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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)

UPDATE ON 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**”), and the interim report of the Company for the six months ended 30 June 2019 (the “**2019 Interim Report**”) dated 9 August 2019 in which the utilisation of proceeds from the Share Offer from the Listing up to 30 June 2019 was disclosed. Unless the context otherwise requires, capitalised terms used in this announcement shall have the same meanings as those defined in the Prospectus.

The Board wishes to provide certain updates on the use of proceeds from the Listing.

PLANNED USE OF PROCEEDS

As set out in the Prospectus and the 2019 Interim 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.

UPDATE ON USE OF PROCEEDS

The planned use of proceeds from the Listing as disclosed in the Prospectus were based on the best estimation of future market conditions made by the Group at the time of preparing the Prospectus, while the proceeds were applied in accordance with the actual development of the market from time to time. As mentioned in the 2019 Interim Report, in light of the protectionist trade measure implemented by the United States and the continued economic downturn, the Directors believe that by strictly adhering to the implementation plan set out in the Prospectus, the production capacity of the Group will be unnecessarily enhanced, while the additional machinery may lead to a provision for impairment for such machinery to be made in the future.

As such, the unutilised Net Proceeds of approximately HK\$29.1 million remained idle. In around January 2020, a loan facility of the Group with an aggregate amount of approximately HK\$20 million from a bank in Hong Kong (the “**Loan Facility**”) was under review. From January 2020 to March 2020, as requested by the bank and to facilitate the review process of the Loan Facility, the Group made use of approximately HK\$20 million out of the unutilised Net Proceeds for the repayment of the loan (the “**Repayment**”) to satisfy various request from the bank during the aforesaid period in the course of their review process. The Repayment was only an interim measure adopted by the Group for a temporary utilisation of the Net Proceeds which was not originally earmarked. The Loan Facility is still under review as at the date of this announcement and has not been cancelled. It is the intention of the Board that upon completion of the review, the Group shall withdraw the amount previously repaid for the continue implementation of the planned use of the Net Proceeds.

As at the date of this announcement, approximately HK\$31.6 million of the Net Proceeds has been used and the unutilised Net Proceeds amounted to approximately HK\$9.1 million.

For the avoidance of doubt, save as disclosed above, all other proceeds raised from the Listing have been unutilised in accordance with the plans of the Company as disclosed in the Prospectus.

The Board is of the view that the update on use of proceeds from the Listing 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
Wong Kwok Wai, Albert
Chairman and executive Director

Hong Kong, 31 March 2020

As at the date of this announcement, the Board comprises two executive Directors, namely, Mr. Wong Kwok Wai, Albert and Mr. Chan Yiu Tung, Enoch; one non-executive Director, namely, Mr. Gao Biao; and three independent non-executive Directors, namely, Dr. Yeung Ngai Man, John, Mr. Sung Alfred Lee Ming and Mr. Zhang Guofu.

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 GEM website at www.hkgem.com on the “Latest Company Announcements” page for at least 7 days from the date of its posting and on the website of the Company at www.shenyouholdings.com.