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HYGIEIA GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1650)

CHANGE IN USE OF PROCEEDS

Reference is made to (i) the prospectus issued by Hygieia Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) dated 12 June 2020 (the “**Prospectus**”) in relation to the listing of the Company’s shares on the Main Board of the Stock Exchange of Hong Kong Limited, which sets out the intended use of the net proceeds from the issue of new shares of the Company (the “**Net Proceeds**”) at the time of preparing the Prospectus, and (ii) the interim report of the Company for the six months ended 30 June 2022 (the “**Interim Report**”), in which the utilisation of the Net Proceeds up to 30 June 2022 was disclosed. Unless otherwise defined herein, capitalised terms used in this announcement shall have the same meanings as those defined in the Prospectus and the Interim Report.

The board of directors of the Company (the “**Board**”) hereby announces that it has resolved to change the use of the unutilised portion of the Net Proceeds. Details of the revised allocation are set out as below.

USE OF PROCEEDS

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

- about 42.0% of the Net Proceeds would be applied in the expansion of our in-house waste management services;
- about 15.0% of the Net Proceeds would be applied in the Proposed Acquisition of a Singapore-based landscaping contractor;
- about 20.6% of the Net Proceeds would be applied in financing upfront costs incurred at the early stage of our contracts arising from mismatch between the payment of such costs and sales receipts collection from our customers;

- about 6.1% of the Net Proceeds would be applied in the leasing of automated machinery and equipment;
- about 2.5% of the Net Proceeds would be used for the payment of staff costs for hiring and retaining two additional safety officers who will be responsible for improving workplace safety;
- about 1.4% of the Net Proceeds would be used to hire and retain two additional staff to perform sales and marketing activities;
- about 2.4% of the Net Proceeds would be used to purchase additional software and systems; and
- about 10.0% of the Net Proceeds would be used towards general working capital and other general corporate purposes.

The Net Proceeds received by the Company, after deducting related underwriting fees and expenses payable by the Company in connection with the Share Offer, were approximately S\$11.8 million. As disclosed in the section headed “Use of Net Proceeds from the Listing” in the Interim Report, the Company had utilised approximately S\$4.4 million of the Net Proceeds up to 30 June 2022 in the manner disclosed in the Interim Report.

CHANGE IN USE OF PROCEEDS

As at the date of this announcement, the unutilised Net Proceeds amounted to approximately S\$7.3 million. The Board has resolved the change the use of the unutilised Net Proceeds. An analysis of the utilisation of the Net Proceeds as at the date of this announcement and the proposed change in the use of the unutilised Net Proceeds is set out as below:

	Planned use of the Net Proceeds as disclosed in the Prospectus <i>S\$'000</i>	Utilised Net Proceeds as at the date of this announcement <i>S\$'000</i>	Unutilised Net Proceeds as at the date of this announcement <i>S\$'000</i>	Proposed application of the unutilised Net Proceeds <i>S\$'000</i>
Acquisition of landscaping company	1,774	–	1,774	1,774
Purchase of waste disposal equipment	2,520	150	2,370	1,275
Hiring of waste disposal staff	2,446	426	2,020	1,259
Cash flow mismatch	2,436	2,436	–	1,856
Hiring of sales and marketing staff	166	147	19	19
Hiring of safety officers	296	–	296	296
Purchase of software and systems	284	40	244	244
Leasing of automated machinery and equipment	721	185	536	536
General working capital	1,182	1,182	–	–
Total	11,825	4,566	7,259	7,259

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

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

REASONS FOR AND THE BENEFITS OF THE CHANGE IN USE OF PROCEEDS

The Board is pleased to announce that the Group has been awarded a sizeable project with an aggregate contract sum of approximately S\$26.7 million in December 2022 for performing general cleaning services for a customer in the private sector, which will assist the Company in generating more revenue in the coming year.

The Group expects to incur substantial upfront costs at the early stage of this contract arising from mismatch of such costs and sales receipts collection from our customer. The upfront costs required for our service contracts consists of labour costs and costs of equipment. Based on the best estimation of the Directors, it is expected that the Group would require to incur upfront costs of approximately S\$1.9 million for the project. The Directors are of the view that by reallocating part of the unutilised Net Proceeds, the Group would be able to actively participate in tender submissions in an increasingly competitive business climate and the Company may reduce its reliance on bank loans, particularly in a raising interest rate environment.

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

The Board will continuously assess the plan for the use of the unutilised Net Proceeds and may revise or amend such plan where necessary to cope with the changing market conditions and strive for better business performance of the Group.

By Order of the Board
Hygieia Group Limited
Toh Eng Kui
Chairman

Singapore, 28 December 2022

As at the date of this announcement, the executive Directors are Mr. Toh Eng Kui, Mr. Peh Poon Chew and Ms. Toh Lek Siew, the independent non-executive Directors are Mr. Koh How Thim, Mr. Tan Wu Hao and Mr. Wong Yuk.