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Creative Enterprise Holdings Limited

創毅控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3992)

SUPPLEMENTAL ANNOUNCEMENT TO THE ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2019, THE INTERIM REPORT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019 AND THE ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2020

Reference is made to (i) the annual report of Creative Enterprise Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) for the year ended 31 March 2019 (the “**2019 Annual Report**”); (ii) the interim report of the Company for the six months ended 30 September 2019 (the “**2020 Interim Report**”) and (iii) the annual report of the Company for the year ended 31 March 2020 (the “**2020 Annual Report**”). Unless otherwise stated, terms used in this supplemental announcement shall have the same meanings as those defined in the 2020 Annual Report.

USE OF PROCEEDS FROM LISTING

As disclosed in the 2019 Annual Report, the 2020 Interim Report and the 2020 Annual Report, the net proceeds from the Listing (involving the issue of a total of 125,000,000 ordinary Shares at the offer price of HK\$1.0 per Share), after deducting related underwriting fees and other expenses related to the Listing, were approximately HK\$99.4 million (the “**Net Proceeds**”). Pursuant to paragraphs 11(8), 11A and 41A of Appendix 16 to the Listing Rules, the board (the “**Board**”) of directors (the “**Directors**”) of the Company would like to provide supplemental information in respect of the use of the Net Proceeds and the information contained in the paragraph headed “Use of Proceeds from Listing” in the 2019 Annual Report, the 2020 Interim Report and the 2020 Annual Report shall be replaced by the respective columns in the table as follows:

	As at 31 March 2019			As at 30 September 2019		As at 31 March 2020		Expected timeline for utilising the remaining unutilised Net Proceeds (Note 4)
	Planned application HK\$ million	Actual utilised amount HK\$ million	Unutilised amount HK\$ million	Actual utilised amount HK\$ million	Unutilised amount HK\$ million	Actual utilised amount HK\$ million	Unutilised amount HK\$ million	
Working capital and cash deposit to secure the performance bonds for undertaking additional contracts (Note 1)	71.5	9.9	61.6	12.4	59.1	36.3	35.2	On or before 31 March 2022
Upgrade of computer system and accounting system (Note 2)	4.7	0.1	4.6	1.0	3.7	1.3	3.4	On or before 31 March 2022
Acquisition of property management company in Hong Kong (Note 3)	18.9	—	18.9	—	18.9	—	18.9	On or before 31 March 2022
General working capital	4.3	1.8	2.5	2.9	1.4	4.1	0.2	On or before 31 March 2021
Total	99.4	11.8	87.6	16.3	83.1	41.7	57.7	

Notes:

1. The utilised Net Proceeds were allocated and used for the business objectives stated in the Prospectus in the allocation manner materially consistent with that disclosed in the Prospectus as follows:

Business objectives stated in the Prospectus	Allocation manner as stated in the Prospectus	Actual business progress and utilisation of Net Proceeds from 1 January 2019 to 31 March 2020
Tendering for additional property management services contracts, stand-alone security services contracts and stand-alone cleaning services contracts	<p>Approx. 39.8% of the Net Proceeds (being approx. HK\$39.6 million adjusted by the actual Net Proceeds) as working capital and cash deposit to secure the performance bonds for undertaking 2 property management services contracts of HK\$162.0 million contract value, 2 stand-alone security services contracts of HK\$48.0 million contract value and 8 stand-alone cleaning services contracts of HK\$96.0 million contract value from the Housing Authority for the period from 1 January 2019 to 31 March 2020.</p> <p>If the Group fails to obtain the said expected contracts or the allocated Net Proceeds cannot be fully utilised by 31 March 2020, the Group will keep on identifying suitable relevant services contracts and allocate such Net Proceeds for undertaking the service contracts successfully tendered by the Group.</p>	<p>The Company used approx. HK\$28.3 million out of the Net Proceeds as working capital and cash deposit to secure the performance bonds for undertaking 3 property management services contracts of HK\$275.1 million contract value, 3 stand-alone security services contracts of HK\$80.2 million contract value, 3 stand-alone cleaning services contracts of HK\$34.0 million contract value and 1 property service secondment contract of HK\$3.8 million from the Housing Authority.</p> <p>Approx. HK\$0.5 million out of the Net Proceeds was used by the Company as working capital for undertaking 2 stand-alone security/cleaning services contracts of HK\$5.5 million total contract value from the Urban Renewal Authority.</p> <p>Approx. HK\$4.2 million out of the Net Proceeds was used by the Company as working capital for undertaking 2 special cleaning services contracts of HK\$2.1 million contract value awarded by the Department of Health for designated quarantine centres.</p> <p>The outbreak of COVID-19 has led to an increase in the demand for our cleaning services from other Hong Kong government clients such as the Department of Health and the Urban Renewal Authority. The Directors consider that undertaking additional services contracts from public customers other than the Housing Authority reduces the Group's reliance on the Housing Authority and is also consistent with the Group's business objective of tendering for additional property management services contracts, stand-alone security services contracts and stand-alone cleaning services contracts from public customers as disclosed in the Prospectus; and are of the view that the application of the Net Proceeds as working capital and/or cash deposit to secure the performance bonds for undertaking such services contracts from public customers other than the Housing Authority does not constitute any material change in the use of proceeds as disclosed in the Prospectus.</p> <p>Altogether, the Company utilised approx. HK\$33.0 million out of the Net Proceeds in tendering for additional property management, security and cleaning services contracts from public customers (other than HOS estates and non-residential properties from the Housing Authority), representing approx. 83.3% of the amount originally planned for such purpose as stated in the Prospectus.</p>

Business objectives stated in the Prospectus	Allocation manner as stated in the Prospectus	Actual business progress and utilisation of Net Proceeds from 1 January 2019 to 31 March 2020
Expanding our services for HOS estates, non-residential properties and private housing estates	<p>Approx. 2.8% of the Net Proceeds (being approx. HK\$2.8 million adjusted by the actual Net Proceeds) for undertaking 3 property management services contracts of HK\$18.0 million contract value for HOS estates and non-residential properties for the period from 1 January 2019 to 31 March 2020.</p> <p>If the Group fails to obtain the said expected contracts or the allocated Net Proceeds cannot be fully utilised by 31 March 2020, the Group will keep on identifying suitable relevant services contracts and allocate such Net Proceeds for undertaking the service contracts successfully tendered by the Group.</p> <p>Approx. 29.4% of the Net Proceeds (being approx. HK\$29.2 million adjusted by the actual Net Proceeds) on tendering for additional 14 property management services contracts of HK\$285.0 million contract value for private housing estates for the period from 1 January 2019 to 31 March 2020.</p> <p>If the Group fails to obtain the said expected contracts or the allocated Net Proceeds cannot be fully utilised by 31 March 2020, the Group will keep on identifying suitable relevant services contracts and allocate such Net Proceeds for undertaking the service contracts successfully tendered by the Group.</p>	<p>Approx. HK\$2.6 million, being approx. 92.9% of the amount originally planned for this purpose, was used by the Company as working capital and cash deposit to secure performance bonds for undertaking 2 property management services contracts of HK\$21.8 million contract value for HOS estates and 1 property management services contract of HK\$4.8 million contract value for non-residential properties by the Housing Authority.</p> <p>The Company used approx. HK\$0.6 million out of the Net Proceeds as working capital for undertaking 8 property management services contracts of HK\$7.9 million contract value for private housing estates.</p> <p>The Company utilised only approx. 2.2% of the amount originally planned in tendering for additional property management services contracts for private housing estates mainly because the number and contract sum of the private housing estates contracts awarded to the Group was lower than expected.</p>

Business objectives stated in the Prospectus	Allocation manner as stated in the Prospectus	Actual business progress and utilisation of Net Proceeds from 1 January 2019 to 31 March 2020
2. Upgrading our computer system and accounting system	Approx. 4.7% of the Net Proceeds (being approx. HK\$4.7 million adjusted by the actual Net Proceeds) on upgrading computer system and accounting system for the period.	As of 31 March 2020, the Company had applied HK\$1.3 million for replacing/purchasing new computer sets, hard disks, routers and relevant accounting software to maximise efficiency.
3. Growing our business through acquisition of property management company in Hong Kong	Approx. 19.0% of the Net Proceeds (being approx. HK\$18.9 million adjusted by the actual Net Proceeds) for the acquisition of property management company in Hong Kong.	Due to the social unrest in Hong Kong since June 2019 and the subsequent outbreak of COVID-19 which have adversely affected the business environment in Hong Kong, the Board took a cautious approach in identifying suitable property management companies that are worth their value for acquisition or investment in order to maximise the returns to the Company and its shareholders. As at 31 March 2020, the Company is still on the lookout for appropriate acquisition or investment targets.
4. The expected timetable for the use of the remaining unutilised Net Proceeds is determined based on the Group's best estimate of future market conditions, and is subject to change depending on current market conditions and future market developments.		

As disclosed above, the utilised Net Proceeds were allocated and used for the business objectives stated in the Prospectus in the allocation manner materially consistent with that disclosed in the Prospectus, and the Board intends to continue to allocate and use the remaining unutilised Net Proceeds in such manner. As at 31 March 2020, the unutilised Net Proceeds were deposited in short-term demand deposits with licensed banks in Hong Kong. The social unrest in Hong Kong since June 2019 and the subsequent outbreak of COVID-19, which have adversely affected the business environment in Hong Kong, have caused the delay in the application of the Net Proceeds and the lower successful tender rate of private housing estates than expected. In response thereto, in addition to carrying out further tenders for services contracts on private housing estates, the Group has explored other business opportunities such as cleaning services required for quarantine centres by the Department of Health to enhance the returns for the Group. Save as disclosed above, the Directors are not aware of any material change to the intended use of the Net Proceeds, and will continue to evaluate and adopt a prudent approach in utilising the Net Proceeds effectively and efficiently for the long-term benefit and development of the Group.

OTHER OPERATING EXPENSES

As disclosed in the 2019 Annual Report and the 2020 Annual Report, the Group recorded “other operating expenses” of HK\$38.2 million and HK\$43.1 million for the year ended 31 March 2019 and 31 March 2020, respectively. In addition to the information provided in the 2019 Annual Report and the 2020 Annual Report, the Board would like to provide further information and breakdown in relation “other operating expenses” of the Group for the year ended 31 March 2019 and 31 March 2020 as follows:

	For the year ended	
	31 March	
	2020	2019
	HK\$'000	HK'000
Allowance for impairment of trade and other receivables	11	347
Auditor's remuneration	1,600	1,940
Bank charges	1,692	1,647
Cleaning materials costs	8,807	7,646
Depreciation of property, plant and equipment	1,651	1,816
Depreciation of right-of-use assets	312	—
Donation	58	1,202
Entertainment expenses	1,609	2,024
Insurance fee	8,525	7,028
Legal and professional fee	4,212	1,509
Motor vehicle expenses	1,297	1,160
Office supplies	1,680	695
Operating lease payments	—	234
Printing and stationary expenses	2,087	2,118
Rental expenses relating to short-term leases	398	—
Repair and maintenance	2,105	1,460
Uniform expenses	1,499	979
Utilities expenses	2,072	1,975
Others ⁽¹⁾	3,510	4,395
Total	<u>43,125</u>	<u>38,175</u>

Note:

1. Mainly include advertising expenses, communication expenses, consumables and other general office expenses, which individually is not material to the Group.

The information contained in this supplemental announcement does not affect other information contained in the 2019 Annual Report, the 2020 Interim Report and the 2020 Annual Report and save as disclosed above, all other information in the 2019 Annual Report, the 2020 Interim Report and the 2020 Annual Report remains unchanged.

On behalf of the Board
Creative Enterprise Holdings Limited
Poon Kin Leung
Chairman and Executive Director

Hong Kong, 28 August 2020

As at the date of this announcement, the executive Directors are Mr. Poon Kin Leung, Mr. Lee Siu Wah Albert, Mr. Lam Siu Hung Christopher, Mr. Wong King Cheung, Mr. Lai Wai Man and Mr. Wu Ka Chai; and the independent non-executive Directors are Mr. Wong Chung Kin Quentin, Mr. Tang Yiu Ming and Mr. Wong Si Yuen.