-executive Directors being Ms. Ng Ching Ying and Mr. Cheng Sum Hing, and one non-executive Director being Mrs. Kan Wan Wai Yee Mavis. The Audit Committee is chaired by Ms. Ng Ching Ying.

The Audit Committee has reviewed the unaudited consolidated interim results and the interim report of the Company for the six months ended 30 June 2020 and agreed to the accounting principles and practices adopted by the Company.

Publication of Results Announcement and Despatch of Interim Report

The interim results announcement is published on the website of the Stock Exchange (www.hkexnews.hk) and the Company’s website (www.rem-group.com.hk). The interim report will also be available at the above websites and will be despatched to the Shareholders in due course.

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

Hong Kong, 28 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.