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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)

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

Reference is made to the announcement (the “**Announcement**”) of the Company dated 22 March 2024 in relation to the acquisition of the Sale Shares, which represent 100% of the issued share capital in the Target Company. Unless otherwise stated, capitalised terms used in this announcement shall bear the same meanings as defined in the Announcement.

The Board wishes to provide the following supplemental information in relation to the Acquisition.

PRINCIPAL TERMS OF THE SALE AND PURCHASE AGREEMENT

Basis of the issue price of the Consideration Shares

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.

Given that (i) the Company recorded a loss of HK\$7.4 million for the year ended 31 December 2022 according to the annual report of the Company for the year ended 31 December 2022; (ii) the Company recorded a loss of approximately HK\$29.4 million for the year ended 31 December 2023, according to the management account of the Company for the year ended 31 December 2023; (iii) the Company had the cash position of approximately HK\$10.1 million as at 31 December 2023, according to the management account of the Company for the year ended 31 December 2023; (iv) during the last 20 trading days immediately before the date of the Sale and Purchase Agreement, the Shares was traded within the range from HK\$0.153 per Share to HK\$0.168 per Share, with the average Share price of approximately HK\$0.160; (v) during the last 20 trading days immediately before the

date of the Sale and Purchase Agreement, the average daily trading volume to the outstanding issued capital of the Company was approximately 0.0939%, which is rather thin; (vi) issue of Consideration Shares renders the Company retain the cash position for working capital to the Group; (vii) a higher discount of the Share price taking into account the recent 20 days' trading circumstances will enable the Vendor to be more willing to accept such settlement method, the Board considered such issue price level of Consideration Shares is fair and reasonable.

Profit guarantee

The Guaranteed Profit of approximately HK\$3 million for each year during the Guarantee Period, which represents a modest smooth rate of approximately 3%, was determined after arm's length negotiation between the Purchaser and the Vendor after taking into account, among others, (i) the current number of on-going projects and the total contract value as of the date of the Sale and Purchase Agreement as set out under the section "Information of the Target Company" under this announcement; (ii) The Hong Kong economy is forecast to grow by 2.5% to 3.5% in 2024 according to the website of the Hong Kong Economy under the "Latest Development" webpage; (iii) the positive outlook in the construction sectors in Hong Kong following the Hong Kong economy's gradual recovery, which will provide more demand in contracting services; and (iv) the synergy for the business operation and performance between the Group and the Target Group which are expected to be generated upon the completion of the Acquisition. As such, the Board believes that the Guaranteed Profit is achievable, and fair and reasonable.

The Guarantee Period covers a period of three years ending 31 December 2026 and the Vendor shall be obliged to pay 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 ("**Compensation**"). Such agreed mechanism was adopted after considering the revenue generated from contracting services mainly depends on (i) the project duration which can be over one year; (ii) the percentage of completion of such project; and (iii) the time taken by the main contractor and the landlords to confirm the percentage of completion of the project.

Hence, the Board is of the view that a three-year period is more appropriate to reflect the Target Group's overall business performance, and the Compensation should be determined after such period. The Board considered that such arrangement is fair and reasonable and in the interest of the Company and its Shareholders as a whole.

To protect the Company and its Shareholders as a whole, an undertaking was duly signed by Vendor, pursuant which she has undertaken for the mechanism to settle the Compensation (if any). The Company is of the view that such undertaking is valid and legally binding, and able to protect the Group and the interests of the Shareholders as a whole. In the event of the profit shortfall but the Vendor was not able to settle the Compensation upon the Company served a written notice, the Company will (i) negotiate with the Vendor for the repurchase of the Sale Shares by the Vendor; or (ii) issue a demand letter to the Vendor, and if, the Vendor still fails to comply with requirements as stipulated in the demand letter or does not give any reply within 14 days, the Company will start a lawsuit against the Vendor for breach of contract by applying for the court to issue a writ of summons to be served on the Vendor.

VALUATION OF THE TARGET COMPANY

Assessment of Key Specific Assumptions

Valuation methodology

For the market approach as selected for the Valuation, the Board has considered other multiples such as price to sale (“**P/S**”) ratio or price to book (“**P/B**”) ratio and discussed the same with the Independent Valuer.

The Board noted that the Independent Valuer considered that the P/E ratio was appropriate to be multiple in valuing the Target Company rather than the P/S ratio or P/B ratio, which was primarily due to: (i) profitability of the Target Company was the primary determinant of the appraised value and the key indicator that a purchaser focus on for an acquisition transaction; and (ii) P/S ratio and P/B ratio do not account for the profitability of the business and fail to reflect the true profitability and value of the business of the Target Company.

In light of the above factors, the Board consents to the view that the selection of P/E Ratio under the market approach for the Valuation is fair and reasonable.

Market comparables

The Comparables represented an exhaustive list based on the disclosed selection criteria, details of which are set out below:

| Company | Stock Code | Principal Business Location | Revenue from RMAA and related works | Revenue (HKD Million) | Profit (HKD Million) | Market Capitalization (HKD Million) |
|---------------------------------|-------------------|------------------------------------|--|----------------------------------|---------------------------------|--|
| Superland Group Holdings Ltd | 368 HK | Hong Kong | 100% | 1,028 | 45 | 248 |
| Coolpoint Innonism Holding Ltd | 8040 HK | Hong Kong | 99% | 309 | 5 | 214 |
| Chi Ho Development Holdings Ltd | 8423 HK | Hong Kong | 79% | 310 | 11 | 56 |
| Aeso Holding Ltd | 8341 HK | Hong Kong | 100% | 263 | 9 | 19 |
| Able Engineering Holdings Ltd | 1627 HK | Hong Kong | 100% | 6,117 | 186 | 730 |
| Sunray Engineering Group Ltd | 8616 HK | Hong Kong | 73% | 205 | 3 | 42 |
| Thelloy Development Group Ltd | 1546 HK | Hong Kong | 80% | 282 | 10 | 71 |
| Gain Plus Holdings Ltd | 9900 HK | Hong Kong | 100% | 1,086 | 46 | 402 |

Note: The revenue, profit are referred to latest available trailing 12-months financial data extracted from Bloomberg terminal as of the Valuation Benchmark Date, while market capitalization is referred to that on the Valuation Benchmark Date.

| Company | Stock Code | Share Price (HKD) | Earnings per Share (HKD) | P/E |
|---------------------------------|-------------------|------------------------------|-------------------------------------|------------|
| Superland Group Holdings Ltd | 368 HK | 0.310 | 0.060 | 5.17 |
| Coolpoint Innonism Holding Ltd | 8040 HK | 0.630 | 0.010 | 63.00 |
| Chi Ho Development Holdings Ltd | 8423 HK | 0.070 | 0.010 | 7.00 |
| Aeso Holding Ltd | 8341 HK | 0.240 | 0.110 | 2.18 |
| Able Engineering Holdings Ltd | 1627 HK | 0.365 | 0.090 | 4.06 |
| Sunray Engineering Group Ltd | 8616 HK | 0.042 | 0.003 | 14.48 |
| Thelloy Development Group Ltd | 1546 HK | 0.089 | 0.010 | 8.90 |
| Gain Plus Holdings Ltd | 9900 HK | 1.080 | 0.120 | 9.00 |

Note: The earnings per share is referred to latest available trailing 12-months EPS before extraordinary items extracted from Bloomberg terminal as of the Valuation Benchmark Date, while share price is referred to closing share price on the Valuation Benchmark Date.

As disclosed in above table of details of selected Comparables, they fulfilled the selection criteria of more than 50% revenue from provision of RMAA and related works in Hong Kong.

Basis of Valuation and Consideration

The Company is not aware of any material change which will materially affect the Valuation between the Valuation Benchmark Date and the date of the Announcement.

INFORMATION OF THE PARTIES

The Vendor

The Vendor is an individual who is principally engaged in the construction business and construction material trading business. As at the date of the Announcement, the Target Company is wholly-owned by the Vendor. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Vendor is an Independent Third Party.

INFORMATION OF THE TARGET COMPANY

As of the date of the Sale and Purchase Agreement, (i) for the provision of contracting service for RMAA works, the Target Group has one project on hand and the total contract value was approximately HK\$50 million based on project backlog; and (ii) for distributorship of building materials service, the Target Group operates three projects on hand and the total contract value was approximately HK\$2.5 million based on project backlog.

The Target Group has submitted two tenders for the provision of contracting service for RMAA works in October 2023 and December 2023, respectively, results of which are expected to be released within the period from June to September 2024.

The tender sum of the tender A which was submitted in October 2023 ranged from approximately HK\$11.2 million to approximately HK\$23.5 million based on the final plan to be confirmed by the landlord, and the tender sum of the tender B which was submitted in December 2023 was approximately HK\$17.8 million.

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

Hong Kong, 16 April 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.