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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)

MAJOR TRANSACTION IN RELATION TO THE ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF AND SALE LOANS DUE BY THE TARGET COMPANY INVOLVING ISSUE OF CONSIDERATION SHARES UNDER SPECIFIC MANDATE

THE ACQUISITION

The Board is pleased to announce that on 18 August 2020 (after trading hours of the Stock Exchange), the Company and the Vendors entered into the Sale and Purchase Agreement, pursuant to which the Company has conditionally agreed to purchase, and (i) Vendor A has conditionally agreed to sell, the Sale Shares A, representing 55% of the entire issued share capital of the Target Company; (ii) Vendor B has conditionally agreed to sell, the Sale Shares B, representing approximately 16.67% of the entire issued share capital of the Target Company, and the Sale Loan B; (iii) Vendor C has conditionally agreed to sell, the Sale Shares C, representing approximately 16.67% of the entire issued share capital of the Target Company, and the Sale Loan C; and (iv) Vendor D has conditionally agreed to sell, the Sale Shares D, representing approximately 11.66% of the entire issued share capital of the Target Company, and the Sale Loan D, for an aggregate Consideration of HK\$14,500,000.

The Consideration shall be satisfied by the Company by way of allotment and issue of a total of 337,209,302 Consideration Shares (or 67,441,860 Consideration Shares, in the event that the Share Consolidation has become effective) at the Issue Price, credited as fully paid, to the Vendors and/or their respective nominee(s).

As at the date of this announcement, the Target Company is owned as to 55% by Vendor A, approximately 16.67% by Vendor B, approximately 16.67% by Vendor C and approximately 11.66% by Vendor D, respectively. Upon Completion, the Company will be interested in the entire issued share capital of the Target Company. As such, the Target Company will become a wholly-owned subsidiary of the Company and the financial information of the Target Group will be consolidated into the consolidated financial statements of the Group.

GEM LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratio(s) (as defined under the GEM Listing Rules) in respect of the Acquisition is more than 25% but less than 100%, the Acquisition constitutes a major transaction on the part of the Company, and is subject to the reporting, announcement and Shareholders' approval requirements under Chapter 19 of the GEM Listing Rules.

The Consideration Shares will be allotted and issued pursuant to the Specific Mandate. The EGM will be convened and held for the Shareholders to consider and, if thought fit, approve the grant of the Specific Mandate for the allotment and issue of the Consideration Shares.

GENERAL

The EGM will be convened and held for the Shareholders to consider and, if thought fit, to approve the Sale and Purchase Agreement and the transactions contemplated thereunder (including but not limited to the allotment and issue of the Consideration Shares under the Specific Mandate).

The voting in respect of the Acquisition at the EGM will be conducted by way of poll. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, (i) Vendor A is interested in 8,000,000 Existing Shares, representing approximately 0.67% of the entire issued share capital of the Company; and (ii) Mr. Leung (being an executive Director and a Shareholder who is interested in 50,000,000 Existing Shares, representing approximately 4.17% of the entire issued share capital of the Company) is also an executive director of DT Capital (which in turn is interested in 100% equity interests in Vendor C) and a shareholder who is interested in approximately 0.85% equity interests of UBA Investments (which in turn is interested in 100% equity interests in Vendor B). As such, each of Vendor A and Mr. Leung is considered to have a material interest in the Sale and Purchase Agreement and the transactions contemplated thereunder (including the Acquisition and the issue of the Consideration Shares), and will abstain from voting on the relevant resolutions at the EGM.

Save for Vendor A and Mr. Leung, no Shareholder or any of their associates has any material interest in the Sale and Purchase Agreement and the transactions contemplated thereunder (including but not limited to the allotment and issue of the Consideration Shares under the Specific Mandate). As such, save for Vendor A and Mr. Leung, no Shareholder will be required to abstain from voting on the relevant resolutions at the EGM. Save for Mr. Leung, none of the Directors has material interest in the Sale and Purchase Agreement and the transactions contemplated thereunder (including the Acquisition and the issue of the Consideration Shares). As such, Mr. Leung had abstained from voting at the Board meeting for approving the Sale and Purchase Agreement.

A circular containing, among other things, (i) further information on the Sale and Purchase Agreement and the transactions contemplated thereunder; (ii) the financial information of the Group and the Target Group; (iii) unaudited pro forma financial information of the enlarged Group; and (iv) the notice of the EGM, is expected to be despatched to the Shareholders on or before 20 October 2020 as additional time is required for the preparation of the relevant information to be included in the circular.

Completion is subject to the fulfillment of the conditions precedent set out in the Sale and Purchase Agreement and therefore the Acquisition may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

References are made to (i) the announcements of the Company dated 24 June 2020 and 17 July 2020, in relation to, among other things, the MOU and the Supplemental MOU regarding the possible acquisition of not less than 55% of the entire issued share capital of the Target Company; and (ii) the circular of the Company dated 5 August 2020, in relation to, among other things, the Share Consolidation.

THE ACQUISITION

The Board is pleased to announce that on 18 August 2020 (after trading hours of the Stock Exchange), the Company and the Vendors entered into the Sale and Purchase Agreement, pursuant to which the Company has conditionally agreed to purchase, and (i) Vendor A has conditionally agreed to sell, the Sale Shares A, representing 55% of the entire issued share capital of the Target Company; (ii) Vendor B has conditionally agreed to sell, the Sale Shares B, representing approximately 16.67% of the entire issued share capital of the Target Company, and the Sale Loan B; (iii) Vendor C has conditionally agreed to sell, the Sale Shares C, representing approximately 16.67% of the entire issued share capital of the Target Company, and the Sale Loan C; and (iv) Vendor D has conditionally agreed to sell, the Sale Shares D, representing approximately 11.66% of the entire issued share capital of the Target Company, and the Sale Loan D, for an aggregate Consideration of HK\$14,500,000.

THE SALE AND PURCHASE AGREEMENT

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

- Date:** 18 August 2020
- Parties:**
- (i) the Company, as the purchaser;
 - (ii) Vendor A, as the vendor;
 - (iii) Vendor B, as the vendor;
 - (iv) Vendor C, as the vendor; and
 - (v) Vendor D, as the vendor

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, (i) Vendor A is interested in 8,000,000 Existing Shares, representing approximately 0.67% of the entire issued share capital of the Company; and (ii) Mr. Leung (being an executive Director and a Shareholder who is interested in 50,000,000 Existing Shares, representing approximately 4.17% of the entire issued share capital of the Company) is also an executive director of DT Capital (which in turn is interested in 100% equity interests in Vendor C) and a shareholder who is interested in approximately 0.85% equity interests of UBA Investments (which in turn is interested in 100% equity interests in Vendor

B). Save for Vendor A and Mr. Leung, each of the Vendors and their respective ultimate beneficial owners (where applicable) is an Independent Third Party. Further information in relation to the Vendors is set out in the section headed “Information on the Vendors” in this announcement.

Asset to be acquired

Pursuant to the terms and conditions of the Sale and Purchase Agreement, the Company has conditionally agreed to purchase, and (i) Vendor A has conditionally agreed to sell, the Sale Shares A, representing 55% of the entire issued share capital of the Target Company; (ii) Vendor B has conditionally agreed to sell, the Sale Shares B, representing approximately 16.67% of the entire issued share capital of the Target Company, and the Sale Loan B; (iii) Vendor C has conditionally agreed to sell, the Sale Shares C, representing approximately 16.67% of the entire issued share capital of the Target Company, and the Sale Loan C; and (iv) Vendor D has conditionally agreed to sell, the Sale Shares D, representing approximately 11.66% of the entire issued share capital of the Target Company, and the Sale Loan D.

Consideration

The Consideration is HK\$14,500,000, which shall be satisfied by the Company by way of allotment and issue of an aggregate of 337,209,302 Consideration Shares (or 67,441,860 Consideration Shares, in the event that the Share Consolidation has become effective) credited as fully paid, at the Issue Price, to the Vendors (and/or their respective nominee(s)) in the following manner:

- (i) as to HK\$3,410,000, by allotting and issuing 79,302,326 Consideration Shares (or 15,860,466 Consideration Shares, in the event that the Share Consolidation has become effective) to Vendor A and/or his nominee(s) upon Completion, and to be delivered to Vendor A and/or his nominee(s) in accordance with the terms and conditions of the Sale and Purchase Agreement and the Escrow Letter;
- (ii) as to HK\$3,623,333, by allotting and issuing 84,263,558 Consideration Shares (or 16,852,711 Consideration Shares, in the event that the Share Consolidation has become effective) to Vendor B and/or its nominee(s) upon Completion;
- (iii) as to HK\$3,623,333, by allotting and issuing 84,263,558 Consideration Shares (or 16,852,711 Consideration Shares, in the event that the Share Consolidation has become effective) to Vendor C and/or its nominee(s) upon Completion; and
- (iv) as to HK\$3,843,334, by allotting and issuing 89,379,860 Consideration Shares (or 17,875,972 Consideration Shares, in the event that the Share Consolidation has become effective) to Vendor D and/or its nominee(s) upon Completion.

The Consideration was determined after arm’s length negotiations between the parties to the Sale and Purchase Agreement on normal commercial terms, after taking into account, among others, (i) the unaudited net asset value of the Target Group as at 31 May 2020; (ii) the profit guarantee provided by Vendor A; and (iii) other factors as set out in the section headed “Reasons for and benefits of the Acquisition” in this announcement.

Consideration Shares

Subject to the provisions as set out in the paragraph headed “Profit guarantee” below, the Company shall allot and issue an aggregate of 337,209,302 Consideration Shares (or 67,441,860 Consideration Shares, in the event that the Share Consolidation has become effective) to the Vendors (and/or their respective nominee(s)) at the Issue Price to satisfy the Consideration on Completion.

The Issue Price of HK\$0.043 per Consideration Share (or HK\$0.215 per Consideration Share, in the event that the Share Consolidation has become effective):

- (i) represents a premium of approximately 2.38% over the closing price of HK\$0.042 per Share (equivalent to HK\$0.210 per Consolidated Share, assuming that the Share Consolidation has become effective) as quoted on the Stock Exchange on the date of the Sale and Purchase Agreement; and
- (ii) represents a discount of approximately 7.33% to the average of the closing price of HK\$0.0464 per Share (equivalent to HK\$0.232 per Consolidated Share, assuming that the Share Consolidation has become effective) as quoted on the Stock Exchange for the five trading days immediately prior to the date of the Sale and Purchase Agreement.

The 337,209,302 Consideration Shares represents (i) approximately 28.10% of the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 21.94% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares (assuming the Share Consolidation has not become effective and no change in the number of issued Shares since the date of this announcement and up to Completion Date).

In the event that the Share Consolidation has become effective, the 67,441,860 Consideration Shares represents (i) approximately 28.10% of the issued share capital of the Company upon the Share Consolidation becoming effective; and (ii) approximately 21.94% of the issued share capital of the Company after the Share Consolidation has become effective and as enlarged by the allotment and issue of the Consideration Shares (assuming no other change in the number of issued Shares, save for the Share Consolidation, since the date of this announcement and up to the Completion Date).

The Consideration Shares are to be issued by the Company under Specific Mandate to be sought from the Shareholders at the EGM. The Consideration Shares, when allotted and issued, will rank *pari passu* in all respects with all the Shares then in issue.

The Issue Price was arrived at after arm’s length negotiation among the parties to the Sale and Purchase Agreement after taking into account the prevailing market price of the Shares. The Directors consider that the Issue Price is fair and reasonable.

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

Lock-up undertaking

Subject to the provisions as set out in paragraph headed “Profit guarantee” below, Vendor A undertakes and warrants to the Company that during the twelve-month period commencing from the Completion Date, he will not and shall procure his nominee(s) (where applicable) not to sell, transfer, dispose of or enter into any agreement have similar effect or otherwise create any options, rights, interests or encumbrances in respect of any of the 79,302,326 Consideration Shares (or 15,860,466 Consideration Shares, in the event that the Share Consolidation has become effective) without prior written approval from the Company.

Conditions precedent

Completion is subject to the following conditions having been fulfilled or waived (as the case may be):

- (i) the Company being reasonably satisfied with the results of the due diligence review to be conducted pursuant to the terms and conditions of the Sale and Purchase Agreement;
- (ii) all necessary consents, licences and approvals required to be obtained on the part of the Vendors, the Target Company and LMP (if applicable) in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder having been obtained and remain in full force and effect;
- (iii) all necessary consents, licences and approvals required to be obtained on the part of the Company in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder having been obtained and remain in full force and effect;
- (iv) the passing by the Shareholders, at the EGM to be convened and held in accordance with the requirements of the GEM Listing Rules, of such resolutions to approve the Sale and Purchase Agreement and the transactions contemplated thereunder (including but not limited to the allotment and issue of the Consideration Shares) having been obtained;
- (v) the GEM Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Consideration Shares; and
- (vi) the warranties provided by the Vendors remaining true and accurate and not misleading in all material respects.

The Company may at its absolute discretion at any time waive in writing any of the conditions precedent as set out in (i) and (vi) above and such waiver may be made subject to such terms and conditions as are determined by the Company. All other conditions precedent are incapable of being waived by any parties to the Sale and Purchase Agreement.

If the above conditions have not been satisfied (or as the case may be, waived) at or before 12:00 noon on 17 November 2020, or such other date as the Company and the Vendors may agree, the Sale and Purchase Agreement shall cease and terminate, and thereafter none of the parties to the Sale and Purchase Agreement shall have any obligations and liabilities thereunder save for any antecedent breaches of the terms thereof.

Profit guarantee

Pursuant to the Sale and Purchase Agreement, Vendor A irrevocably and unconditionally warrants and guarantees to the Company that the audited consolidated profits after tax of the Target Company calculated in accordance with the HKFRS as shown in its audited consolidated financial statements for the 12-month period commencing after the Completion Date (the “**Guaranteed Period**”) issued by the Auditors shall not be less than HK\$2,000,000 (the “**Guaranteed Profit**”).

As security for the performance of the obligations of Vendor A in respect of the profit guarantee, Vendor A and the Company shall jointly appoint the Escrow Agent to act as the escrow agent and to hold the share certificates in relation to the 79,302,326 Consideration Shares (or 15,860,466 Consideration Shares, in the event that the Share Consolidation has become effective) on and subject to the terms and conditions under the Escrow Letter.

If the actual audited consolidated profits after tax of the Target Company calculated in accordance with HKFRS for the Guaranteed Period (the “**Actual Profit**”) as shown in the Guarantee Certificate is not less than the Guaranteed Profit, Vendor A and the Company shall jointly procure the Escrow Agent to release the share certificates for the 79,302,326 Consideration Shares (or 15,860,466 Consideration Shares, in the event that the Share Consolidation has become effective) which are held in escrow by the Escrow Agent to Vendor A and/or his nominee(s) within three (3) Business Days from the date of receipt by the Escrow Agent of the Guarantee Certificate from the Auditors.

If the Actual Profit as shown in the Guarantee Certificate is less than the Guaranteed Profit, then Vendor A undertakes to pay to the Company an amount (A) (the “**Guaranteed Profit Compensation**”) calculated as follows:

$$A = (\text{Guaranteed Profit} - \text{Actual Profit}) \times 7.25$$

In such event, Vendor A shall be obliged to pay the Company and/or its nominee(s) within seven (7) Business Days upon the receipt of the Guarantee Certificate an amount equivalent to the Guaranteed Profit Compensation in cash. Upon receipt the Guaranteed Profit Compensation by the Company and/or its nominee(s) from Vendor A within the said period, Vendor A and the Company shall jointly procure the Escrow Agent to release the share certificates for the 79,302,326 Consideration Shares (or 15,860,466 Consideration Shares, in the event that the Share Consolidation has become effective) which are held in escrow by the Escrow Agent to Vendor A and/or his nominee(s) within three (3) Business Days from the date of receipt by the Escrow Agent from the Company evidence of receipt of such Guaranteed Profit Compensation by the Company and/or its nominee(s).

However, in the event that Vendor A fails to pay the Guaranteed Profit Compensation in cash to the Company and/or its nominee(s) within seven (7) Business Days upon the receipt of the Guarantee Certificate, (i) the Company shall have the absolute right to unilaterally instruct the Escrow Agent to release any or all of the share certificates in relation to 79,302,326 Consideration Shares (or 15,860,466 Consideration Shares, in the event that the Share Consolidation has become effective) to a licensed securities dealer authorised to carry on Type 1 (dealing in securities) regulated activity under the SFO as may be nominated by the Company; and (ii) Vendor A and the Company shall jointly procure such securities dealer to dispose of such number of Consideration Shares appropriately sufficient to pay the Guaranteed Profit Compensation at the then best price reasonably obtainable by such securities dealer and thereafter, pay the net proceeds from such sale to the Company and/or its nominee(s) promptly after completion of such sale. Vendor A hereby undertakes to the Company that he shall, contemporaneously upon the payment of such net proceeds to the Company and/or its nominee(s) by such securities dealer, pay to the Company any shortfall by subtracting such net proceeds from the amount (A). For the avoidance of doubt, should there be proceeds after deducting the amount (A) from the amount of the net proceeds generated from the sale of such Consideration Shares, the balance of the such Consideration Shares shall be released by the Escrow Agent to Vendor A within ten (10) Business Days after upon receipt of the net proceeds generated from the sale of such Consideration Shares.

For the avoidance of doubt, should the Target Company record a loss in its audited consolidated financial statements for the Guaranteed Period, the Actual Profit for such Guaranteed Period shall be deemed as zero.

Completion

Completion shall take place on the third Business Day after the fulfillment (or waiver) of all the conditions precedent of the Sale and Purchase Agreement, or such other date as the Company and the Vendors may agree.

Upon Completion, the Company will be interested in the entire issued share capital of the Target Company. As such, the Target Company will become a wholly-owned subsidiary of the Company and the financial information of the Target Group will be consolidated into the consolidated financial statements of the Group.

Service Agreement

Upon Completion, LMP and Vendor A shall enter into the Service Agreement, pursuant to which Vendor A shall serve as a director of LMP for a term of three years from the Completion Date.

The Board believes that Vendor A's continued involvement in the management of LMP would ensure the smooth operation of the Target Group following Completion.

EFFECT ON SHAREHOLDING STRUCTURE OF THE COMPANY

Assuming there being no other changes in the share capital of the Company from the date of this announcement up to Completion, set out below is the shareholding structure of the Company (i) as at the date of this announcement; (ii) immediately upon Completion (assuming the Share Consolidation has not become effective); and (iii) immediately upon Completion (assuming the Share Consolidation has become effective).

	As at the date of this announcement		Immediately upon Completion (assuming the Share Consolidation has not become effective)		Immediately upon Completion (assuming the Share Consolidation has become effective)	
	Number of Shares	Approx. %	Number of Shares	Approx. %	Number of Shares	Approx. %
Shareholders						
Three Gates Investment Limited (“Three Gates”) (Note 1)	600,000,000	50.00	600,000,000	39.03	120,000,000	39.03
Mr. Leung (Note 2)	50,000,000	4.17	50,000,000	3.25	10,000,000	3.25
Vendor A	8,000,000	0.67	87,302,326 (Note 3)	5.68	17,460,466 (Note 3)	5.68
Vendor B	—	—	84,263,558	5.48	16,852,711	5.48
Vendor C	—	—	84,263,558	5.48	16,852,711	5.48
Vendor D	—	—	89,379,860	5.82	17,875,972	5.82
Other public Shareholders	542,000,000	45.16	542,000,000	35.26	108,400,000	35.26
Total	<u>1,200,000,000</u>	<u>100</u>	<u>1,537,209,302</u>	<u>100</u>	<u>307,441,860</u>	<u>100</u>

Notes:

1. *Three Gates, a company incorporated in the British Virgin Islands, is wholly and beneficially owned by Mr. Wong, who is the executive Director, Chairman, Chief Executive Officer and controlling shareholder of the Company. 400,000,000 Shares held by Three Gates have been charged in favour of Gold-Face Finance Limited (“Gold-Face”) as security for a loan granted in favour of Mr. Wong. Gold-Face is direct wholly-owned by Upbest Credit and Mortgage Limited, which is in turn owned as to 50% by Good Foundation Company Limited (“Good Foundation”) and 50% by Upbest Strategic Company Limited (“Upbest Strategic”). Each of Good Foundation and Upbest Strategic is a direct wholly-owned subsidiary of Upbest Financial Holdings Limited, which is in turn wholly-owned by Upbest Group Limited.*
2. *Mr. Leung is an executive Director.*
3. *As security for the performance of the obligations of Vendor A in respect of the profit guarantee, Vendor A and the Company shall jointly appoint the Escrow Agent to act as the escrow agent and to hold the share certificates in relation to the 79,302,326 Consideration Shares (or 15,860,466 Consideration Shares, in the event that the Share Consolidation has become effective) on and subject to the terms and conditions under the Escrow Letter. For details of the arrangement, please refer to the paragraph headed “Profit guarantee” above in this announcement.*
4. *Certain percentage figures in the above table are subject to rounding adjustments. Accordingly, figures shown as totals may not be an arithmetic aggregation of the figures preceding them.*

INFORMATION ON THE VENDORS

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, (i) as at the date of this announcement, Vendor A is interested in 8,000,000 Existing Shares, representing approximately 0.67% of the entire issued share capital of the Company. Save as disclosed, Vendor A does not hold any other Existing Share or other securities in the Company; (ii) Vendor B is a direct wholly-owned subsidiary of UBA Investments, which is principally engaged in investment in listed and unlisted securities; (iii) Vendor C is a direct wholly-owned subsidiary of DT Capital, which is principally engaged in investment in listed and unlisted securities; and (iv) Vendor D is an investment holding company and is directly wholly-owned by Mr. Leong.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as at the date of this announcement, (i) Mr. Leung, being the executive Director and a Shareholder who is interested in 50,000,000 Existing Shares, representing approximately 4.17% of the entire issued share capital of the Company, is also an executive director of DT Capital (which in turn is interested in 100% equity interests in Vendor C), and is interested in 10,800,000 issued shares, representing approximately 0.85% of the entire issued share capital of UBA Investments (which in turn is interested in 100% equity interests in Vendor B); (ii) Mr. Leong, being an executive director of DT Capital, is also interested in 192,000,000 issued shares, representing approximately 15.10% of the entire issued share capital, of UBA Investments, and is a director of each of the Target Company and LMP; and (iii) Ms. Chan, being a non-executive director and chairman of DT Capital, is also interested in 254,500,000 issued shares, representing approximately 11.16% of the entire issued share capital, of DT Capital, and is a director of each of the Target Company and LMP.

INFORMATION ON THE TARGET GROUP

The Target Company is an investment holding company incorporated in the British Virgin Islands with limited liability. As at the date of this announcement, the Target Company is owned as to 55% by Vendor A, approximately 16.67% by Vendor B, approximately 16.67% by Vendor C and approximately 11.66% by Vendor D, respectively.

LMP is a company incorporated in Hong Kong with limited liability and a direct wholly-owned subsidiary of the Target Company. It is principally engaged in the trading of furnishing and the provision of interior design, fitting out and decoration services.

Financial information of the Target Group

Set out below is the financial information of the Target Group based on the audited consolidated financial statements of the Target Company for the year ended 31 March 2019 and the unaudited consolidated financial statements of Target Company for the year ended 31 March 2020:

	For the year ended 31 March 2020	For the year ended 31 March 2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(audited)
		<i>(Note)</i>
Revenue	29,981	39,894
Loss before taxation	(3,707)	(5,516)
Loss after taxation	(3,707)	(5,517)

Note: Listing expenses of approximately HK\$5,856,000 were incurred by the Target Group for the year ended 31 March 2019 in contemplation for an intended listing on the Stock Exchange. Such listing expenses were of one-off nature and were not incurred in the ordinary course of business of the Target Group. The audited consolidated profit before taxation and profit after taxation, excluding such listing expenses, for the year ended 31 March 2019 were approximately HK\$339,000 and approximately HK\$339,000, respectively.

The total assets, total liabilities and net assets of the Target Group as at 31 May 2020 according to the unaudited consolidated financial statements of the Target Company were approximately HK\$22,582,000, approximately HK\$19,417,000 and approximately HK\$3,165,000, respectively.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is principally engaged in the manufacturing and selling of sewing threads.

As disclosed in the Announcement, the Board considers that the Acquisition allows the Group to tap into the business of the trading of furnishing as well as the provision of interior design, fitting out and decoration services and it is beneficial for the Group to seek suitable investment opportunities from time to time to diversify its existing business portfolio and to broaden the Group's source of income. In addition, the Consideration is satisfied by way of allotment and issue of the Consideration Shares and therefore does not create any cashflow burden on the Group.

In light of the above, the Directors (including the independent non-executive Directors) consider that the terms of the Acquisition (including the Consideration and the Issue Price) are fair and reasonable and the entering into of the Sale and Purchase Agreement is on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

GEM LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratio(s) (as defined under the GEM Listing Rules) in respect of the Acquisition is more than 25% but less than 100%, the Acquisition constitutes a major transaction on the part of the Company, and is subject to the reporting, announcement and Shareholders' approval requirements under Chapter 19 of the GEM Listing Rules.

The Consideration Shares will be allotted and issued pursuant to the Specific Mandate. The EGM will be convened and held for the Shareholders to consider and, if thought fit, approve the grant of the Specific Mandate for the allotment and issue of the Consideration Shares.

GENERAL

The EGM will be convened and held for the Shareholders to consider and, if thought fit, to approve the Sale and Purchase Agreement and the transactions contemplated thereunder (including but not limited to the allotment and issue of the Consideration Shares under the Specific Mandate).

The voting in respect of the Acquisition at the EGM will be conducted by way of poll. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, (i) Vendor A is interested in 8,000,000 Existing Shares, representing approximately 0.67% of the entire issued share capital of the Company; and (ii) Mr. Leung (being an executive Director and a Shareholder who is interested in 50,000,000 Existing Shares, representing approximately 4.17% of the entire issued share capital of the Company) is also an executive director of DT Capital (which in turn is interested in 100% equity interests in Vendor C) and a shareholder who is interested in approximately 0.85% equity interests of UBA Investments (which in turn is interested in 100% equity interests in Vendor B). As such, each of Vendor A and Mr. Leung is considered to have a material interest in the Sale and Purchase Agreement and the transactions contemplated thereunder (including the Acquisition and the issue of the Consideration Shares), and will abstain from voting on the relevant resolutions at the EGM. Save for Vendor A and Mr. Leung, no Shareholder or any of their associates has any material interest in the Sale and Purchase Agreement and the transactions contemplated thereunder (including but not limited to the allotment and issue of the Consideration Shares under the Specific Mandate). As such, no Shareholder will be required to abstain from voting on the relevant resolutions at the EGM.

Save for Mr. Leung, none of the Directors has material interest in the Sale and Purchase Agreement and the transactions contemplated thereunder (including the Acquisition and the issue of the Consideration Shares). As such, Mr. Leung had abstained from voting at the Board meeting for approving the Sale and Purchase Agreement.

A circular containing, among other things, (i) further information on the Sale and Purchase Agreement and the transactions contemplated thereunder; (ii) the financial information of the Group and the Target Group; (iii) unaudited pro forma financial information of the enlarged Group; and (iv) the notice of the EGM, is expected to be despatched to the Shareholders on or before 20 October 2020 as additional time is required for the preparation of the relevant information to be included in the circular.

Completion is subject to the fulfillment of the conditions precedent set out in the Sale and Purchase Agreement and therefore the Acquisition may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

DEFINITIONS

Unless the context otherwise requires, capitalised terms used in this announcement shall have the following meanings:

“Acquisition”	the acquisition of the Sale Shares and the Sale Loans by the Company pursuant to the Sale and Purchase Agreement
“Actual Profit”	has the meaning ascribed thereto in the paragraph headed “Profit guarantee” under the section “The Sale and Purchase Agreement” in this announcement
“Announcement”	the announcement of the Company dated 24 June 2020 in relation to the MOU
“Auditors”	an independent firm of auditors practicing in Hong Kong whose appointment shall be approved by the Company
“associate”	has the meaning ascribed thereto under the GEM Listing Rules
“Board”	the board of Directors
“Business Day”	a day (other than a Saturday, Sunday or public holiday) on which licensed banks in the Hong Kong are generally open for business throughout their normal business hours
“Company”	Shen You Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on GEM (stock code: 8377)
“connected person(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“Completion”	completion of the Acquisition pursuant to the terms and conditions of the Sale and Purchase Agreement
“Completion Date”	the third (3rd) Business Day after the date of fulfillment (or waiver) of the conditions precedent under the Sale and Purchase Agreement or such other date as the parties shall agree in writing
“Consideration”	an amount of HK\$14,500,000, being the purchase price for the Sale Shares and the Sale Loans

“Consideration Shares”	an aggregate of 337,209,302 new Existing Shares (or 67,441,860 new Consolidated Shares, in the event that the Share Consolidation has become effective) to be allotted and issued to the Vendors (and/or their respective nominee(s)), subject to the terms and conditions in relation to the profit guarantee under the Sale and Purchase Agreement (where applicable), at the Issue Price as Consideration
“Consolidated Share(s)”	ordinary share(s) of HK\$0.05 each in the share capital of the Company upon the Share Consolidation becoming effective
“Director(s)”	the director(s) of the Company
“DT Capital”	DT Capital Limited, a company incorporated in the Cayman Islands with limited liability, and the issued shares of which are listed on Main Board of the Stock Exchange (stock code: 356)
“EGM”	the extraordinary general meeting of the Company to be convened and held for the purpose of considering and, if thought fit, approving the Sale and Purchase Agreement and the transactions contemplated thereunder (including but not limited to the allotment and issue of the Consideration Shares under Specific Mandate)
“Escrow Agent”	an escrow agent to be jointly appointed by Vendor A and the Company
“Escrow Letter”	the escrow letter (in the agreed form) to be made between Vendor A, the Company and the Escrow Agent in relation to the holding of 79,302,326 Consideration Shares (or 15,860,466 Consideration Shares, in the event that the Share Consolidation has become effective) pursuant to the terms and conditions of the Sale and Purchase Agreement
“Existing Share(s)”	ordinary share(s) of HK\$0.01 each in the existing share capital of the Company before the Share Consolidation becoming effective
“GEM Listing Committee”	has the meaning ascribed thereto under the GEM Listing Rules
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“Guarantee Certificate”	a certificate to be issued by the Auditors certifying the amount of the audited consolidated profits before tax of the Target Company for the Guaranteed Period

“Guaranteed Period”	has the meaning ascribed thereto in the paragraph headed “Profit guarantee” under the section “The Sale and Purchase Agreement” in this announcement
“Guaranteed Profit”	has the meaning ascribed thereto in the paragraph headed “Profit guarantee” under the section “The Sale and Purchase Agreement” in this announcement
“Guaranteed Profit Compensation”	has the meaning ascribed thereto in the paragraph headed “Profit guarantee” under the section “The Sale and Purchase Agreement” in this announcement
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HKFRS”	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
“Independent Third Party(ies)”	any persons or company(ies) and their respective ultimate beneficial owners, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are not connected persons of the Company and are third parties independent of the Company and its connected persons in accordance with the GEM Listing Rules
“Issue Price”	HK\$0.043 per Consideration Share (or HK\$0.215 per Consideration Share, in the event that the Share Consolidation has become effective)
“LMP”	LMP International Limited, a company incorporated in Hong Kong with limited liability and a directly wholly-owned subsidiary of the Target Company
“MOU”	the memorandum of understanding dated 24 June 2020 and entered into by the Company and Vendor A for the possible acquisition of not less than 55% of the entire issued share capital of the Target Company
“Mr. Leung”	Mr. Leung King Yue, Alex (梁景裕), being (i) the executive Director and a Shareholder interested in 50,000,000 Existing Shares, representing approximately 4.17% of the entire issued share capital of the Company, (ii) an executive director of DT Capital; and (iii) a shareholder interested in approximately 0.85% of the entire issued share capital of UBA Investments as at the date of this announcement

“Mr. Leong”	Mr. Leong Chi Wai (梁治維), being (i) an executive director of DT Capital; (ii) a shareholder interested in approximately 15.10% of the entire issued share capital of UBA Investments; (iii) a director of each of the Target Company and LMP; and (iv) a shareholder interested in the entire issued share capital of Vendor D as at the date of this announcement
“Mr. Wong”	Mr. Wong Kwok Wai, Albert (黃國偉), being the executive Director, chairman and chief executive officer of the Company
“Ms. Chan”	Ms. Chan Pui Kwan (陳佩君), being (i) a non-executive director and chairman of DT Capital; (ii) a shareholder interested in approximately 11.16% of the entire issued share capital of DT Capital; and (iii) a director of each of the Target Company and LMP as at the date of this announcement
“PRC”	the People’s Republic of China which for the purpose of this announcement excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“Sale and Purchase Agreement”	the conditional sale and purchase agreement dated 18 August 2020 entered into between the Company and the Vendors in respect of the Acquisition
“Sale Loans”	collectively, the Sale Loan B, the Sale Loan C and the Sale Loan D, in an aggregate sum of HK\$8,300,000 as at the date hereof
“Sale Loan B”	100% of all obligations, liabilities and debts owing or incurred by the Company to Vendor B on or at any time prior to the Completion whether actual, contingent or deferred and irrespective of whether or not the same is due and payable on Completion, which as at the date hereof, amounted to a total sum of HK\$2,590,000
“Sale Loan C”	100% of all obligations, liabilities and debts owing or incurred by the Company to Vendor C on or at any time prior to the Completion whether actual, contingent or deferred and irrespective of whether or not the same is due and payable on Completion, which as at the date hereof, amounted to a total sum of HK\$2,590,000

“Sale Loan D”	100% of all obligations, liabilities and debts owing or incurred by the Company to Vendor D on or at any time prior to the Completion whether actual, contingent or deferred and irrespective of whether or not the same is due and payable on Completion, which as at the date hereof, amounted to a total sum of HK\$3,120,000
“Sale Shares”	300 issued shares, representing the entire issued share capital, of the Target Company
“Sale Shares A”	165 Shares, representing 55% of the entire issued share capital of the Company, which are legally and beneficially owned by Vendor A, as at the date of this announcement
“Sale Shares B”	50 Shares, representing approximately 16.67% of the entire issued share capital of the Company, which are legally and beneficially owned by Vendor B, as at the date of this announcement
“Sale Shares C”	50 Shares, representing approximately 16.67% of the entire issued share capital of the Company, which are legally and beneficially owned by Vendor C, as at the date of this announcement
“Sale Shares D”	35 Shares, representing approximately 11.66% of the entire issued share capital of the Company, which are legally and beneficially owned by Vendor D, as at the date of this announcement
“Service Agreement”	a service agreement having a term of three years and to be entered into between LMP and Vendor A upon Completion
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share Consolidation”	the proposed consolidation of every five (5) issued and unissued Existing Shares into one (1) Consolidated Share in the share capital of the Company
“Shareholder(s)”	holder(s) of issued Share(s)
“Share(s)”	Existing Share(s) or Consolidated Share(s), as the case may be

“Specific Mandate”	a specific mandate to allot, issue or otherwise deal in additional Shares to be sought from the Shareholders who are entitled to vote and not required to be abstained from voting under the GEM Listing Rules at the EGM to satisfy the allotment and issue of the Consideration Shares upon Completion
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental MOU”	the supplemental memorandum of understanding dated 17 July 2020 and entered into between the Company and Vendor A to amend certain terms of the MOU in view of the Share Consolidation
“Target Company”	Diamond Motto Limited, a company incorporated in the British Virgin Islands with limited liability, which is owned as to 55% by Vendor A, approximately 16.67% by Vendor B, approximately 16.67% by Vendor C and approximately 11.66% by Vendor D
“Target Group”	collectively, the Target Company and LMP
“UBA Investments”	UBA Investments Limited, a company incorporated in the Cayman Islands with limited liability, and the issued shares of which are listed on Main Board of the Stock Exchange (stock code: 768)
“Vendor A”	Mr. Leung Tat Chi (梁達志), being a shareholder holding 165 issued shares, representing 55% of the entire issued share capital, of the Target Company
“Vendor B”	Loyal Grace Investments Limited, being a company incorporated in the British Virgin Islands with limited liability and a shareholder holding 50 issued shares, representing approximately 16.67% of the entire issued share capital, of the Target Company, and a direct wholly-owned subsidiary of UBA Investments
“Vendor C”	Key Summit Enterprises Limited, being a company incorporated in the British Virgin Islands with limited liability and a shareholder holding 50 issued shares of, representing approximately 16.67% equity interest in, the Target Company, and a direct wholly-owned subsidiary of DT Capital

“Vendor D”	Glory Radiance International Limited, being a company incorporated in the British Virgin Islands with limited liability and a shareholder holding 35 issued shares, representing approximately 11.66% of the entire issued share capital, of the Target Company, and is wholly and beneficially owned by Mr. Leong
“Vendors”	collectively, Vendor A, Vendor B, Vendor C and Vendor D
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“%”	per cent.

By order of the Board
SHEN YOU HOLDINGS LIMITED
Wong Kwok Wai, Albert
Chairman, chief executive officer and executive Director

Hong Kong, 18 August 2020

As at the date of this announcement, the Board comprises three executive Directors, namely, Mr. Wong Kwok Wai, Albert, Mr. Chan Yiu Tung, Enoch and Mr. Leung King Yue, Alex and four independent non-executive Directors, namely, Dr. Yeung Ngai Man, John, 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 Company Announcements” page of the GEM website at www.hkgem.com for at least 7 days from the date of its posting and be posted on the website of the Company at www.shenyouholdings.com.