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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)

DISCLOSEABLE TRANSACTION IN RELATION TO ACQUISITION OF 100% EQUITY INTERESTS IN THE TARGET COMPANY INVOLVING THE ISSUE OF CONSIDERATION SHARES UNDER GENERAL MANDATE

INTRODUCTION

On 22 March 2024 (after trading hours), the Vendor, the Target Company and the Purchaser entered into the Sale and Purchase Agreement pursuant to which the Purchaser has conditionally agreed to purchase and the Vendor conditionally agreed to sell the Sale Shares for a total Consideration of HK\$22,000,000. The Consideration will be satisfied by procuring the Company to allot and issue the Consideration Shares to the Vendor.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisition exceeds 5% but is less than 25%, the Acquisition constitutes a discloseable transaction of the Company which is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

Shareholders and potential investors of the Company should note that the Acquisition contemplated under the Sale and Purchase Agreement is subject to satisfaction of certain conditions precedent. Accordingly, it may or may not be completed. Shareholders and potential investors of the Company are therefore advised to exercise caution when dealing in the securities of the Company, and if they are in any doubt about their position, they should consult their professional advisers.

INTRODUCTION

The Board is pleased to announce that on 22 March 2024 (after trading hours), the Purchaser, being a direct wholly-owned subsidiary of the Company, as Purchaser entered into the Sale and Purchase Agreement with the Vendor and the Target Company, pursuant to which the Purchaser has conditionally agreed to acquire, and the Vendor has conditionally agreed to sell the entire equity interest in the Target Company for a Consideration of HK\$22,000,000, which shall be satisfied by way of allotment and issue of the Consideration Shares by the Company to the Vendor on the Completion date.

SALE AND PURCHASE AGREEMENT

The principal terms of the Sale and Purchase Agreement are summarised as follows:

Date

22 March 2024 (after trading hours)

Parties

- (i) The Vendor;
- (ii) the Purchaser; and
- (iii) the Target Company.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Vendor is an Independent Third Party.

Upon the allotment and issue of the Consideration Shares to the Vendor as settlement of the Consideration at Completion, the Vendor will become a Substantial Shareholder and thus a Connected Person.

Subject matter

Pursuant to the Sale and Purchase Agreement and subject to the fulfillment (or waiver where applicable) of the Conditions Precedent, the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, the Sale Shares, representing the entire equity interest in the Target Company as at the date of this announcement.

Upon Completion, the Group will be interested in 100% of the equity interests of the Target Company. As such, the Target Company will become a wholly-owned subsidiary of the Group and the financial results of the Target Group will be consolidated into the accounts of the Group.

Consideration

Pursuant to the Agreement, the total Consideration for the Acquisition shall be HK\$22,000,000, which shall be settled by way of allotment and issue of 174,603,175 Consideration Shares to the Vendor or its nominee(s) on Completion or any other dates as the Parties otherwise agree in writing.

Basis of Consideration

The Consideration was arrived at after arm's length negotiations between the Vendor and the Purchaser and was determined with reference to the (i) the valuation prepared by an independent valuer ("**Independent Valuer**") which, according to such valuation report, as at 31 December 2023 (the "**Valuation Benchmark Date**"), the appraised value of 100% equity interest in the Target Company on the basis of the approach of Guideline Publicly-traded Comparable Method (i.e. by comparing the valuations of companies listed on the Stock Exchange engaged in the provision of repair, maintenance, alteration and addition works in Hong Kong) was approximately HK\$22,000,000; (ii) historical financial performance of the Target Group for the year ended 31 December 2023; and (iii) the prospect of the Target Group and the potential synergies between the Target Group and the Company as assessed by the Company, further details of which are set out in the paragraph headed "Reasons for and benefits of the Acquisition".

Having considered the aforesaid factors, the Board considers that the Consideration is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

Consideration Shares

The Consideration Shares shall be allotted and issued pursuant to the General Mandate, credited as fully paid, and shall rank *pari passu* in all respects among themselves and with the Shares in issue on the date of such allotment and issue, including the right to receive all dividends and distributions which may be declared, made or paid after the Closing and will be issued free and clean of all liens, encumbrances, equities or other third party rights. The allotment and issue of the Consideration Shares under the General Mandate is within the limit of the General Mandate and is not subject to the approval of the Shareholders.

An aggregate of 174,603,175 Consideration Shares will be allotted and issued to Vendor as set out in the section headed "Consideration" above, which represent approximately 17.46% of the issued share capital of the Company as at the date of this announcement and approximately 14.86% of the issued share capital of the Company as enlarged by the Consideration Shares.

The issue price of each Consideration Share is HK\$0.126, which represents:

- (i) a discount of approximately 16.0% to the closing price of HK\$0.150 per Share as quoted on the Stock Exchange on 22 March 2024, being the date of the Sale and Purchase Agreement;
- (ii) a discount of approximately 19.2% to the average closing price of HK\$0.156 per Share as quoted on the Stock Exchange for the five (5) trading days immediately prior to the date of the Sale and Purchase Agreement; and
- (iii) a discount of approximately 21.7% to the average closing price of HK\$0.161 per Share as quoted on the Stock Exchange for the 20 trading days immediately prior to the date of the Sale and Purchase Agreement.

The issue price was arrived at after arm's length negotiations between the Vendor and the Purchaser to the Sale and Purchase Agreement after taking into account, among others, the prevailing market price of the Shares, the financial performance of the Group and the current market conditions. The Directors consider that the issue price is fair and reasonable and in the interests of the Company and its Shareholders as a whole.

An application will be made to the Stock Exchange by the Company for the listing of, and permission to deal in, the Consideration Shares.

Conditions precedent

Completion of the Acquisition shall be conditional upon fulfilment (or where applicable, waiver thereof by the Purchaser) of the following conditions:

- (a) the Vendor being the legal and beneficial owners of the Sale Shares free from all encumbrances and having the capacity and power to sell and assign the Sale Shares to the Purchaser free from all encumbrances at Completion;
- (b) the Purchaser is satisfied with the process and results of the due diligence of the Target Company;
- (c) all other applicable laws, rules and regulations including but not limited to the Listing Rules for the transaction contemplated under the Sale and Purchase Agreement shall have been complied with by the Company and the Purchaser;
- (d) the clearance of all announcement(s) and circular(s) (if required) to be issued by the Company under the Listing Rules and granting of all approvals, if necessary, by the Stock Exchange or by Shareholders in respect of the Sale and Purchase Agreement and the transaction contemplated thereunder;
- (e) the approval for the listing of, and permission to deal in the Consideration Shares by the Stock Exchange having been obtained by the Company, and such approval not having been revoked or withdrawn prior to the date of Completion;
- (f) the Vendor shall have provided the Purchaser the management accounts of the Target Company in accordance with the clauses under the Sale and Purchase Agreement;
- (g) all necessary consents, licences and approvals and/or waiver required to be obtained and all matters required to be fulfilled in respect of the Sale and Purchase Agreement and the transactions contemplated thereby having been obtained and remain in full force and effect;
- (h) all necessary governmental, regulatory and other third parties' consents, authorizations and approvals required to be obtained in respect of the Sale and Purchase Agreement and the transaction contemplated thereunder having been obtained;
- (i) the Purchaser being satisfied with the legal, financial and business position and prospects of the Target Group, from the date of the Sale and Purchase Agreement and up to the date of Completion;

- (j) the Purchaser being satisfied with all the warranties, representations and undertakings given by the Vendor under the Sale and Purchase Agreement being and remaining true, accurate, correct and not misleading in all material respects and no relevant information being withheld, from the date of the Sale and Purchase Agreement until and up to Completion;
- (k) the Purchaser being satisfied with the compliance with and performance of all undertakings and obligations of the undertakings by the Vendor, from the date of the Sale and Purchase Agreement until and up to Completion; and
- (l) upon request(s), the Purchaser being provided with any proofs or documentations in respect of the fulfilment of any/all of the conditions precedent above.

Save as Conditions Precedent (c), (d) and (h), the Purchaser is entitled to waive in whole or in part any of the Conditions Precedent by written notice. In the event that any of the Conditions Precedents are deemed not to have been fulfilled or are not fulfilled or waived (if applicable), in each case, at or before 1:00 p.m. on the Long Stop Date, the Sale and Purchase Agreement and everything contained in it shall terminate and be null and void and of no further effect and no party to the Sale and Purchase Agreement shall have any liability to any other party, save in respect of any prior breaches of the Sale and Purchase Agreement.

Profit guarantee

Pursuant to the Sale and Purchase Agreement, the Vendor warrants and undertakes to the Purchaser that the audited consolidated net profit after tax excluding all extraordinary items of the Target Company (the “**Actual Net Profit**”) for each of the three years ending 31 December 2024, 31 December 2025 and 31 December 2026, as derived in its management accounts or audited financial statements (whichever is applicable) as prepared in accordance with the terms of the Sale and Purchase Agreement for the corresponding year, shall not be less than HK\$3 million, HK\$3 million and HK\$3 million, respectively.

If the Actual Net Profit in aggregate for the three years ending 31 December 2026 is less than the Guaranteed Profit in aggregate for the three years ending 31 December 2026, the Vendor shall be obliged to pay to the Purchaser in cash an amount equivalent to 7.95 times the average shortfall between the Actual Net Profit and the Guaranteed Profit for the three years ending 31 December 2026, within 14 days after the issuance of the Target Company’s management accounts or audited financial statements for the three years ending 31 December 2026 (whichever is applicable) on or before 30 June 2027.

VALUATION OF THE TARGET COMPANY

The Company has engaged Valtech Valuation Advisory Limited as the Independent Valuer to carry out valuation (“**Valuation**”) of the entire equity interest of the Target Company, which was appraised to be at HK\$22,000,000 on the Valuation Benchmark Date, details of which are set out below.

Key Assumptions of the Valuation

Details of the principal assumptions, including commercial assumptions, upon which the Valuation was based are as follows:

General assumptions

The Independent Valuer has made certain key assumptions in the Valuation, which, to the Directors' best information and knowledge, are consistent with market practice and information available to the Company, including but not limited to:

1. the current political, legal, commercial and banking regulations, fiscal policies, foreign trade and economic conditions which prevail in the regions in which the Target Company are being operated will have no material adverse change;
2. competent management, key personnel and technical staff will be available to support the ongoing operation of the Target Company;
3. all relevant legal approvals, business certificates, trade permits have been procured, in place and in good standing prior to commencement of operations by the Target Company under the normal course of business; and
4. the information regarding the Target Company provided is true and accurate.

Assessment of Key Specific Assumptions

Valuation methodology

In the Valuation, after comparing the common valuation methods including cost approach, income approach and market approach, the Independent Valuer adopted the Guideline Publicly-traded Comparable method of the market approach for the following reasons:

1. The cost approach was considered unsuitable as the Target Group has commenced its operation since 2022 with track record of earnings. Its profiting nature and unique background makes it not easily be replaced or reproduced by other market participants;
2. The income approach was considered unsuitable as income projection would generally take into account various management assumptions (e.g. synergy with existing and/or prospective management, capital expenditure, financing and operating assumptions etc);
3. The market approach was adopted as it reflects the market participants' current assessment without material management assumptions on projections. It is particularly useful to apply to project-based company with high uncertainty on financial projection; and
4. The Independent Valuer, having identified a sufficient pool of 23 relevant and sufficient Guideline Publicly-traded Comparable with sufficient and reliable financial information disclosed, is satisfied that the Guideline Publicly-traded Comparable Method of the market approach could be used to determine the value of the Target Company.

Having considered (i) the rationale of the Independent Valuer in selecting market approach over cost approach and income approach as the appropriate valuation approach; (ii) that the Valuation was prepared by the Independent Valuer in accordance with the applicable requirements and standards, the Board is of the view that the adoption of market approach for the Valuation is fair and reasonable.

The Directors also agree with the Independent Valuer that the market approach has the benefits of simplicity, clarity, speed and the need for fewer assumptions. It also introduces objectivity in application as publicly available inputs are used.

Market comparables

In the course of valuing the Target Company pursuant to the Guideline Publicly-traded Comparable Method, the Independent Valuer has taken into account the Price-to Earnings (“P/E”) ratio multiple, which is appropriate for evaluating business with track record of profits. The Independent Valuer has further taken into account the valuation adjustments for control premium and discount for lack of marketability.

The Independent Valuer has selected 23 comparable listed companies (“**Comparables**”), which recognised more than 50% of their respective revenue from provision of repair, maintenance, alteration and addition works and related services, and such revenue was generated from Hong Kong.

Key inputs of the Valuation

The summary statistics of the P/E multiple from the Comparables identified by the Independent Valuer as of as at 31 December 2023 is listed as follows:

No. of valid Comparables	8 ^{Note}
Upper quartile (P/E Times)	10.37x
Median (P/E Times)	7.95x
Lower quartile (P/E Times)	4.89x

Note: 15 Comparables were excluded due to the recognition of net losses in the most recent published financial period.

The Independent Valuer, in arriving at the estimated unadjusted valuation, selected a P/E multiple of 7.95 times, being the median of the P/E multiples of the Comparable.

The Directors are of the view that the Comparable identified by the Independent Valuer was sufficient to determine the benchmark multiple. It is fair and reasonable to assess the value of the Target Company with reference to the P/E multiples of the Comparable.

Control Premium and Discount for Lack of Marketability

The Independent Valuer imposed a control premium (“**Control Premium**”) on the valuation of the Target Company, since there is a major difference between a controlling business interest and those of the minority interests. The Independent Valuer has made reference to the 2023 Factset Review to arrive at a 15.9% Control Premium in the Valuation.

The Independent Valuer imposed a discount for lack of marketability (“**DLOM**”) on the valuation of the Target Company, since there is a major difference between a privately-owned asset and those of its comparable public companies which is its lack of marketability. The Independent Valuer has made reference to Stout Restricted Stock Study to arrive at a 15.7% DLOM in the Valuation.

Basis of Valuation and Consideration

The Directors consider the Valuation to be fair and reasonable, having taken into account (i) the use of the median of the P/E multiple (which is less sensitive to outliers than the traditional average rule), 7.95x, of the Comparables to value the Target Company, and (ii) the consideration of 15.9% Control Premium and 15.7% DLOM which reflect the necessary business consideration, and have an minimal net effect on valuation after offsetting.

EFFECT ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

To the best of the Directors’ knowledge, information and belief after having made all reasonable enquiries, the existing shareholding structure of the Company and the effect of allotment and issue of the Consideration Shares on the shareholding structure of the Company upon Completion is set out as below:

Name of Shareholder	As at the date of this announcement		Immediately after the Completion, the allotment and issue of all Consideration Shares ⁽¹⁾	
	No. of shares	Approximate % of number of Shares in issue	No. of shares	Approximate % of number of Shares in issue
Harvest Land Company Limited ⁽²⁾	525,000,000	52.50%	525,000,000	44.70%
Vendor	—	—	174,603,175	14.86%
Public Shareholders	<u>475,000,000</u>	<u>47.50%</u>	<u>475,000,000</u>	<u>40.44%</u>
Total	<u>1,000,000,000</u>	<u>100.00%</u>	<u>1,174,603,175</u>	<u>100.00%</u>

Notes:

- (1) Assuming no change in total issued share capital of the Company other than allotment and issue of all Consideration Shares.
- (2) Harvest Land Company Limited is beneficially owned as to 100% by Mr. Yeung Wing Sun (“**Mr. Yeung**”). Mr. Yeung and Harvest Land Company Limited are regarded as a group of controlling shareholders of Company under the Listing Rules acting in concert to exercise their voting rights in the Company and they together will be interested in a total of 52.5% of the issued share capital of the Company. Mr. Yeung is deemed to be interested in the Shares held by Harvest Land Company Limited pursuant to the SFO.

INFORMATION OF THE PARTIES

The Group and the Purchaser

The Group is a contractor specialising in repair, maintenance, alteration and addition (“RMAA”) works in Hong Kong.

The Purchaser is a direct wholly-owned subsidiary of the Company and is principally engaged in investment holding.

The Vendor

Ms. Leung Yi Man is an Independent Third Party.

INFORMATION OF THE TARGET COMPANY

The Target Company is a company incorporated in Hong Kong and its principal business activity is investment holding. The Target Company holds the entire equity interest in Subsidiary A and Subsidiary B, respectively.

Subsidiary A is principally engaged in provision of contracting service for RMAA works in Hong Kong.

Subsidiary B is principally engaged in distributorship of building materials in Hong Kong.

Set out below is the unaudited financial information of the Target Group for the each of two years ended 31 December 2022 and 2023 prepared in accordance with the generally accepted accounting principles in Hong Kong:

	For the year ended 31 December 2022 (unaudited) HK\$'000	For the year ended 31 December 2023 (unaudited) HK\$'000
Revenue	11,115	12,866
Net profit/(loss) (before taxation and extraordinary items)	(373)	3,086
Net profit/(loss) (after taxation and extraordinary items)	(373)	2,869

As at 31 December 2023, the unaudited net assets of the Target Group was approximately HK\$2.5 million.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is a contractor specialising in repair, maintenance, alteration and addition (“RMAA”) works in Hong Kong.

The Group is currently taking proactive steps to expand its business operations in order to maximise Shareholders’ returns. The Group believes that the horizontal integration by acquiring a contractor specializing in RMAA works which the Group is principally engaged in would further enhance the Group’s capabilities in performing RMAA works and its competitiveness in bidding for potential projects. The Group also believes that the vertical integration by acquiring an upstream building material distributorship business would allow the Group to diversify its source of income and improve its supply chain resilience to maximum the benefit from the potential cross-selling synergies in the value chain of RMAA works.

The Directors are of the view that the Acquisition is in line with the overall business development strategy of the Group, and that the Acquisition will further diversify the source of income of the Group, which is in the interests of the Group and the Shareholders as a whole.

Having considered that, through the Acquisition, (i) the horizontal integration by acquiring a contractor specializing in RMAA works which the Group is principally engaged in would further enhance the Group’s capabilities in performing RMAA works and overall competitiveness; and (ii) the vertical integration by acquiring an upstream building material distributorship business would allow the Group to diversify its source of income and benefit from the potential cross-selling synergies, the Directors are of the view that the Acquisition is in line with the Group’s strategy to further broaden its income base and provide a good opportunity to expand the Group’s existing business on RMAA works.

Based on the above, the Directors consider that although the Acquisition is not in the ordinary course of business of the Group given the nature of the transaction, the terms and conditions of the Sale and Purchase Agreement and the transaction contemplated thereunder are fair and reasonable and are entered into on normal commercial terms and in the interests of the Group and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisition exceeds 5% but is less than 25%, the Acquisition constitutes a discloseable transaction of the Company which is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

Shareholders and potential investors of the Company should note that the Acquisition contemplated under the Sale and Purchase Agreement is subject to satisfaction of certain conditions precedent. Accordingly, it may or may not be completed. Shareholders and potential investors of the Company are therefore advised to exercise caution when dealing in the securities of the Company, and if they are in any doubt about their position, they should consult their professional advisers.

DEFINITIONS

In this announcement, unless the context otherwise requires, the expressions below have the following meanings:

“Acquisition”	the acquisition of the Sale Shares by the Purchaser from the Vendor pursuant to the Sale and Purchase Agreement
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Business Day”	any day (other than a Saturday or a Sunday or public holiday or a day on which a black rainstorm warning or tropical cyclone warning signal number 8 or above is issued in Hong Kong at any time between 9:00 a.m. and 12:00 noon and is not cancelled at or before 12:00 noon) on which licensed banks in Hong Kong are generally open for business
“Company”	Unity Enterprise Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange
“Completion”	the completion of the Acquisition pursuant to the terms and conditions of the Sale and Purchase Agreement
“Conditions Precedent”	the conditions precedent to the Completion, as more particularly set out under the paragraph headed “The Sale and Purchase Agreement — Conditions Precedent” in this announcement
“Connected Person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the consideration of HK\$22,000,000 for the Acquisition
“Consideration Shares”	an aggregate of up to 174,603,175 new Shares to be allotted and issued by the Company to the Vendor credited as fully paid for the purpose of the settlement of the Consideration
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“General Mandate”	the mandate granted to the Directors by the Shareholders at the annual general meeting of the Company held on 21 June 2023 to issue, allot and deal with up to 20% of the then issued share capital of the Company as at the date of the annual general meeting

“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Hong Kong Government”	the government of Hong Kong
“Independent Third Party(ies)”	person(s) or company(ies) and whose ultimate beneficial owner who/which is/are independent of the Directors, chief executive and substantial shareholders of the Company and its subsidiaries and any of their respective associates as defined in the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on Main Board of the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“Long Stop Date”	30 June 2024, or such other date(s) as may be agreed in writing by the Vendor and the Purchaser
“Profit Guarantee”	the profit guarantee provided by the Vendor to the Purchaser in relation to the actual net profit of the Target Company for the three years ending 31 December 2024, 2025 and 2026, respectively
“Purchaser”	Keybase Assets Limited, a company incorporated in British Virgin Islands with limited liability and a direct wholly-owned subsidiary of the Company
“Sale and Purchase Agreement”	the sale and purchase agreement dated 22 March 2024 entered into between the Purchaser, the Vendor and the Target Company in relation to the Acquisition
“Sale Shares”	100 shares of a par value of HK\$100 in share capital of the Target Company, representing approximately 100% equity interests in the Target Company
“Share(s)”	ordinary share(s) of HK\$0.01 in the capital of the Company
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subsidiary A”	Kong Siu (Hong Kong) Construction Limited, a company incorporated in Hong Kong with limited liability

“Subsidiary B”	Joying Construction Materials Limited, a company incorporated in Hong Kong with limited liability
“Substantial Shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Target Company”	Wonder Holdings Limited, a company incorporated in Hong Kong with limited liability
“Target Group”	the Target Company and its subsidiaries
“Vendor”	Ms. Leung Yi Man, an Independent Third Party
“%”	per cent

* *For identification only*

By Order of the Board of
Unity Enterprise Holdings Limited
Chan Leung
Chairperson and Executive Director

Hong Kong, 22 March 2024

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