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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)

ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2021

The board (the “**Board**”) of directors (the “**Directors**”) of REM Group (Holdings) Limited (the “**Company**”) hereby announces the audited consolidated results of the Company and its subsidiaries (collectively the “**Group**”) for the year ended 31 December 2021 (the “**Year 2021**”), together with comparative figures for the year ended 31 December 2020 (the “**Year 2020**”), as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Revenue	4	130,636	116,457
Cost of sales		<u>(119,229)</u>	<u>114,370</u>
Gross profit		11,407	2,087
Other income, gains and losses, net	5	(445)	443
Selling and distribution expenses		(5,916)	(7,618)
Administrative and other expenses		(24,739)	(29,598)
Finance costs	6	<u>(230)</u>	<u>(131)</u>
Loss before taxation	7	(19,923)	(34,817)
Income tax (expense) credit	8	<u>(242)</u>	<u>3,395</u>
Loss for the year		(20,165)	(31,422)
Other comprehensive income for the year:			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		<u>1,829</u>	<u>3,409</u>
Total comprehensive expense for the year		<u>(18,336)</u>	<u>(28,013)</u>
Loss per share (HK cents) – basic	10	<u>(1.12)</u>	<u>(1.75)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021

	Notes	2021 HK\$'000	2020 HK\$'000
Non-current assets			
Property, plant and equipment		24,526	27,257
Right-of-use assets		3,856	4,361
Rental deposits		23	23
Contract assets	11	13,811	11,342
Deferred tax assets		–	857
		<u>42,216</u>	<u>43,840</u>
Current assets			
Inventories		37,827	25,963
Trade and other receivables	12	63,554	59,015
Contract assets	11	8,247	17,723
Financial assets at fair value through profit or loss		–	699
Amount due from a director		18	18
Tax recoverable		2	2,020
Restricted bank balances		4,571	39
Bank balances and cash		71,752	80,327
		<u>185,971</u>	<u>185,804</u>
Current liabilities			
Trade and other payables	13	57,566	46,234
Contract liabilities		8,056	1,151
Lease liabilities		322	589
Amount due to a director		49	49
Tax payable		657	1,259
		<u>66,650</u>	<u>49,282</u>
Net current assets		<u>119,321</u>	<u>136,522</u>
Total assets less current liabilities		<u>161,537</u>	<u>180,362</u>

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

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, Interest Rate Benchmark Reform – Phase 2
HKFRS 7, HKFRS 4 and HKFRS 16

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.

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

¹ Effective for annual periods beginning on or after 1 January 2022.

² 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial assets at fair value through profit or loss (“FVTPL”) that are measured at fair values at the end of the reporting period.

4. REVENUE AND SEGMENT INFORMATION

Revenue represents amounts received and receivable for the sales of low-voltage electrical power distribution and control devices, less discounts, if any, during the year.

The executive directors of the Company, being the chief operating decision maker (the “CODM”), regularly review revenue analysis by product types, including primarily low-voltage switchboard, local motor control panel, motor control centre, electrical distribution board and control box and electrical parts and replacements and by location of delivery to customers. The CODM considered the operating activities of sales of all products as a single operating segment. Other than revenue analysis, the CODM reviews the profit or loss for the year of the Group as a whole to make decisions about performance assessment and resources allocation. The operation of the Group constitutes one single operating segment under HKFRS 8 “Operating Segments” and accordingly, no separate segment information is prepared. No segment assets and liabilities are presented as the CODM does not regularly review segment assets and liabilities.

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

	2021 <i>HK\$’000</i>	2020 <i>HK\$’000</i>
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
	<u>130,636</u>	<u>116,457</u>

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

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

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

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

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

5. OTHER INCOME, GAINS AND LOSSES, NET

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
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
	<u>(445)</u>	<u>443</u>

6. FINANCE COSTS

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

7. LOSS BEFORE TAXATION

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

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.

8. INCOME TAX EXPENSE (CREDIT)

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
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	<u>(615)</u>	<u>(404)</u>
Deferred tax	<u>857</u>	<u>(1,444)</u>
Income tax expense (credit)	<u>242</u>	<u>(3,395)</u>

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 PRC during the year).

9. 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).

10. LOSS PER SHARE

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

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

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

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

12. TRADE AND OTHER RECEIVABLES

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

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 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
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	<u>7,616</u>	<u>8,765</u>
	<u>57,405</u>	<u>51,834</u>

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.

13. TRADE AND OTHER PAYABLES

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

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 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
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
	<u>42,094</u>	<u>39,864</u>

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.

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.

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.

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 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.

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITION OR DISPOSALS

There were no significant investments held, nor any material acquisitions or disposals 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 announcement 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 announcement.

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

CONTINGENT LIABILITIES

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

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

CURRENCY RISK

The Group has minimal exposure to foreign currency risk as most of its business transactions and assets and liabilities are principally denominated in the functional currencies of the relevant group entities. As such, the Group currently does not have any foreign currency hedging policy in respect of foreign currency transactions and assets and liabilities as the Group's risk in foreign exchange is insignificant. However, the Group will continue to monitor closely its exposure to currency movement and take proactive measures.

PRINCIPAL RISK AND UNCERTAINTY

The Group's business operations are conducted in Hong Kong, Macau and the PRC. Accordingly, the Group's business, financial condition, results of operations and prospects are affected significantly by market risks and general economic, political and legal developments in these jurisdictions.

Furthermore, the projects undertaken by the Group are awarded on a project-by-project basis through tendering and hence are non-recurring in nature. There is no assurance that the Group's customers will continue to make purchases from the Group and failure to maintain the success rate for obtaining new projects could materially affect the Group's financial performance. Other principal risks include fluctuations in purchase prices of the Group's principal raw materials used in production and disruption to the operations of the Group's production facilities, both of which would adversely affect the Group's operations and financial performance.

The Group believes that risk management is the responsibility of everyone within the Group and has implemented a risk management system to mitigate the risks in daily operations. Risk management is led by the Directors at the top, who take both macro and micro economic conditions into account before making business decisions, and also aims to develop risk awareness and control responsibility as the Group's culture and the foundation of the Group's internal controls system.

RELATIONSHIPS WITH CUSTOMERS, SUPPLIERS AND EMPLOYEES

Management recognises that employees, customers, suppliers and business partners are the keys to the sustainable development of the Group. The Group maintains long-term relationships with its customers and suppliers, with most of its major customers and suppliers having established more than 10 years of working relationship with the Group, and some going over 15 years. The Group is generally invited by its customers to submit quotations or tenders for potential projects. The pricing on projects is determined by reference to the estimated costs plus a profit margin having taken into consideration the relationship with or potential prospect of the customer, project type and size, target completion date and the Group's production schedule and availability of resources. The Group endeavours to maintain its presence and keep abreast of opportunities in the market by continuous communication and working with customers and by responding to all tender invitations. The Group has built up a stable pool of suppliers over its operating history of over 20 years, which allows the Group to effectively maintain the quality of raw materials sourced. The Group assigns a project team to each project to follow the working progress of the project, ongoing communications with the customers as to their requests and to ensure that all safety and other applicable regulatory compliance requirements are met. The Group also maintains a very stable and experienced management team and an amicable long-term relationship with its employees. The Group ensures that all the employees are reasonably remunerated by regular review of their salary package. The Group's experienced management team, coupled with dedicated and skilled employees, are one of its key drives in delivering high quality and reliable products to customers in order to attain high customer satisfaction and maintain its fine reputation in the market.

COMPLIANCE WITH LAWS AND REGULATIONS

The operations of the Group are primarily carried out by the Company's subsidiaries in Hong Kong and the PRC, while its products are also delivered to Macau. The Group's establishment and operations accordingly shall comply with relevant laws and regulations in each of the above jurisdictions. During the Year 2021 and up to the date of this announcement, 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.

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
Total	<u>75.0</u>	<u>14.2</u>	<u>60.8</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, 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.
- 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.
- 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.
- 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 phases to minimise disruption to the Group's production. Therefore the Group expects to fully utilise the relevant proceeds on or before 31 December 2022. In the meantime, the Group shall perform all the relevant foundation work required to prepare the DG Factory for accommodation of the new machineries and equipment so as to speed up the progress of expanding the production line upon actual acquisition of the machineries and equipment.

As at the date of this announcement, 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 announcement.

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. 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 date and up to the date of this announcement.

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.

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 Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) as its own code of conduct regarding securities transactions of the Company by the Directors.

Having made specific enquiry of all 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.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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 of the Company 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 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.

DIVIDEND

The Board does not recommend the payment of a final dividend for the Year 2021 (Year 2020: Nil).

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 namely Ms. Ng Ching Ying (the chairlady) and Mr. Cheng Sum Hing and one non-executive Director namely Mrs. Kan Wan Wai Yee Mavis.

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed the auditing, risk management, internal control and financial reporting matters, including review of the Group's consolidated financial statements for the Year 2021 and this results announcement

SCOPE OF WORK OF INDEPENDENT AUDITOR

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the Year 2021 included in this preliminary results announcement have been agreed by the Group's independent auditor, Cheng & Cheng Limited, to the amounts set out in the Group's audited consolidated financial statements for the Year 2021. The work performed by Cheng & Cheng Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA, and consequently, no assurance has been expressed by Cheng & Cheng Limited on this preliminary results announcement.

PUBLICATION OF RESULTS ANNOUNCEMENT AND DESPATCH OF ANNUAL REPORT

The annual 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 annual report will also be available at the above websites and will be despatched to the shareholders of the Company in due course.

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

Hong Kong, 30 March 2022

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.