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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)

CHANGE IN USE OF PROCEEDS

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 Company for the year ended 31 December 2021 (the “**Annual Report**”), in which the utilisation of the Net Proceeds up to 31 December 2021 was disclosed. Unless otherwise defined herein, capitalised terms used in this announcement shall have the same meanings as those defined in the Prospectus and the Annual Report.

The board of directors of the Company (the “**Board**”) hereby announces that it has resolved to change the use of the Net Proceeds.

USE OF PROCEEDS

As disclosed in the section headed “Future Plans and Use of Proceeds” in the Prospectus, the Net Proceeds were intended to be used for the following purposes:–

- approximately HK\$70.1 million or approximately 78.2% of the net proceeds to acquire a factory in the Guangdong Province, (the “**New Factory**”), which comprises of (i) approximately HK\$38.5 million as the payment of the consideration for the New Factory; (ii) approximately HK\$25.4 million for the acquisition of machines and equipment for the New Factory; (iii) approximately HK\$1.6 million as commission, deed tax, stamp duty and professional fees payable in relation to the acquisition; (iv) approximately HK\$0.5 million as the logistic expenses for the relocation of the factory of 廣州全達電器金屬製品有限公司 (Guangzhou Quanda Electrical Metal Products Limited*) (the “**GZ Quanda Factory**”) to the New Factory; and (v) approximately HK\$4.1 million as the capital expenditure for refurbishing the New Factory;
- approximately HK\$15.9 million or approximately 17.7% of the net proceeds to acquire and replace the machines and equipment in the factory of 東莞全達機電設備有限公司 (Dongguan Quanda Electrical Equipment) (the “**DG Quanda Factory**”); and
- approximately HK\$3.7 million or approximately 4.1% of the net proceed for general working capital of our Group.

The Net Proceeds received by the Company, after deducting the underwriting commission and other listing expenses in connection to the Listing, were approximately HK\$75 million, 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.

As disclosed in the section headed “Use of Proceeds from The Listing” in the Annual Report, the Company had utilised approximately HK\$14.2 million of the Net Proceeds up to 31 December 2021 in the manner disclosed in the Annual Report and due to the outbreak of COVID-19 continues to spread around the world which resulted in series of travel restrictions and quarantine control measures being implemented in Hong Kong and the Mainland, affecting a majority of the Hong Kong staff and the management from travelling to the Mainland, the Group’s plan to acquire a New Factory in Guangdong and acquire machineries and equipment for the DG Quanda Factory has been delayed, with the balance of the unutilised Net Proceeds expected to be utilised in the coming two financial years.

CHANGE IN USE OF PROCEEDS

As at the date of this announcement, the unutilised Net Proceeds amounted to approximately HK\$60.8 million. On 16 August 2022, the Board resolved to change the use of the unutilised Net Proceeds. An analysis of the utilisation of the Net Proceeds as at the date of this announcement and the proposed change in the use of the unutilised Net Proceeds is set out as below:

Business objectives	Net proceeds from Listing (HK\$ million)	Net Proceeds utilised as at the date of this announcement (HK\$ million)	Unutilised Net Proceeds as at the date of this announcement (HK\$ million)	Revised allocation of the Unutilised Net Proceed (HK\$ million)
(i) Acquisition of the New Factory				
– Consideration of the New Factory and the related commission, deed tax, stamp duty and professional fees	37.4	2.9	34.5	34.5
– Acquisition of machineries and equipment	21.2	3.7	17.5	–
(ii) Acquisition of machineries and equipment for the DG Quanda Factory	13.3	4.5	8.8	1.4
(iii) General working capital	3.1	3.1	–	12.5
(iv) Maintenance and alteration for the DG Quanda Factory	–	–	–	12.4
Total	75.0	14.2	60.8	60.8

The unutilized Net Proceeds are expected to be utilised in the coming two financial years.

Save for the aforesaid changes, there is no other change in use of the Net Proceeds.

REASONS FOR AND BENEFITS OF THE CHANGE IN USE OF PROCEEDS

The Board considered that the outbreak of COVID-19 pandemic and its consequential situation of travel restrictions unfortunately persists, which brought lingering impacts to the Group's operation. The suspension and delay in global logistics chains, postponement of delivery schedule by the customers, as well as the ongoing boarder restrictions, have all created difficulties for the industry. Apart from that, the Group's production line in Humen has been suspended at the end of November 2021, in order to mitigate the operation risk and to cope with the cost control strategies. Meanwhile, as the financial and business results of the Group may continue be adversely affected by COVID-19, the Group needs to adopt a more effective policy to maintain its business operations and cash flow liquidity. The Board is of the view that by strictly adhering to the implementation plan set out in the Prospectus will not be in the Group's best interest and therefore it should be appropriate to change the use of the unutilised Net Proceeds by re-allocating HK\$12.5 million for working capital so as to meet the operating expenses which are recurring and unavoidable in nature.

The Board estimated HK\$12.4 million from the Unutilised Net Proceeds is required to be re-allocated for maintenance and alteration work of the building of the DG Quanda Factory. The Board has noted the factory building has been used over ten years, the Group should devote its resources to its existing building maintenance and management, including but not limited to repair spalling concrete on external walls, so as to reduce potential risks to the public and the users.

The Board is of the view that the re-allocation of the unutilised Net Proceeds will provide flexibility for the Group to manage its asset and liability and is favourable to the Group's long term business development as well as a better utilisation of the unutilised Net Proceeds. The Board will continue to assess the impact of the COVID-19 to the operations of the Group and the plan for the use of unutilised Net Proceeds and make revision when necessary.

The Board confirms that there is no material change in the nature of the business of the Group as set out in the Prospectus. The Board considers the above change in the use of the Net Proceeds is fair and reasonable as this will allow the Company to deploy its financial resources more effectively to enhance the profitability of the Group and is therefore in the interests of the Group and the Shareholders as a whole.

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

Hong Kong, 16 August 2022

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

* *For identification purposes only*