

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



S&T Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3928)

CHANGE IN USE OF PROCEEDS

Reference is made to the prospectus of S&T Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) dated 29 August 2019 (the “**Prospectus**”) in relation to the proposed use of the net proceeds from the Share Offer and the interim report of the Company for the six months ended 31 March 2023 published on 20 June 2023 in relation to the utilisation of the net proceeds from the Listing Date up to 31 March 2023. Unless otherwise defined, capitalised terms used herein shall have the same meanings as defined in the Prospectus.

USE OF PROCEEDS

The net proceeds, after deducting the underwriting commissions and expenses payable by the Company in connection with the Share Offer, were approximately HK\$86.3 million (the “**Net Proceeds**”). The Net Proceeds were originally intended to be applied by the Group for the following purposes:

- (i) approximately HK\$21.8 million, representing approximately 25.3% of the net proceeds will be used to strengthen the Group’s financial position in order to pay for upfront costs;
- (ii) approximately HK\$31.0 million, representing approximately 36.0% of the net proceeds will be used to enhance the Group’s machinery fleet, by acquiring additional hydraulic excavators, articulated dump trucks, crusher, trailer and trucks and lorries in order to cater for more construction works of different scales and complexity;
- (iii) approximately HK\$11.6 million, representing approximately 13.4% of the net proceeds will be used to strengthen the Group’s workforce;
- (iv) approximately HK\$2.0 million, representing approximately 2.3% of the net proceeds will be used to develop the production area in the Group’s headquarters for steel bar fabrication for its own usage;

- (v) approximately HK\$5.3 million, representing approximately 6.1% of the net proceeds will be used to invest in BIM and ERP systems to enhance the Group's information technology capability and project implementation efficiency; and
- (vi) approximately HK\$14.6 million, representing approximately 16.9% of the net proceeds will be used to acquire addition investment properties for the Group's property investment business.

Since the Listing Date and up to the date of this announcement, the Group has utilised approximately HK\$66.4 million of the Net Proceeds for (i) strengthening its financial position in order to pay for upfront costs; (ii) enhancing its machinery fleet; (iii) strengthening its workforce; and (iv) developing the production area for steel bar fabrication, which are in line with the purposes shown above. As at the date of this announcement, approximately HK\$19.9 million of the Net Proceeds remains unutilised, representing approximately 23.1% 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 23.1% of the Net Proceeds in the amount of approximately HK\$19.9 million, which were originally allocated for items (v) and (vi) above, will be re-allocated to strengthen the Group’s financial position to supplement the upfront project costs and enhance the Group’s machinery fleet, as set out in items (ii) and (i) above, respectively. 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 (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)	Expected timeline of Revised full utilisation allocation of Unutilised Net Proceeds (HK\$’million)
Strengthening the Group’s financial position	21.8	21.8	–	14.6 By 31 March 2024
Enhancing the Group’s machinery fleet	31.0	31.0	–	5.3 By 31 March 2024
Strengthening the Group’s workforce	11.6	11.6	–	–
Developing production area for steel bar fabrication	2.0	2.0	–	–
Investing BIM and ERP systems	5.3	–	5.3	(5.3)
Acquiring investment properties	14.6	–	14.6	(14.6)
	<u>86.3</u>	<u>66.4</u>	<u>19.9</u>	<u>19.9</u>

Save for the aforesaid changes, there are no other changes in the use of the Net Proceeds. The Unutilised Net Proceeds is currently placed in interest-bearing deposits with authorised financial institutions or licensed banks in Hong Kong and Singapore.

REASONS FOR AND BENEFITS OF THE CHANGE IN USE OF PROCEEDS

Despite the overall improving outlook of the domestic construction industry in Singapore, the Group remains cautiously optimistic in its business profitability and growth and the sufficiency of its financial resources in order to tender additional and/or sizeable projects. The Board had resolved to change the use of the Unutilised Net Proceeds having considered the following factors:

(a) Certain business strategies can be deferred to a later stage

Having considered the current economic climate in Singapore, business needs of the Group and the overall improving outlook of the domestic construction industry in Singapore, the Directors are of the view that the primary objective of the Group is to continue the work of the existing projects with sufficient working capital. Certain business strategies, such as (i) investing in BIM and ERP systems, and (ii) acquiring investment properties, can be deferred to a later stage. Specifically, for the acquisition of addition investment properties, the Group required additional time to look for more suitable properties under the rising interest rate environment and cooling measures announced by the Singapore government to dampen the property market price volatility.

(b) Increase in upfront costs for newly secured projects and potential projects

The Group obtained ten new projects this year with aggregate contracts sum of approximately S\$26.6 million (equivalent to approximately HK\$153.6 million) (the “**Newly Awarded Projects**”) and as at the date of this announcement, the Group continued to incur upfront costs for these Newly Awarded Projects. The Group has also submitted tenders for 6 projects with aggregate tender sum of approximately S\$144.2 million and the results of which were pending as at the date of this announcement. Having considered the Group’s tender success rate for the past three years and based on the best estimation of the Directors, the Group will be able to secure certain new potential projects and thus would require further upfront costs to undertake such projects.

Hence, the Group will be re-allocating an amount of approximately HK\$14.6 million from the Unutilised Net Proceeds to supplement the upfront costs of the Newly Awarded Projects and new potential projects.

(c) Increase in the amount for enhancing the Group’s machinery fleet

The Group’s capacity to carry out civil engineering works and building construction works depends largely on the availability of its machinery. In order to support the business growth of the Group, the Directors are of the view that enhancement of the Group’s machinery is necessary. In addition, certain machinery is expected to become non-functional in the near future due to wear and tear and potential damage from performing site works having considered the useful life and the utilisation of the machinery. As such, the Directors consider that certain new machinery will be acquired by the Group based on the Group’s operational needs.

Hence, the Group will be re-allocating an amount of approximately HK\$5.3 million from the Unutilised Net Proceeds to enhance the Group's machinery fleet.

THE BOARD'S VIEWS

The Board is of the view that the current priority should be to strengthen the Group's position in the market and to capture potential business opportunities. To that end, the Group would require more working capital for upfront project costs to provide strong support for the secured and potential projects and for enhancing the Group's machinery fleet.

Considering the best interests of the Group and the Shareholders as a whole, and in order to strengthen the efficiency and effectiveness of capital use, the Unutilised Net Proceeds would be more appropriately utilised by adjusting their use to better meet the current economic climate in Singapore and the business needs of the Group. This would also enable the Group to invest its financial resources in a more beneficial and effective way so as to capture potential business opportunities. The re-allocation of 23.1% of the Net Proceeds in the amount of approximately HK\$19.9 million to supplement the upfront project costs and enhance the Group's machinery fleet is more beneficial to the Group's operation needs.

The Board considers that the change in the use of the Net Proceeds is fair and reasonable, which allows the Group to meet its financial needs more efficiently and flexibly. The Board is of the view that the business development direction of the Group is still in line with the disclosure in the Prospectus in spite of such change in the use of Net Proceeds as stated above. The aforesaid change in the use of Net Proceeds is in the interests of the Group 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 adjusted use of the Net Proceeds and may revise or amend such plans where necessary, to cope with the changing market conditions and strive for better business performance for the Group.

Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company.

By Order of the Board
S&T Holdings Limited
Poon Soon Huat
Chairman and Executive Director

Hong Kong, 4 September 2023

As at the date of this announcement, the Board comprises two executive Directors, namely Mr. Poon Soon Huat and Mr. Koh Chew Chiang (alias Xu Zhouchang) (formerly known as Faris Koh); and three independent non-executive Directors, namely Mr. Chan Kwok Wing Kelvin, Mr. Tam Hon Fai and Mr. Wong Ka Bo Jimmy.