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HUARCHI GLOBAL GROUP HOLDINGS LIMITED

華記環球集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 2296

Warrant Code: 1642

CHANGE IN USE OF PROCEEDS

Reference is made to the prospectus issued by Huarchi Global Group Holdings Limited (the “**Company**”, together with its subsidiaries the “**Group**”) dated 31 October 2019 (the “**Prospectus**”) in relation to the share offer (the “**Share Offer**”) and the listing of the Company’s shares on the Main Board of the Stock Exchange of Hong Kong Limited (the “**Listing**”) and the annual report of the Company for the year ended 31 December 2020 published on 28 April 2021 in which the utilisation of the net proceeds from the Share Offer from the Listing up to 31 December 2020 was disclosed. Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as defined in the Prospectus.

The board of directors (the “**Directors**”) of the Company (the “**Board**”) wishes to inform the shareholders of the Company (the “**Shareholders**”) and its potential investors that it resolved to change the intended use of the net proceeds from the Share Offer.

USE OF PROCEEDS

The net proceeds received by the Group from the Share Offer, after deducting underwriting fees and related listing expenses, were approximately HK\$91.8 million (equivalent to approximately MOP94.7 million) (the “**Net Proceeds**”).

As set out in the section headed “Future Plans and Use of Proceeds” in the Prospectus, the Company intended to use the Net Proceeds (adjusted on a pro rata basis according to the Net Proceeds) for the following purposes:

- (i) approximately HK\$62.7 million (equivalent to approximately MOP64.7 million), representing approximately 68.3% of the Net Proceeds to finance the Group’s fitting-out and construction projects in Macau, which include payment of early stage payments for new projects such as provision of performance bonds and repayment of material costs and subcontracting fees;
- (ii) approximately HK\$16.0 million (equivalent to approximately MOP16.5 million), representing approximately 17.4% of the Net Proceeds to increase the Group’s workforce; and
- (iii) approximately HK\$13.1 million (equivalent to approximately MOP13.5 million), representing approximately 14.3% of the Net Proceeds to purchase machinery and equipment as well as their repair and maintenance.

As at the date of this announcement, the Group has utilised approximately HK\$62.7 million, representing approximately 68.3%, of the Net Proceeds as follows:

Intended use	Approximate percentage of Net Proceeds	Actual amount of Net proceeds (HK\$'000)	Amount utilised up to the date of this announcement (HK\$'000)	Remaining balance up to the date of this announcement (HK\$'000)
To finance the Group’s fitting-out and construction projects in Macau	68.3%	62,693	62,693	—
To increase the Group’s workforce	17.4%	15,967	—	15,967
To purchase machinery and equipment	14.3%	13,111	—	13,111
	<u>100%</u>	<u>91,771</u>	<u>62,693</u>	<u>29,078</u>

CHANGE IN USE OF PROCEEDS

As at the date of this announcement, the unutilised Net Proceeds amounted to approximately HK\$29.1 million (the “**Unutilised Net Proceeds**”). The Board having considered the business environment and recent development of the Group, resolved to change the use of the Unutilised Net Proceeds. Set out below is the utilisation of the Net Proceeds up to the date of this announcement and the proposed change of use of the Unutilised Net Proceeds:

Intended use of Net Proceeds	Original approximate percentage of Net Proceeds as stated in the Prospectus	Revised approximate percentage of Net Proceeds	Unutilised amount of Net Proceeds up to the date of this announcement (HK\$'000)	Revised allocation of Unutilised Net Proceeds (HK\$'000)	Expected timeline for fully utilising the remaining Net Proceeds
To finance the Group's fitting-out and construction projects in Macau	68.3%	100%	—	29,078	On or before 30 June 2022
To increase the Group's workforce	17.4%	—	15,967	—	Not Applicable
To purchase machinery and equipment	14.3%	—	13,111	—	Not Applicable
	<u>100%</u>	<u>100%</u>	<u>29,078</u>	<u>29,078</u>	

REASONS FOR THE CHANGE IN USE OF PROCEEDS

In order to facilitate the Group to undertake additional projects in the future, the Board has resolved to change the use of the Net Proceeds. The Unutilised Net Proceeds allocated for increasing the Group's workforce and purchasing machinery and equipment will be reallocated to finance the Group's fitting-out and construction projects in Macau.

The Group continuously submits tenders for new fitting-out and construction projects in Macau, which greater needs for working capital is expected to bear early stage payments for successful tender(s).

The outbreak of the COVID-19 pandemic has triggered an economic downturn in Macau and was a significant impact to the Macau's fitting-out and construction industry. As the COVID-19 epidemic continues, there remains a significant degree of uncertainty over the severity and duration of the economic downturn in Macau, as well as the trajectory of the economic recovery once the outbreak has been contained. In view of the aforesaid, the Board believes that it is financially prudent to strengthen the liquidity management of the Group in order to enhance its flexibility in responding to different challenges ahead. In particular, the Board considers that it is vital to ensure that the Group has sufficient working capital to support its ongoing projects in case of any unexpected material delay or disruption in projects implementation.

In light of the potential impact due to the outbreak of the COVID-19, the Board considers that the Group has genuine needs to enhance its reserve for financing its upcoming projects, as more particularly described in the paragraphs below:

Financing fitting-out and construction projects in Macau

The Group's working capital was usually tied up until the Group received substantial progress payments from its customers to recover the early stage payments at a later stage of the Group's projects. The early stage payments of new projects include provision of performance bonds and prepayment of material costs and subcontracting fees. As at the date of this announcement, the Group had submitted 26 tenders which were still undergoing tender selection process. Given that the working capital requirements for early stage payments is expected to increase as the Group undertakes additional projects in Macau, the Board intends to reallocate the Unutilised Net Proceeds for financing the working capital needs of the Group's fitting-out and construction projects in Macau in the future.

Save for the aforesaid changes, there is no other change in the uses of the Net Proceeds. The Directors confirm that there is no material change in the nature of business of the Group as set out in the Prospectus. The Directors consider that the above changes in the use of Net Proceeds are fair and reasonable, as they would allow the Company to deploy its financial resources more effectively to support the business of the Group. The Directors further consider that such changes will allow the Group to better accommodate with the changing market conditions and are therefore in the interests of the Group and the Shareholders as a whole.

By order of the Board
Huarchi Global Group Holdings Limited
Lou Cheok Meng
Chairman and Managing Director

Hong Kong, 30 June 2021

As at the date of this announcement, Mr. Lou Cheok Meng (Chairman and Managing Director), Mr. Chang Wa Ieong and Mr. Ao Weng Kong are the executive directors of the Company; and Dr. Lam Chi Kit BBS MH JP, Dr. Sin Wai Chiu Joseph and Mr. Lo Chun Chiu Adrian are the independent non-executive directors of the Company.