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SHEN YOU HOLDINGS LIMITED

申酉控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8377)

CHANGE IN USE OF PROCEEDS

References are made to the prospectus (the “**Prospectus**”) of Shen You Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) dated 30 November 2017 relating to the listing of the shares (the “**Listing**”) in the capital of the Company on GEM of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) by way of share offer (the “**Share Offer**”), the announcement of the Company dated 31 March 2020 (the “**Announcement**”) concerning the update on the use of proceeds of the Share Offer from the Listing, the annual report of the Company for year ended 31 December 2021 (the “**2021 Annual Report**”) in which the utilisation of proceeds of the Share Offer from the Listing up to 31 December 2021 was disclosed. Unless the context otherwise requires, capitalised terms used in this announcement shall have the same meanings as those defined in the Prospectus.

USE OF PROCEEDS

As set out in the Prospectus and the 2021 Annual Report, the Group has raised net proceeds of approximately HK\$40.7 million from the Share Offer after deducting commission and expenses borne by the Company in connection with the Share Offer (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 for the following purposes:

- approximately 50.0% of the Net Proceeds will be used for the upgrading of our production line for the waxing and winding of our 100% spun polyester sewing threads for industrial use;

- approximately 19.0% of the Net Proceeds will be used for the upgrading of our production line for the waxing and winding of our 100% spun polyester sewing threads for domestic use;
- approximately 10.0% of the Net Proceeds will be used for the acquisition of cone winding machines for our 100% spun polyester sewing threads;
- approximately 9.0% of the Net Proceeds will be used for the acquisition of new machinery for the production of nylon threads;
- approximately 3.0% of the Net Proceeds will be used for the setting up of a sales office in Zhejiang province; and
- approximately 9.0% of the Net Proceeds will be used for the working capital and other general corporate purposes of our Group.

CHANGE IN USE OF PROCEEDS

As at the date of this announcement, the unutilised Net Proceeds amounted to approximately HK\$8.7 million (the “**Unutilised Net Proceeds**”). The board (the “**Board**”) of directors (the “**Directors**”) of the Company having considered the reasons as set out in the paragraph headed “Reasons for and Benefits of the Change in Use of Proceeds” below, 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 amount of Net Proceeds as stated in the Prospectus (HK\$ million) | Utilised amount of Net Proceeds up to the date of this announcement (HK\$ million) | Unutilised amount of Net Proceeds up to the date of this announcement (HK\$ million) | Revised allocation of Unutilised Net Proceeds (HK\$ million) |
|---|---|---|---|---|
| Upgrading the Group’s machinery for the production of 100% spun polyester sewing threads for industrial use | 20.3 | 3.1 | 17.2 | — |
| Upgrading the Group’s machinery for the production of 100% spun polyester sewing threads for domestic use | 7.7 | 2.2 | 5.5 | — |
| Acquiring new cone winding machines | 4.1 | 0.5 | 3.6 | — |
| Acquiring new machinery for the production of nylon threads | 3.7 | 1.3 | 2.4 | — |
| Setting up a sales office in Zhejiang province | 1.2 | 1.2 | — | — |
| Working capital and other general corporate purposes of the Group | 3.7 | 3.7 | — | 8.7 |
| | 40.7 | 12.0 | 28.7 | — |
| Repayment of bank facilities (<i>Note</i>) | — | 20.0 | 20.0 | — |
| | <u>40.7</u> | <u>32.0</u> | <u>8.7</u> | <u>8.7</u> |

Note:

*As disclosed in the Announcement, from January 2020 to March 2020, as requested by the bank and to facilitate the review process of a loan facility of the Group with an aggregate amount of approximately HK\$20 million from a bank in Hong Kong (the “**Banking Facilities**”), the Group made use of approximately HK\$20 million out of the unutilised Net Proceeds at the material time for the repayment of the Banking Facilities. As further disclosed in the 2021 Annual Report, all the Banking Facilities have been cancelled by the bank with effect from 29 April 2020. Details of the aforesaid repayment are set out in the Announcement. Despite the Group’s continuous efforts to obtain new banking facilities for the operation of the Sewing Thread Business, the Group is unable to obtain new banking facilities as at the date of this announcement.*

REASONS FOR AND BENEFITS OF THE CHANGE IN USE OF PROCEEDS

In light of the outbreak of Covid-19 pandemic since early 2020 and uncertainties due to the gradual slowdown of the PRC economy, the business outlook and operating environment of the Sewing Thread Business may continue to be difficult. Overseas sales of sewing threads have been impeded as shipping and air freight rates spiked to unprecedented heights due to Covid-19 pandemic and shipping schedules have been severely disrupted due to the close of sea ports by countries of the Company’s customers. Domestic sales of sewing threads in the PRC have also been adversely affected due to a shift of production lines of the Company’s customers away from the PRC to Southeast Asia as a result of the trade war between the PRC and the United States. Further, the increase in material cost in recent years led to a decline in the profit margin of the Sewing Thread Business.

In such circumstances, the Board considers that it is currently not an optimal time to heavily invest in the acquisition of machineries for the Sewing Thread Business. Hence, in order to improve the efficiency of the use of proceeds of the Group, instead of allocating the Unutilised Net Proceeds which amounts to approximately HK\$8.7 million for the acquisition of machineries, the Board has resolved to change the allocation of the amount of the Unutilised Net Proceeds, such that approximately HK\$6.09 million and HK\$2.61 million of the Unutilised Net Proceeds will be applied towards the working capital and other general corporate purposes of the Group respectively instead.

The Board is of the view that the change in use of the Unutilised Net Proceeds would not materially affect the business of the Group as a whole and would have allowed the Company to deploy its financial resources more efficiently and therefore, is in the best interest of the Company and its shareholders as a whole.

By order of the Board
Shen You Holdings Limited
Mr. Wong Kwok Wai, Albert
Chairman, chief executive officer and executive Director

Hong Kong, 5 July 2022

As at the date of this announcement, the Board comprises five executive Directors, namely, Mr. Wong Kwok Wai, Albert, Mr. Chan Yiu Tung, Enoch, Mr. Leung King Yue, Alex, Mr. Ma Pok Man Josiah and Mr. Shane McGrath; and three independent non-executive Directors, namely, Mr. Sung Alfred Lee Ming, Mr. Chan Tsun Choi, Arnold and Mr. Chow Chin Hang, Joel.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will remain on the “Latest Listed Company Information” page of the website of the Stock Exchange at www.hkexnews.hk for at least 7 days from the date of its publication and on the website of the Company at www.shenyouholdings.com.