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Yee Hop Holdings Limited

義合控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1662)

UPDATE ON THE USE OF NET PROCEEDS AND CLARIFICATION OF 2016/17 ANNUAL REPORT, 2017/18 INTERIM REPORT, 2017/18 ANNUAL REPORT AND THE ANNOUNCEMENT DATED 5 SEPTEMBER 2018

Reference is made to the Announcement of the Company dated 5 September 2018 in relation to change in use of Net Proceeds. References are also made to 2016/17 Annual Report, 2017/18 Interim Report and 2017/18 Annual Report in relation to, among others, the use of Net Proceeds.

The Net Proceeds received by the Company from the Share Offer were approximately HK\$104.262 million. The Net Proceeds have been deposited in several bank accounts of the Group and mixed with the Group's other funds arising from the normal course of business of the Group.

The Board would like to advise that the Company has treated the Net Proceeds as part revolving fund in which the unutilised amount could be reallocated for meeting the short-term funding business needs of the Group temporarily during its ordinary course of business and for its announced new business development (the "**Misunderstanding**").

During the two years ended 31 March 2018, two major customers of the Group delayed the settlement of service fees owed to the Group due to late payment mechanism set up by the customer in the early stage of contracts commence which resulted in tremendous increase in the working capital needs of the Group. On 19 September 2017, the Company announced the signing of a subscription agreement for the Birmingham Property Project. This further intensified the short-term funding needs of the Group.

Due to the Misunderstanding and in order to lower the finance cost of the Group, the Company, instead of making use of its undrawn banking facilities in full, had temporarily reallocated the unutilised Net Proceeds as general working capital of the Group and for partially settlement of the Group's payment obligations in the Birmingham Property Project.

The Company becomes aware of its Misunderstanding recently. After reviewing the financial information of the Group, the Company notices and would like to clarify that notwithstanding the information stated in the Announcement, Net Proceeds from the Listing of approximately HK\$90.683 million should have been utilised in the year ended 31 March 2018. Information regarding actual use of the Net Proceeds at different period of time is set out in the later part of this announcement under the section headed “Amendments of the published reports of the Company”.

For the avoidance of the doubt, the Group has already recovered the late payment receivables from the aforesaid two major customers. As at the date of the Announcement of 5 September 2018, the Group had cash and bank balance of approximately HK\$99 million and undrawn banking facilities of more than HK\$40 million. Based on the aforesaid, the Board confirms that the Group is in sound financial position.

AMENDMENTS OF THE PUBLISHED REPORTS OF THE COMPANY

(1) 2016/17 Annual Report

The Company would like to clarify that the table as set out in (i) the sub-section headed “Use of Proceeds” in the section headed “Management Discussion and Analysis”; and (ii) the sub-section headed “Proceeds from the Company’s Share Offer” in the section headed “Report of the Directors” of the 2016/17 Annual Report have to be amended as follows in which the amended words and figures are highlighted with italic and underline for easy reference:

	%	HK\$'000	Net Proceeds utilised HK\$'000	Balance unutilised HK\$'000
<u>(a) Planned Use of Net Proceeds</u>				
• to expand capacity on foundation business and purchase new machineries and vehicles to improve operation efficiency and enhance the working capacity	60.2%	62,766	6,092	
• to expand capacity on tunneling business and purchase new machineries to enhance working capacity	29.1%	30,340	–	
• to strengthen established position in the industry by increasing the management staff	8.0%	8,341	–	
• general working capital of the Group	2.7%	2,815	2,815	
<u>(b) Unplanned Use of Net Proceeds</u>				
• <u>additional general working capital of the Group</u>	<u>N/A</u>	<u>N/A</u>	<u>20,068</u>	
Total	<u>100.0%</u>	<u>104,262</u>	<u>28,975</u>	

(2) 2017/18 Interim Report

The Company would like to further clarify that the table as set out in the sub-section headed “Use of Proceeds from the Listing” in the section headed “Other Information” of the 2017/18 Interim Report have to be amended as follows in which the amended words and figures are highlighted with italic and underline for easy reference:

	%	HK\$'000	Net Proceeds utilised HK\$'000	Balance unutilised HK\$'000
(a) Planned Use of Net Proceeds				
• to expand capacity on foundation business and purchase new machineries and vehicles to improve operation efficiency and enhance the working capacity	60.2%	62,766	7,287	
• to expand capacity on tunneling business and purchase new machineries to enhance working capacity	29.1%	30,340	5,682	
• to strengthen established position in the industry by increasing the management staff	8.0%	8,341	–	
• general working capital of the Group	2.7%	2,815	2,815	
(b) Unplanned Use of Net Proceeds				
• <u>additional general working capital of the Group</u>	–	–	<u>36,051</u>	
Total	<u>100.0%</u>	<u>104,262</u>	<u>51,835</u>	<u>52,427</u>

(3) 2017/18 Annual Report

The Company would like to further clarify that the table as set out in (i) the sub-section headed “Use of Proceeds” in the section headed “Management Discussion and Analysis”; and (ii) the sub-section headed “Proceeds from the Company’s Share Offer” in the section headed “Report of the Directors” of the 2017/18 Annual Report have to be amended as follows in which the amended words and figures are highlighted with italic and underline for easy reference:

	<i>HK\$'000</i>	Net Proceeds utilised <i>HK\$'000</i>
(a) Planned Use of Net Proceeds		
• to expand capacity on foundation business and purchase new machineries and vehicles to improve operation efficiency and enhance the working capacity	62,766	10,147
• to expand capacity on tunneling business and purchase new machineries to enhance working capacity	30,340	5,682
• to strengthen established position in the industry by increasing the management staff	8,341	–
• general working capital of the Group	2,815	2,815
(b) <u>Unplanned Use of Net Proceeds</u>		
• <u>additional general working capital of the Group</u>	<u>N/A</u>	<u>41,397</u>
(c) <u>Reallocated Use of Net Proceeds</u>		
• <u>Birmingham Property Project</u>	<u>N/A</u>	<u>30,642</u>
Total	<u>104,262</u>	<u>90,683</u>

Save as the aforesaid, all other information in 2016/17 Annual Report, 2017/18 Interim Report and 2017/18 Annual Report remains unchanged.

CLARIFICATION OF THE ANNOUNCEMENT

In view of the Misunderstanding, the Company would like to clarify that the actual amount of Net Proceeds that the Company has utilised as at the date of the Announcement of 5 September 2018 should be approximately HK\$91.953 million rather than approximately HK\$19.9 million as stated in the Announcement. The amount of Net Proceeds which remains unutilised (the “**Unutilised Net Proceeds**”) up to 5 September 2018 should be amounted to approximately HK\$12.309 million rather than HK\$84.4 million as stated in the Announcement. On 6 October 2018, the Board resolved to change the use of the Unutilised Net Proceeds (the “**Reallocation**”). The proposed allocation of the Net Proceeds in accordance with the Prospectus (the “**Planned Use of Net Proceeds**”), the actual usage of the Net Proceeds up to 5 September 2018 and the Reallocation of the Unutilised Net Proceeds are set out below:

	Planned Use of Net Proceeds <i>HK\$'000</i>	Utilised of Net Proceeds up to 5 September 2018 <i>HK\$'000</i>	Unutilised Net Proceeds <i>HK\$'000</i>	Reallocation of the Unutilised Net Proceeds <i>HK\$'000</i>	
• to expand capacity on foundation business and purchase new machineries and vehicles to improve operation efficiency and enhance the working capacity	62,766	11,417		1,309	
• to expand capacity on tunneling business and purchase new machineries to enhance working capacity	30,340	5,682		–	
• to strengthen established position in the industry by increasing the management staff	8,341	–		–	
• general working capital of the Group	2,815	2,815		1,000	
<u>Unplanned Use of Net Proceeds</u>					
• additional general working capital of the Group	–	41,397		–	
<u>Reallocation</u>					
• Birmingham Property Project	N/A	30,642		10,000	
Total	<u>104,262</u>	<u>91,953</u>	12,309	<u>12,309</u>	

DEFINITION

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

“2016/17 Annual Report”	report of the Company for the year ended 31 March 2017
“2017/18 Annual Report”	report of the Company for the year ended 31 March 2018
“2017/18 Interim Report”	report of the Company for the six months ended 30 September 2017
“Announcement”	announcement of the Company dated 5 September 2018 in relation to change in use of Net Proceeds
“Birmingham Property Project”	a project for the development of a residential property which consists 304 apartments and various car parks situated at Windmill Street, Birmingham, the United Kingdom
“Board”	the board of Directors
“Company”	Yee Hop Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on the Main Board of the Stock Exchange
“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Listing”	the listing of the Shares on the Main Board
“Main Board”	the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the GEM of the Stock Exchange
“Net Proceeds”	net proceeds of approximately HK\$104.262 million raised by the Company from the Listing
“Prospectus”	the prospectus issued by the Company dated 8 December 2015 in relation to the listing of the Shares on the Main Board of the Stock Exchange and the Share Offer

“Share(s)”	ordinary share(s) of HK\$0.01 each in the issued share capital of the Company
“Share Offer”	the public offer and placing of totalling 125,000,000 new Shares of the Company at the final offer price of HK\$1.00 per Share under the Prospectus
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

By order of the Board
Yee Hop Holdings Limited
Jim Yin Kwan Jackin
Chairman and Executive Director

Hong Kong, 10 October 2018

As at the date of this announcement, the executive directors of the Company are Mr. Jim Yin Kwan Jackin, Mr. Chui Mo Ming, Mr. Yan Chi Tat and Mr. Leung Hung Kwong Derrick; and the independent non-executive directors are Mr. Lee Luk Shiu, Mr. Yu Hon Kwan and Mr. Wong Chi Keung Johnny