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Unity Enterprise Holdings Limited

盈滙企業控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 2195)

CHANGE IN USE OF PROCEEDS

Reference is made to the prospectus of Unity Enterprise Holdings Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) dated 19 March 2021 (the “**Prospectus**”) in relation to the proposed use of the net proceeds from the Share Offer (the “**Net Proceeds**”), and the 2021 annual report of the Company published on 21 April 2022 in relation to the utilisation of the Net Proceeds from the Listing Date up to 31 December 2021. Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as defined in the Prospectus.

USE OF PROCEEDS

The amount of gross proceeds from the Share Offer is HK\$140 million and the amount of Net Proceeds is approximately HK\$90.7 million after deducting underwriting commissions and the finalised expenses relating to the Share Offer.

As disclosed in the section headed “Future plans and use of proceeds — Use of proceeds” in the Prospectus, the Net Proceeds were originally intended to be applied by the Group for the following purposes (adjusted on a pro-rata basis according to the final Offer Price and the actual Net Proceeds received):

- (i) approximately HK\$57.5 million, representing approximately 63.4% of the Net Proceeds, was intended to be used for upgrading our construction equipment and enhancing our safety measures through the provision of metal scaffolding system;
- (ii) approximately HK\$25.7 million, representing approximately 28.3% of the Net Proceeds, was intended to be used for the working capital requirement and the payment of certain upfront costs and expenses, such as cost of site workers (mainly include subcontractors), construction materials, insurance and other site start-up costs, for additional and large-scale projects; and
- (iii) approximately HK\$7.5 million, representing approximately 8.3% of the Net Proceeds, was intended to be used for further strengthening our manpower, including expanding our project management team and recruiting marketing and accounting expertise.

Since the Listing Date and up to the date of this announcement, the Group has utilised approximately HK\$25.2 million of the Net Proceeds for (ii) meeting working capital requirement and paying certain upfront costs and expenses and (iii) further strengthening our manpower. As at the date of this announcement, approximately HK\$65.5 million of the Net Proceeds remains unutilised, representing approximately 72.2% of the Net Proceeds (the “Unutilised Net Proceeds”).

CHANGE IN USE OF NET PROCEEDS

For reasons set out in the paragraph headed “Reasons for and Benefits of the Change in Use of Proceeds” of this announcement, the Board has resolved to change the use of Net Proceeds as follows: approximately 52.8% of the Net Proceeds in an amount of HK\$47.9 million, which were originally allocated for item (i) above, will be re-allocated to meet working capital requirement and pay certain upfront costs and expenses, as set out in item (ii) above. The utilisation of the Net Proceeds up to the date of this announcement and the proposed use of Unutilised Net Proceeds after reallocation are set out as follows:

	Planned use of Net Proceeds as disclosed in the Prospectus <i>(Note)</i> HK\$ million	Utilised Net Proceeds up to the date of this announcement HK\$ million	Unutilised Net Proceeds up to the date of this announcement HK\$ million	Proposed reallocation of the Unutilised Net Proceeds HK\$ million	Proposed application of the Unutilised Net Proceed HK\$ million
(i) Upgrading the construction equipment and enhancing the safety measures through the provision of metal scaffolding system	57.5	—	57.5	(47.9)	9.6
(ii) Meeting working capital requirement and paying certain upfront costs and expenses	25.7	23.6	2.1	47.9	50.0
(iii) Further strengthening our manpower	7.5	1.6	5.9	—	5.9
Total	<u>90.7</u>	<u>25.2</u>	<u>65.5</u>	<u>—</u>	<u>65.5</u>

Note: Adjusted on a pro-rata basis according to the final Offer Price and the actual Net Proceeds received

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

REASONS FOR AND BENEFITS OF THE CHANGE IN USE OF PROCEEDS

The Board has resolved to change the use of the Net Proceeds after taking into consideration the following:

- (i) Hong Kong has been experiencing the fifth wave of outbreak of COVID-19 since early 2022. The scale and impact of the current wave of outbreak has been much more severe than the previous waves.

During the current wave of outbreak in past few months, the Group noted that a significant number of construction workers had contracted COVID-19 or were required to be quarantined, which resulted in considerable disruptions in labour supply in the construction industry. Also, there have been disruptions in both local and cross-border transportation and logistics as well as disruptions and reduction in the supply of construction materials in Hong Kong.

The aforesaid disruptions have significantly reduced the Group's and its subcontractors' abilities to carry out construction works in an orderly and timely manner, which resulted in negative impacts on the normal progress of the Group's ongoing projects. In addition, the aforesaid disruptions have led to delays in customers' certifications of the Group's certain work done as well as the tendering process for potential projects, as customers' day-to-day operations were also affected by the current wave of outbreak.

Furthermore, the aforesaid disruptions have also led to adverse impacts on the Group's subcontractors, and some of them have been experiencing substantial operational and financial challenges as a result. As the Group has been the main contractor or the principal subcontractor in its ongoing projects, the Group is required or expected to bear a wide variety of project-related costs, including, for example, the staff costs of its subcontractors if the relevant subcontractors of the Group were to become unable to pay for the wages of their own staff in a timely manner. Also, in order to secure the commitment of some smaller subcontractors to work for the Group's projects under the current situation, the Group may have to offer better commercial terms to them, such as advance payments or earlier settlement of their progress claims.

Worse yet, the COVID-19 situation is still evolving rapidly in other parts of the world, including in particular the PRC. The recent outbreaks of COVID-19 in Shanghai and other areas of the PRC have raised a significant degree of uncertainty over the severity and duration of the aforesaid disruptions in cross-border logistics and the supply of construction materials in Hong Kong.

All of the aforesaid disruptions and delays have resulted in slowdowns in the Group's cashflow cycle and increasing pressures on the working capital needs of the Group. Having considered the foregoing, the Board considers that it is in the best interest of the Company to take proactive action to strengthen the Group's liquidity and financial resources and to increase the Group's financial flexibility in order to cope with the current situation.

- (ii) In recent months, the Group was invited to submit tenders and/or quotations for a number of relatively sizable projects. Due to the nature and size of the projects and in order to ensure that the potential tenderers would be able to complete the projects without financial difficulties, some of the tender invitation documents have expressly required potential tenderers to produce evidence of immediately available working capital ranging from HK\$30 million to HK\$50 million for each potential project. The estimated contract sum for each of the aforesaid potential project ranged from approximately HK\$360 million to HK\$650 million.

The Directors consider that it is of paramount importance for the Group to maintain a healthy backlog of existing and new projects in order to achieve sustainable business and financial performance. Therefore, the Directors believe that it is in the interest of the Company to participate in at least some or all of the aforesaid tenders.

The Directors noted that the Group has sufficient cash and bank balances to satisfy some of the working capital requirements as indicated in the aforesaid tender invitation documents, but a substantial portion of such cash and bank balances was from the Net Proceeds earmarked for the provision of metal scaffolding system.

As disclosed in the Prospectus, it is one of the Group's business strategies to enhance the construction quality while ensuring the safety by adopting metal scaffolding system. However, the start-up cost of adopting metal scaffolding system is substantial, including the costs to purchase parts of metal scaffolding system, the storage cost for spacious warehouse, and the staff cost for the specialists of metal scaffolding system. Given the current economic climate during this unprecedented time, the Directors consider that the primary focus of the Group should be to strengthen its financial resources and flexibility in order to ensure the continuance of the work of its existing projects and to participate in suitable tenders for potential projects. While the Group's business strategy of adopting metal scaffolding system remains unchanged, the Directors consider that it is not the Group's first priority at this challenging time. The Board believes that the financial flexibility of the Group should be its primary focus at this time given the current situation brought on by the recent outbreaks of COVID-19 and the aforesaid working capital requirements in the recent available tender opportunities. The Group will endeavour to pursue the business strategy of adopting metal scaffolding system as originally planned by deploying the Group's internal resources (together with the re-allocated Net Proceeds) when the Group considers the overall situation to be suitable and appropriate after taking into account the general economic and industry condition and the Group's business needs and financial position.

Having considered all of the foregoing, the Board considers that it is in the best interest of the Company to change the use of the remaining Net Proceeds as aforementioned so as to strengthen the Group's liquidity and financial resources and to increase the Group's financial flexibility in order to cope with the current situation brought on by the recent outbreaks of COVID-19 and to take advantage of available tender opportunities in the market.

Based on the prevailing market condition and current business and financial position of the Group, the Directors currently expect that the timeline of application of the re-allocated unutilised Net Proceeds will be as follows:

	Unutilised amount of Net Proceeds (as re-allocated) <i>HK\$ million</i>	Expected timeline of utilisation
Upgrading the construction equipment and enhancing the safety measures through the provision of metal scaffolding system	9.6	By 31 December 2023
Meeting working capital requirement and paying certain upfront costs and expenses for the Group's projects	50.0	By 31 December 2022
Further strengthening our manpower	5.9	By 31 December 2023

The Board is of the view that the business development direction of the Group is still consistent with that disclosed in the Prospectus in spite of such change in the use of Net Proceeds as stated above. The Board considers that the aforesaid change in the use of Net Proceeds is in the interests of the Company and the Shareholders as a whole and will not have any material adverse effect on the existing business and operations of the Group. The Directors will continuously assess the plans for the use of the remaining Net Proceeds and may revise or amend such plans where necessary, to cope with the changing market conditions and to strive for better business performance for the Group. The Board confirms that, save as disclosed in this announcement, there are no other changes to the use of Net Proceeds.

On behalf of the Board
Yeung Wing Sun
Chairman and Executive Director

Hong Kong, 29 April 2022

As at the date of this announcement, the Board comprises Mr. Yeung Wing Sun (Chairman) and Mr. Chan Leung (Chief Executive Officer) as executive Directors; Mr. Li Fat Chung as non-executive Director; and Ms. Chan Mei Wah, Mr. Mak Alexander and Mr. Wu Hak Ping as independent non-executive Directors.