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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 2022**

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 2022 (the “**Year 2022**”), together with comparative figures for the year ended 31 December 2021 (the “**Year 2021**”), as follows:

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

*For the year ended 31 December 2022*

|  | <i>Notes</i> | <b>2022</b><br><i>HK\$'000</i> | 2021<br><i>HK\$'000</i> |
|--|--------------|--------------------------------|-------------------------|
| Revenue  | 4            | <b>219,293</b>                 | 130,636                 |
| Cost of sales  |              | <u>(177,345)</u>               | <u>(119,229)</u>        |
| Gross profit   |              | <b>41,948</b>                  | 11,407                  |
| Other income, gains and losses, net                                  | 5            | <b>4,101</b>                   | (445)                   |
| Selling and distribution expenses                                    |              | <b>(8,183)</b>                 | (5,916)                 |
| Administrative and other expenses                                    |              | <b>(28,900)</b>                | (24,739)                |
| Finance costs  | 6            | <u>(619)</u>                   | <u>(230)</u>            |
| <b>Profit (loss) before taxation</b>                                 | 7            | <b>8,347</b>                   | (19,923)                |
| Income tax expense   | 8            | <u>(31)</u>                    | <u>(242)</u>            |
| <b>Profit (loss) for the year</b>                                    |              | <b>8,316</b>                   | (20,165)                |
| Other comprehensive (expense) 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>(5,955)</u>                 | <u>1,829</u>            |
| <b>Total comprehensive income (expense) for the year</b>             |              | <u><b>2,361</b></u>            | <u>(18,336)</u>         |
| <b>Earnings (loss) per share – basic and diluted (HK cents)</b>      | 10           | <u><b>0.46</b></u>             | <u>(1.12)</u>           |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2022

|  | Notes | 2022<br>HK\$'000 | 2021<br>HK\$'000 |
|--|-------|------------------|------------------|
| <b>Non-current assets</b>                    |       |                  |                  |
| Property, plant and equipment                |       | 19,105           | 24,526           |
| Right-of-use assets                          |       | 4,729            | 3,856            |
| Rental deposits                              |       | 21               | 23               |
| Contract assets                              | 11    | 6,874            | 13,811           |
| Deferred tax assets                          | 14    | –                | –                |
|  |       | <u>30,729</u>    | <u>42,216</u>    |
| <b>Current assets</b>                        |       |                  |                  |
| Inventories                                  |       | 36,789           | 37,827           |
| Trade and other receivables                  | 12    | 85,046           | 63,554           |
| Contract assets                              | 11    | 12,417           | 8,247            |
| Amount due from a director                   |       | 18               | 18               |
| Tax recoverable                              |       | –                | 2                |
| Restricted bank balances                     |       | –                | 4,571            |
| Bank balances and cash                       |       | 71,091           | 71,752           |
|  |       | <u>205,361</u>   | <u>185,971</u>   |
| <b>Current liabilities</b>                   |       |                  |                  |
| Trade and other payables                     | 13    | 67,493           | 57,566           |
| Contract liabilities                         |       | 2,546            | 8,056            |
| Lease liabilities                            |       | 773              | 322              |
| Amount due to a director                     |       | 49               | 49               |
| Tax payable                                  |       | 619              | 657              |
|  |       | <u>71,480</u>    | <u>66,650</u>    |
| <b>Net current assets</b>                    |       | <u>133,881</u>   | <u>119,321</u>   |
| <b>Total assets less current liabilities</b> |       | <u>164,610</u>   | <u>161,537</u>   |

|                                     | <i>Notes</i> | <b>2022</b><br><b>HK\$'000</b> | 2021<br>HK\$'000 |
|-------------------------------------|--------------|--------------------------------|------------------|
| <b>Non-current liabilities</b>      |              |                                |                  |
| Lease liabilities                   |              | <b>1,482</b>                   | 746              |
| Provision for long service payments |              | <b>480</b>                     | 504              |
| Deferred tax liabilities            | <i>14</i>    | <u>–</u>                       | <u>–</u>         |
|                                     |              | <u><b>1,962</b></u>            | <u>1,250</u>     |
| <b>Net assets</b>                   |              | <u><b>162,648</b></u>          | <u>160,287</u>   |
| <b>Capital and reserves</b>         |              |                                |                  |
| Share capital                       |              | <b>18,000</b>                  | 18,000           |
| Share premium and reserves          |              | <u><b>144,648</b></u>          | <u>142,287</u>   |
| <b>Total equity</b>                 |              | <u><b>162,648</b></u>          | <u>160,287</u>   |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 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) 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 2022 for the preparation of the consolidated financial statements:

|                       |  |
|-----------------------|--|
| Amendments to HKFRS 3 | Reference to the Conceptual Framework                        |
| Amendments to HKAS 16 | Property, Plant and Equipment – Proceeds before Intended Use |
| Amendments to HKAS 37 | Onerous Contracts – Cost of Fulfilling a Contract            |
| Amendments to HKFRSs  | Annual Improvements to HKFRSs 2018-2020                      |

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 to HKFRSs, and a new standard, HKFRS 17, Insurance contracts, which are not yet effective for the year ended 31 December 2022 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

|   |  |
|---|--|
| Amendments to HKAS 1                                | Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) <sup>2</sup> |
| Amendments to HKAS 1 and HKFRS Practice Statement 2 | Disclosure of Accounting Policies <sup>1</sup>   |
| Amendments to HKAS 8                                | Definition of Accounting Estimates <sup>1</sup>  |
| Amendments to HKAS 12                               | Deferred Tax related to Assets and Liabilities arising from a Single Transaction <sup>1</sup>                                    |

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

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2024.

The Group is in the process of making an assessment of the impact of these amendments 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. SIGNIFICANT ACCOUNTING POLICIES**

**Basis of preparation of consolidated financial statements**

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

The consolidated financial statements have been prepared on the historical cost basis 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:

|   | 2022<br><i>HK\$’000</i> | 2021<br><i>HK\$’000</i> |
|---|-------------------------|-------------------------|
| Low-voltage switchboard                       | 95,295                  | 55,741                  |
| Local motor control panel                     | 69,711                  | 41,607                  |
| Motor control centre                          | 30,499                  | 19,141                  |
| Electrical distribution board and control box | 15,968                  | 5,951                   |
| Electrical parts and replacements             | 7,820                   | 8,196                   |
|   | <u>219,293</u>          | <u>130,636</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:

|                  | 2022<br><i>HK\$’000</i> | 2021<br><i>HK\$’000</i> |
|------------------|-------------------------|-------------------------|
| Revenue          |                         |                         |
| – Hong Kong      | 172,820                 | 113,701                 |
| – Macau          | 33,547                  | 10,849                  |
| – Mainland China | 12,926                  | 6,086                   |
|                  | <u>219,293</u>          | <u>130,636</u>          |

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

|            | <b>2022</b><br><i>HK\$'000</i> | 2021<br><i>HK\$'000</i> |
|------------|--------------------------------|-------------------------|
| Customer A | 77,989                         | 28,074                  |
| Customer B | <u>24,780</u>                  | <u>N/A*</u>             |

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

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:

|                | <b>2022</b><br><i>HK\$'000</i> | 2021<br><i>HK\$'000</i> |
|----------------|--------------------------------|-------------------------|
| Hong Kong      | 5,742                          | 5,444                   |
| Mainland China | <u>18,092</u>                  | <u>22,938</u>           |
|                | <u><b>23,834</b></u>           | <u>28,382</u>           |

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

|   | <b>2022</b><br><i>HK\$'000</i> | 2021<br><i>HK\$'000</i> |
|---|--------------------------------|-------------------------|
| Net exchange gain (loss)                          | 2,855                          | (673)                   |
| Interest income                                   | 390                            | 49                      |
| Loss on redemption of financial assets at FVTPL   | –                              | (36)                    |
| Loss on disposal of property, plant and equipment | (21)                           | –                       |
| Others  | <u>877</u>                     | <u>215</u>              |
|   | <u><b>4,101</b></u>            | <u>(445)</u>            |

#### 6. FINANCE COSTS

|  | <b>2022</b><br><i>HK\$'000</i> | 2021<br><i>HK\$'000</i> |
|--|--------------------------------|-------------------------|
| Interest expenses on other loans       | 532                            | 154                     |
| Interest expenses on lease liabilities | <u>87</u>                      | <u>76</u>               |
|  | <u><b>619</b></u>              | <u>230</u>              |

## 7. PROFIT (LOSS) BEFORE TAXATION

|  | 2022<br><i>HK\$'000</i> | 2021<br><i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Profit (loss) before taxation has been arrived<br>at after charging(crediting):                        |                         |                         |
| Depreciation of property, plant and equipment  |                         |                         |
| – cost of sales  | 954                     | 1,505                   |
| – administrative and other expenses  | <u>2,457</u>            | <u>2,640</u>            |
| Total depreciation of property, plant and equipment  | <u><u>3,411</u></u>     | <u><u>4,145</u></u>     |
| Depreciation of right-of-use assets  | 700                     | 620                     |
| Directors' emoluments  |                         |                         |
| – fees   | 504                     | 504                     |
| – salaries and other allowance   | 2,108                   | 969                     |
| – retirement benefit scheme contributions  | <u>36</u>               | <u>36</u>               |
|  | 2,648                   | 1,509                   |
| Staff salaries and other allowance   | 34,120                  | 29,171                  |
| Staff retirement benefits scheme contributions   | <u>3,854</u>            | <u>3,772</u>            |
| Total staff costs  | <u><u>40,622</u></u>    | <u><u>34,452</u></u>    |
| Auditor's remuneration   | 600                     | 600                     |
| Cost of inventories recognised as cost of sales  | 166,094                 | 110,479                 |
| Expenses related to short-term leases  | –                       | 45                      |
| Net impairment losses recognised (reversed)  |                         |                         |
| on trade receivables and contract assets   | 277                     | (781)                   |
| Employment Support Scheme subsidies in relation to<br>the Coronavirus Disease 2019 (“COVID-19”) (Note) | (886)                   | –                       |
| Write off of property, plant and equipment   | <u><u>1,055</u></u>     | <u><u>59</u></u>        |

Note: COVID-19 related Employment Support Scheme subsidies from the Hong Kong Special Administrative Region (“HKSAR”) government has been offset against the staff costs of the Group.

## 8. INCOME TAX EXPENSE

|   | 2022<br><i>HK\$'000</i> | 2021<br><i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| The taxation charge comprises:              |                         |                         |
| Current tax                                 |                         |                         |
| Hong Kong Profits Tax                       |                         |                         |
| – Provision for the year                    | –                       | –                       |
| – Under-provision in respect of prior years | 2                       | –                       |
| People’s Republic of China (“ <b>PRC</b> ”) |                         |                         |
| Enterprise Income Tax (“ <b>EIT</b> ”)      |                         |                         |
| – Provision for the year                    | 29                      | –                       |
| – Over-provision in respect of prior year   | –                       | (615)                   |
| Deferred tax ( <i>Note 14</i> )             | –                       | 857                     |
|   | <u>–</u>                | <u>857</u>              |
| Income tax expense                          | <u>31</u>               | <u>242</u>              |

No provision for Hong Kong Profits Tax is provided for the year ended 31 December 2022 as the current year’s taxable profits of the subsidiaries operating in Hong Kong have been set-off by previous year’s losses (2021: as the subsidiaries operating in Hong Kong have no assessable profits).

Under the Law of the People’s Republic of China on Enterprise Income Tax (the “**EIT Law**”) and Implementation Regulation of the EIT Law, the tax rate of the subsidiaries in Mainland China is 25%. (2021: no provision for EIT is provided as the subsidiaries did not have any assessable profits subject to EIT in Mainland China during the year).

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

|   | 2022<br><i>HK\$'000</i> | 2021<br><i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Profit (loss) before taxation   | <u>8,347</u>            | <u>(19,923)</u>         |
| Tax at the applicable income tax rate at 16.5%                        | 1,377                   | (3,287)                 |
| Tax effect of origination and reversal of temporary differences       | (932)                   | 485                     |
| Tax effect of expenses not deductible for tax purpose                 | 1,130                   | 1,056                   |
| Tax effect of income not taxable for tax purpose                      | (230)                   | (126)                   |
| Tax effect of different tax rates of subsidiaries                     |                         |                         |
| operating in Mainland China   | 333                     | (477)                   |
| Tax effect of tax losses not recognised                               | 205                     | 3,658                   |
| Tax effect of prior years’ unrecognised tax loss utilised in the year | (1,854)                 | (452)                   |
| Under-provision (over-provision) for prior years                      | <u>2</u>                | <u>(615)</u>            |
| Income tax charge for the year  | <u>31</u>               | <u>242</u>              |

As at 31 December 2022, the Group has unused tax losses of approximately HK\$23,915,000 (2021: HK\$34,629,000) available for offset against future profits. A deferred tax assets has been recognised in respect of approximately HK\$3,439,000 (2021: HK\$3,917,000) of such losses. No deferred tax asset has been recognised in respect of these tax losses of approximately HK\$20,476,000 (2021: HK\$30,712,000) due to the unpredictability of relevant future profit streams. Included in unused tax losses are tax losses of approximately HK\$8,368,000 (2021: HK\$8,931,000) that may be carried forward for five years from the year in which the tax losses arose, the remaining unused tax losses may be carried forward indefinitely.

Deferred taxation has not been recognised in respect of the undistributed retained profits earned by the subsidiaries in Mainland China amounting to HK\$11,854,000 for the year ended 31 December 2022 (2021: HK\$10,078,000), as the management of the Group are of the opinion that the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

## 9. DIVIDEND

No dividend was paid or proposed for ordinary shareholders of the Company during 2022, nor has any dividend been proposed since the end of the year (2021: nil).

## 10. EARNINGS (LOSS) PER SHARE

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

|   | <b>2022</b><br><i>HK\$'000</i> | 2021<br><i>HK\$'000</i> |
|---|--------------------------------|-------------------------|
| Earnings (loss) for the year attributable to owners of the Company for the purpose of basic earnings (loss) per share | <b><u>8,316</u></b>            | <u>(20,165)</u>         |
|   | <b>2022</b><br><i>'000</i>     | 2021<br><i>'000</i>     |
| Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share                         | <b><u>1,800,000</u></b>        | <u>1,800,000</u>        |

No diluted earnings (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\$19,291,000 (2021: HK\$22,058,000) net of allowance for expected credit losses of approximately HK\$278,000 (2021: HK\$236,000). 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 defect liability period serves as an assurance-type warranty that the products transferred by the Company comply with agree – upon specifications and such assurance cannot be purchased separately. The following is an analysis of contract assets at the end of the reporting period:

|                 | 2022<br><i>HK\$'000</i> | 2021<br><i>HK\$'000</i> |
|-----------------|-------------------------|-------------------------|
| Within one year | 12,417                  | 8,247                   |
| After one year  | 6,874                   | 13,811                  |
|                 | <u>19,291</u>           | <u>22,058</u>           |

## 12. TRADE AND OTHER RECEIVABLES

|  | 2022<br><i>HK\$'000</i> | 2021<br><i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Trade receivables                          | 80,653                  | 58,298                  |
| Less: Allowance for credit losses          | (1,081)                 | (893)                   |
|  | <u>79,572</u>           | <u>57,405</u>           |
| Other receivables, prepayment and deposits | 5,474                   | 6,149                   |
|  | <u>85,046</u>           | <u>63,554</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 (2021: 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.

|                | 2022<br><i>HK\$'000</i> | 2021<br><i>HK\$'000</i> |
|----------------|-------------------------|-------------------------|
| 0 – 30 days    | 43,993                  | 24,148                  |
| 31 – 60 days   | 10,294                  | 14,976                  |
| 61 – 90 days   | 7,424                   | 1,205                   |
| 91 – 180 days  | 8,982                   | 5,348                   |
| 181 – 365 days | 5,308                   | 4,112                   |
| Over 1 year    | 3,571                   | 7,616                   |
|                | <u>79,572</u>           | <u>57,405</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 2022, included in the Group's trade receivables balance are debtors with aggregate carrying amount of approximately HK\$28,555,000 (2021: HK\$26,376,000) which are past due as at the reporting date. Out of the past due balances, approximately HK\$13,093,000 (2021: HK\$16,280,000) has been past due 90 days or more and the Directors of the Company considered there has been 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

|                             | <b>2022</b><br><i>HK\$'000</i> | 2021<br><i>HK\$'000</i> |
|-----------------------------|--------------------------------|-------------------------|
| Trade payables              | <b>33,717</b>                  | 39,261                  |
| Bill payables               | <b>7,033</b>                   | 2,833                   |
|                             | <b>40,750</b>                  | 42,094                  |
| Accruals and other payables | <b>11,266</b>                  | 7,882                   |
| Other loans                 | <b>15,477</b>                  | 7,590                   |
|                             | <b>67,493</b>                  | 57,566                  |

The credit period granted by suppliers to the Group ranged from 0 to 75 days (2021: 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:

|              | <b>2022</b><br><i>HK\$'000</i> | 2021<br><i>HK\$'000</i> |
|--------------|--------------------------------|-------------------------|
| 0 – 30 days  | <b>10,590</b>                  | 7,390                   |
| 31 – 60 days | <b>15,785</b>                  | 14,483                  |
| 61 – 90 days | <b>4,739</b>                   | 8,446                   |
| Over 90 days | <b>9,636</b>                   | 11,775                  |
|              | <b>40,750</b>                  | 42,094                  |

The Group's bill payables are denominated in USD.

The accruals and other payables mainly consist of accrual of staff salaries and benefits, other payable of a related party and accrual of operating expenses.

As at 31 December 2022, other payable of a related party amounted to HK\$4,341,000 which is unsecured, interest free and repayable on demand.

As at 31 December 2022, the other loans mainly represent: (i) an unsecured loan from a third party amounted to RMB2,500,000 (equivalent to HK\$2,820,000), which carry interests of 4.17% per annum and repayable within one year after the end of the reporting date; and (ii) two unsecured loans from related companies amounted to RMB10,800,000 (equivalent to HK\$12,183,000), which carry interests of 4.17% per annum and repayable within one year after the end of the reporting date.

As at 31 December 2021, 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.

#### 14. DEFERRED TAX ASSETS (LIABILITIES)

|                                   | <b>Tax Loss</b><br><i>HK\$'000</i> | <b>Accelerated tax<br/>depreciation</b><br><i>HK\$'000</i> | <b>Total</b><br><i>HK\$'000</i> |
|-----------------------------------|------------------------------------|--|---------------------------------|
| At 1 January 2021                 | 1,392                              | (535)  | 857                             |
| Charge to profit or loss          | (746)                              | (111)  | (857)                           |
| At 31 December 2021               | 646                                | (646)  | –                               |
| (Charge) credit to profit or loss | (79)                               | 79   | –                               |
| At 31 December 2022               | <u>567</u>                         | <u>(567)</u>   | <u>–</u>                        |

## **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 Mainland China.

Hong Kong, Macau and Mainland China have been heavily impacted by the COVID-19 variants during much of the Year 2022. During the year under review, the ongoing situation of COVID-19 has caused disruptions to the economic and social activities in the market that the group operates. Those disruptions posed threats on the construction market and the effects including high inflation, supply chain and logistics disruption. However, the Group remains proactive and taking necessary actions to ensure the impact to our core business is minimised, through adopting stringent cost and expansion so as to mitigate our business risks and strengthen our sustainability and competitiveness.

As a result of the above, the Group's revenue was significant increased by approximately 67.9%. Revenue attributed to sales in Hong Kong, Macau and Mainland China amounted to approximately HK\$172.8 million, approximately HK\$33.5 million and approximately HK\$12.9 million, respectively, for the Year 2022 (Year 2021: approximately HK\$113.7 million, approximately HK\$10.8 million and approximately HK\$6.1 million, respectively).

The Group recorded a net profit for the year of approximately HK\$8.3 million for the Year 2022, compared with a net loss of approximately HK\$20.2 million for the Year 2021. The net profit after tax was mainly attributable to a significant increase in revenue and a much higher gross profit margin generated during the year.

### **MARKET PROSPECT**

With the fifth wave of the COVID-19 pandemic gradually being brought under control, Hong Kong's construction market has been progressively recovering since the second half of the year 2022. Looking forward to 2023, the Directors are of the view that the construction demand of our product is expected to remain steady, due to demand from the public and private sector is anticipated to increase, as such, the management will take appropriate measures and proactive review of backlog orders and monitor the operation of factory to have better utilisation of the production in order to fulfil the orders from customers.

## **FINANCIAL REVIEW**

### **Revenue**

The Group's revenue significant increased by approximately HK\$88.7 million, or approximately 67.9%, from approximately HK\$130.6 million for the Year 2021 to approximately HK\$219.3 million for the Year 2022. Such increase was directly attributable to the improvement of the production processes in our factories. The production capacity is therefore increased steadily in order to fulfill the requirements of the sales orders during the year.

### **Cost of sales**

The Group's cost of sales amounted to approximately HK\$177.3 million for the Year 2022 representing an increase of approximately 48.7% from approximately HK\$119.2 million for the Year 2021. Such increase was in line with an increase in the Group's revenue. Cost of sales mainly comprised of costs of raw materials and staff costs, which accounted for approximately 86.1% and 12.25% respectively of the Group's total cost of sales for the Year 2022 (Year 2021: approximately 75.3% and 15.2%, respectively).

### **Gross profit/Gross profit margin**

The Group's gross profit increased by approximately HK\$30.5 million from approximately HK\$11.4 million for the Year 2021 to approximately HK\$41.9 million for the Year 2022 as a result of the increase in sales for the year. The overall gross profit margin of the Group simultaneously increased from approximately 8.7% for the Year 2021 to approximately 19.1% for the Year 2022. 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.

### **Other income, gains and losses**

The Group's other income, gains and losses significantly increased by approximately HK\$4.5 million, from approximately HK\$0.4 million net loss for the Year 2021 to approximately HK\$4.1 million net gain for the Year 2022. Such increase was mainly attributable to (i) the exchange gains recorded in Mainland China entities of approximately HK\$2.9 million; and (ii) the bank interest income of approximately HK\$0.4 million; and (iii) the income of wastage disposal of approximately HK\$0.2 million.

### **Selling and distribution expenses**

The Group's selling and distribution expenses increased by approximately HK\$2.3 million, or approximately 38.3%, from approximately HK\$5.9 million for the Year 2021 to approximately HK\$8.2 million for the Year 2022 which was mainly attributable to an increase in transportation expenses of approximately HK\$2.0 million as a result of an increase in sales during the year.

### **Administrative and other expenses**

The Group's administrative and other expenses increased by approximately HK\$4.2 million, or approximately 16.8%, from approximately HK\$24.7 million for the Year 2021 to approximately HK\$28.9 million for the Year 2022. The increase was mainly due to the increase of staff expenses during the year. More staff were hired during the year in order to cope with the project completion schedule agreed with customers.

### **Finance costs**

The Group's finance costs increased from approximately HK\$0.2 million for the Year 2021 to approximately HK\$0.6 million for the Year 2022 which was mainly attributable to the interest expenses on other loans of approximately HK\$0.5 million.

### **Taxation**

The Group recorded an income tax expense of approximately HK\$31,000 for Year 2022 as compared to that of approximately HK\$0.2 million for Year 2021. As there is tax losses carried forward from prior years, taxable profits chargeable to Hong Kong profits tax for the year has been offset by the tax losses. The income tax expense mainly arose from provision of PRC enterprise income tax during the year.

### **Profit/Loss for the year attributable to the owners of the Company**

As a result of the significant increase in revenue and gross profit, there was a net profit for the year attributable to the owners of the Company of approximately HK\$8.3 million for Year 2022, as compared with a net loss for the year attributable to the owners of the Company of approximately HK\$20.2 million for Year 2021.

## **LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE**

The Group has funded its liquidity and capital requirements primarily through cash inflows from operating activities and proceeds received from its listing on the Stock Exchange on 11 May 2018 (the “Listing”). There had been no change in the capital structure of the Group since the Listing.

As at 31 December 2022, the Group had bank balances and cash of approximately HK\$71.1 million (31 December 2021: approximately HK\$71.8 million). The decrease is mainly due to a rise in trade and other receivables of approximately HK\$21.5 million at the year end.

As at 31 December 2022, the working capital (current assets less current liabilities) and total equity attributable to owners of the Group were approximately HK\$133.9 million (31 December 2021: approximately HK\$119.3 million) and approximately HK\$162.6 million (31 December 2021: approximately HK\$160.3 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 2022 was approximately 9.2% (31 December 2021: 4.7%). Such increase was mainly due to more short term borrowings raised during the year.

## **TRADE AND BILL RECEIVABLES**

The Group’s average receivable turnover days for the Year 2022 decreased to approximately 115.6 days as compared to that of approximately 155.9 days for the Year 2021. The main reason for the decrease is the settlement of outstanding trade receivables during the Year 2022 was satisfactory. No bad debts were recognised during the year and the Group also do not consider there to be default on any of its other trade receivables balance as at 31 December 2022.

## **SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITION OR DISPOSALS**

There were no significant investments held, nor any material acquisitions or disposals during the Year 2022.

## **PLEDGE OF ASSETS**

The Group’s banking facilities were secured by corporate guarantees provided by the Company for unlimited amount and certain leasehold land and buildings as at 31 December 2022 and 31 December 2021. There was no other pledge of assets as at 31 December 2022 and 31 December 2021.

## 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 2022 and up to the date of this announcement.

## CAPITAL COMMITMENTS

The Group had the following capital commitment in respect of investment in a subsidiary at the end of the Year 2022 and the Year 2021.

|  | <b>2022</b><br><i>HK\$'000</i> | 2021<br><i>HK\$'000</i> |
|--|--------------------------------|-------------------------|
| Contracted, but not provided for<br>– committed investment in a subsidiary | <u><u>1,000</u></u>            | <u><u>1,000</u></u>     |

## CONTINGENT LIABILITIES

At 31 December 2022, contingent liabilities not provided for in the year were as follows:

|   | <b>At 31 December</b>          |                         |
|---|--------------------------------|-------------------------|
|   | <b>2022</b><br><i>HK\$'000</i> | 2021<br><i>HK\$'000</i> |
| Performance bonds given to customer for due and proper<br>performance of projects undertaken by the Group's<br>subsidiaries | <u><u>–</u></u>                | <u><u>6,975</u></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 Mainland China. 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 beyond 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 30 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 Mainland China, 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 2022 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 Mainland China, 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 238 full-time employees as at 31 December 2022 (31 December 2021: 221), among which 43 and 195 (31 December 2021: 44 and 177) were stationed in Hong Kong and Mainland China, respectively. Most of the Group's employees were factory workers in Mainland China. The total staff costs (including fees, salaries and other allowance, and retirement benefit scheme contributions for both Directors and other staff) for the Year 2022 were approximately HK\$40.6 million (Year 2021: approximately HK\$34.5 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 2022 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 (the "Listing Date"). 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 (the "Net Proceeds")), 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. According to the announcement of the Company on 16<sup>th</sup> August 2022 (the "Announcement"), the Board has resolved to change the proposed use of the unutilized net proceeds.

An analysis of the amounts utilised up to 31 December 2022 is set out below:

| Description  | Net proceeds<br>from<br>Listing<br>(HK\$ million) | Net Proceeds<br>utilised as at<br>the date of<br>Announcement<br>(HK\$ million) | Unutilised Net<br>Proceeds as<br>at the date of<br>Announcement<br>(HK\$ million) | Revised   | Net proceeds<br>utilised up to<br>31 December<br>2022<br>(HK\$ million) | Unutilised net<br>proceed as at<br>31 December<br>2022<br>(HK\$ million) |
|--|---|---|---|---|---|--|
|  |   |   |   | allocation of<br>the Unutilised<br>Net Proceed as<br>at the date of<br>Announcement<br>(HK\$ million) |   |  |
| (i) Acquisition of a factory in Mainland China (“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  | –   | 34.5   |
| – Acquisition of machineries and equipment   | 21.2  | 3.7   | 17.5  | –   | –   | –  |
| (ii) Acquisition of machineries and equipment for the existing factory located in Dongguan (“DG Quanda Factory”) | 13.3  | 4.5   | 8.8   | 1.4   | 0.2   | 1.2  |
| (iii) General Working Capital  | 3.1   | 3.1   | –   | 12.5  | 12.5  | –  |
| (iv) Maintenance and alteration for the DG Quanda Factory  | –   | –   | –   | 12.4  | –   | 12.4   |
| Total  | <u>75.0</u>                                       | <u>14.2</u>   | <u>60.8</u>   | <u>60.8</u>   | <u>12.7</u>   | <u>48.1</u>  |

The unutilised Net Proceeds are expected to be utilised by 31 December 2024.

To better utilise the Listing proceeds, the Group decides to reallocate the majority of the unutilised Listing proceeds for the acquisition of machines and equipment in the new factory to be acquired and the DG Quanda Factory to accommodate the change in business strategies of the Group. With 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 Group needs to adopt a more effective policy to maintain its business operations and cash flow liquidity.

The re-allocated unutilised Listing proceeds will be used for maintenance and alteration work of the building of the DG Quanda Factory. As 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 it is in the best interests of the Company and its shareholders as a whole and the reallocation 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 plan for the use of unutilised Net Proceeds and make revision when necessary.

At the date of this announcement, the unutilised net proceeds of approximately HK\$48.1 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 2022 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 2022.

## **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 2022.

## **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 2022.

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 2022 (Year 2021: 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 2022 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 2022 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 2022. 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](http://www.hkexnews.hk)) and the Company's website ([www.rem-group.com.hk](http://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 2023

*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.*