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If you have sold or transferred all your shares in **Shanyu Group Holdings Company Limited** (the “Company”), you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee, or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.



Shanyu Group Holdings Company Limited **善裕集團控股有限公司**

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8245)

PROPOSED REFRESHMENT OF EXISTING GENERAL MANDATE AND NOTICE OF EXTRAORDINARY GENERAL MEETING

Independent Financial Adviser to the Independent Board Committee and
the Independent Shareholder

VINCO  榮高
Vinco Financial Limited

Capitalised terms used in this cover shall have the same meanings as defined in this circular.

A letter from the Board is set out on pages 4 to 14 of this circular. A letter of advice from the Independent Financial Adviser is set out on pages 17 to 31 of this circular.

A notice convening the EGM of the Company to be held at Unit 1103-06, China Building, 29 Queen's Road Central, Hong Kong on Thursday, 28 March 2024 at 11:30 a.m. is set out on pages EGM-1 to EGM-3 of this circular. Whether or not you are able to attend the EGM of the Company in person, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's share registrar in Hong Kong, Boardroom Share Registrars (HK) Limited, Room 2103B, 21/F., 148 Electric Road, North Point, Hong Kong, as soon as possible and in any event not less than 48 hours before the time fixed for the holding of the EGM of the Company (i.e. not later than 11:30 a.m. on Tuesday, 26 March 2024 (Hong Kong time)) or any adjournment thereof. Completion and return of the accompanying form of proxy will not preclude you from attending and voting in person at the EGM of the Company or any adjourned meeting should you so wish. In such event, the instrument appointing a proxy shall be deemed revoked.

12 March 2024

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RESPONSIBILITY STATEMENT

This circular, for which the Directors (as defined therein) collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules (as defined therein) for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular 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 circular misleading.

DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

“2023 AGM”	the annual general meeting of the Company held on 17 August 2023
“Announcement”	the announcement of the Company dated 6 February 2024 in relation to, among others, the proposed refreshment of the Existing General Mandate
“associates”	has the meaning ascribed to this term under the Listing Rules
“Board”	board of Directors
“Company”	Shanyu Group Holdings Company Limited, a company incorporated in Cayman Islands with limited liability, the Shares of which are listed on GEM
“controlling shareholder(s)”	has the meaning ascribe to this term under the Listing Rules
“Director(s)”	director(s) of the Company
“Existing General Mandate”	the general mandate granted to the Directors by the resolution of the Shareholders passed at the 2023 AGM to allot, issue and deal with new Shares not exceeding 20% of the issued share capital as at the date of the 2023 AGM
“EGM”	the general meeting of the Company to be convened and held at Unit 1103–06, China Building, 29 Queen’s Road Central, Hong Kong on Thursday, 28 March 2024 at 11:30 a.m. (or any adjournment thereof) for the purpose of considering and, if thought fit, approving the New General Mandate by the Independent Shareholders, the notice of which is set out on pages EGM-1 to EGM-3 of this circular
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM

DEFINITIONS

“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Independent Board Committee”	an independent board committee of the Company comprising all the independent non-executive Directors to advise the Independent Shareholders on the proposed grant of the New General Mandate
“Independent Financial Adviser” or “Vinco Financial”	Vinco Financial Limited, a corporation licensed to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the proposed refreshment of Existing General Mandate
“Independent Shareholder(s)”	Shareholders other than any controlling Shareholders and their associates or, where there are no controlling Shareholders, any Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates who shall hold Shares as at the date of the EGM
“Latest Practicable Date”	11 March 2024, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“New General Mandate”	the general mandate proposed to be sought at the EGM to authorize the Directors to allot, issue and deal with new Shares not exceeding 20% of the issued share capital of the Company as at the date of passing of the relevant resolutions
“PRC”	the People’s Republic of China

DEFINITIONS

“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
“Share(s)”	the ordinary share(s) in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial Shareholder(s)”	has the meaning ascribed to this term under the Listing Rules
“%”	per cent.



Shanyu Group Holdings Company Limited
善裕集團控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8245)

Executive Directors:

Mr. Yeung Shing Wai

Ms. Wong Ming Kwan Victoria

Ms. Zhu Yuanyan

Independent non-executive Directors:

Mr. Choi Pun Lap

Ms. Ip Sin Nam

Mr. Yu Lap Pan

*Registered office and principal place
of business:*

Second Floor,
200 Hennessey Road
Wanchai,
Hong Kong

12 March 2024

To the Shareholders

Dear Sir or Madam,

PROPOSED REFRESHMENT OF EXISTING GENERAL MANDATE

INTRODUCTION

The purpose of this circular is to provide you with information regarding (i) the grant of the New General Mandate; (ii) the recommendation from the Independent Board Committee to the Independent Shareholders; (iii) the recommendation from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the grant of the New General Mandate; and (iv) a notice of the EGM, at which ordinary resolution(s) will be proposed to the Independent Shareholders to consider and, if thought fit, approve the proposed grant of the New General Mandate by way of poll.

LETTER FROM THE BOARD

EXISTING GENERAL MANDATE

At the 2023 AGM, the Shareholders approved, among other things, the Existing General Mandate which authorized the Directors to allot, issue and deal with not more than 143,627,272 new Shares, being 20% of the issued share capital of the Company of 718,136,364 Shares as at the date of the 2023 AGM.

Reference is made to the announcement of the Company dated 20 September 2023, in relation to the subscription of an aggregate of 143,620,000 new Shares under the Existing General Mandate (the “**Subscription**”). Following completion of the Subscription on 12 October 2023, approximately 99.9% of the Existing General Mandate has been utilized by the Company.

PROPOSED GRANT OF NEW GENERAL MANDATE

As the Existing General Mandate has almost been fully utilized, the Board proposes to convene the EGM at which ordinary resolution(s) will be proposed to the Independent Shareholders that:

- (i) the Directors be granted the New General Mandate to allot and issue Shares not exceeding 20% of the aggregate number of the issued Shares as at the date of passing the relevant resolution(s) at the EGM; and
- (ii) the New General Mandate be extended to Shares repurchased by the Company pursuant to the repurchase mandate granted to the Directors at the 2023 AGM.

The Company has not refreshed the Existing General Mandate since the 2023 AGM. The New General Mandate will last until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting is required by any applicable laws or the Company’s articles of association to be held; and
- (iii) its revocation or variation by ordinary resolution(s) of the Shareholders in general meeting.

As at the Latest Practicable Date, the Company has no convertible securities or Share options or awards in issue.

LETTER FROM THE BOARD

As at the Latest Practicable Date, the Company has 861,756,364 Shares in issue. On the basis that there are no changes in the issued share capital of the Company from the date of this announcement and up to the date of the EGM, the Directors will be authorized to allot and issue up to 172,351,272 new Shares under the New General Mandate, representing 20% of the issued share capital of the Company as at the date of the EGM.

REASONS FOR THE GRANT OF THE NEW GENERAL MANDATE

The Group is principally engaged in designing, trading and manufacturing of two-way radios, baby monitors, other communication devices and servicing business of the above products. On top of expanding the Group's designing, trading and manufacturing business, the management of the Group is vigorously developing other promising business lines, with a view to developing the Group into a diversified enterprise engaged in traditional and modern industries. As the Group has been actively expanding and developing its business, the Company may conduct debt and/or equity fund raising exercise when suitable opportunities arise.

As at the Latest Practicable Date, the Company has issued 143,620,000 Shares under the Existing General Mandate, the details of which are set out in the announcements of the Company dated 20 September 2023 and 12 October 2023. Accordingly, approximately 99.9% of the Existing General Mandate has been utilised.

Greater flexibility as compared with issuing shares under specific mandate

In the context of the dynamic business environment, time is of the essence in terms of securing suitable investment and fundraising opportunities. Therefore, issuing Shares under specific mandate may not be the most suitable fundraising method for the purpose of capturing investment opportunities in a timely manner due to the lengthy formalities associated with holding a general meeting to obtain the Shareholders' approval after the terms of the potential investment opportunities and proposed new Shares issuance are finalized. On the other hand, the grant of the New General Mandate would avoid the uncertainties of not obtaining a specific mandate in a timely fashion and is a more expeditious solution for the Company to respond quickly to market conditions and fundraising opportunities. In addition, whenever an attractive offer for investment in the Shares is received by the Company from potential investors before the next annual general meeting, the Directors will be able to react promptly to such fund-raising opportunities by considering the issue of new Shares under the New General Mandate.

In light of the above, the Directors consider that the refreshment of the Existing General Mandate offers the Company with greater financing flexibility to cope with the funding needs of the Company and enables the Company to respond swiftly to market conditions and investment opportunities should such arise before the next annual general meeting by providing a more

LETTER FROM THE BOARD

efficient process of fund raising and avoiding the uncertainties of not obtaining a specific mandate in a timely fashion. Taking into account the above, the Directors are of the view that the grant of the New General Mandate is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

Other financing alternatives

The Board will also consider other financing alternatives apart from equity or equity-related financing by utilizing the New General Mandate, such as bond offering, debt financing, rights issue, open offer or internal cash resources to meet the financial requirements of the Group, if appropriate, taking into consideration of the then financial position, capital structure and cost of funding of the Group as well as the prevailing market condition.

Debt financing

The Board considers equity or equity-related financing to be an important avenue of funding resource to the Group since it can reduce the reliance on debt financing, which will increase the debt gearing ratio of and create additional interest paying obligations, especially with the recent global interest rate hikes, on the Group. In addition, borrowing from financial institutions may be subject to lengthy due diligence and negotiations and less favourable terms as compared with equity-related financing. The terms of the financing facilities available to the Group may depend on the financial institutions' assessment and may require the Company to put up collateral and other securities for such financing facilities. Likewise, bond offering has similar concerns. Under current interest rate hikes, the investors may demand a higher yield from the Company to compensate for the increased cost of borrowing, which can make it more challenging for the Company to secure funding through bond offering.

As at the Latest Practicable Date, a subsidiary of the Company, namely World Smart Company Limited, had three bank loans amounted to approximately HK\$900,000 in aggregate and expected to fully repaid in 2025, 2026 and 2029. In addition, the Company also had borrowing amounted to approximately HK\$5.6 million. On 16 July 2019, the Company entered into assignment of debt agreement to borrow HK\$5.6 million with the lender to factor trade receivable with the gross carrying amount of approximately HK\$7.8 million to lender with recourse. Subsequent to entered into assignment of debt agreement, the secured other borrowings were interest-free and will be settled upon settlement of factored trade receivable with the amounts of HK\$7.3 million. Save as disclosed above, the Group has no other borrowings. Therefore, the directors of the Group agree that the Group has not significantly relied on debt financing.

LETTER FROM THE BOARD

With reference to the latest published financial statement as at 30 September 2023, the gearing ratio of the Group was approximately negative 293.2%. The gearing ratio is calculated based on the sum of borrowings, amounts due to related parties and lease liabilities divided by the total deficit equity of the company at the end of the reporting period.

Pre-emptive issues

In respect of other pre-emptive issues such as rights issue and open offer, despite the fact that it allows existing Shareholders to subscribe for their entitlements and maintain their respective shareholding interests in the Company, it may impose financial burden on the existing Shareholders in uncertain market conditions and the ultimate fund-raising size could not be assured by the Company if conducted on a non-underwritten basis. Even if the Company is successful in procuring an underwriter, the underwriting commission will be an additional burden on the Group and may not be beneficial to the Company and the Shareholders as a whole. Furthermore, rights issue and open offer generally require preparation of legal documentation and fulfilment of additional administrative procedures, which are more time consuming and less cost effective. The Company may not be able to grasp potential business opportunities in a timely manner.

Taking into account the above, it is more preferable for the Company to issue Share under New General Mandate if the funding size is relatively small to save undue administrative cost and time, which is fair and reasonable and in turn in the interests of the Company and the Shareholder as a whole.

Prospect of the Company under post-pandemic environment in the PRC

During the COVID-19 pandemic, the Company has been actively exploring opportunities to diversify its revenue stream and, by riding on its expertise in manufacturing of two-way radio products and plastic products, to expand its business scope. The management is in a view that the reason for the decline in demand for the Company's existing two-way radio is the lack of technological elements. Therefore, the management aims to enhance the Company's existing products comprehensively by integrating the latest technologies into the Company's existing products. The management believes that the integration will help to increase the competitive advantage of our existing products and lead to enhance the sales of the Group in the coming years. In addition to improving the Company's existing products, the management is also working to develop new products to generate new revenue streams for the Company. The Group intends to increase its investment in research and development of product enhancement for the Group's existing products as well as new product lines and seek for new customers and sales channels.

LETTER FROM THE BOARD

As at the Latest Practicable Date, the Company has not yet formulated any concrete plan or agreement with any party to issue Shares by utilizing the New General Mandate. As at 31 January 2024, the Company had a bank balance and cash and bank deposits amounted to approximately HK\$3.0 million. However, given that the Company requires approximately HK\$300,000 to settle the operating expenses each month and the obligations to settle the outstanding other payables balances payable to independent third parties amounted to approximately HK\$450,000 in a timely manner. The outstanding other payables balances included operating expenses of approximately HK\$300,000 and legal and professional expenses of HK\$150,000. The operating expenses are the financial printing services provided by the Company's financial printer between August 2022 and March 2023. The legal and professional service are the consultation services provided to the Company in relation to a potential acquisition in 2019 which never took place. The above said balances have been long outstanding and were extended by the courtesy of the vendors. The Company foresees that there will be a need to utilize the New General Mandate for fundraising purpose by the Company before the annual general meeting to be held in August 2024. By having the New General Mandate, the Company will be actively looking for suitable fundraising activities including but not limited to placing and/or subscription of new Shares and/or convertible securities of the Company to improve the financial position of the Company.

Taking into account the above, the Directors are of the view that the grant of the New General Mandate provides the Company a flexible tool of financing, which is fair and reasonable and is in the interests of the Company and the Shareholders as a whole. As at the Latest Practicable Date, the Company has no concrete plan or has not entered into any agreement, arrangement, understanding or undertaking in respect of any proposed issue of new Shares under the New General Mandate. In case any plans being crystallized, the Company would fulfil the funding needs after balancing its overall capital structure through utilizing its internal resource and/or using suitable financing method. The Company will exercise due and careful consideration when choosing the financing method available.

LETTER FROM THE BOARD

FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

Save for equity fund raising activities mentioned below, the Company has not carried out any other equity fund raising activities in the past twelve-month period immediately preceding the date of the Announcement and up to the Latest Practicable Date:

Date of announcement	Fund raising activities	Net proceeds raised ^{note} (approx.)	Intended use of proceeds	Actual use of the net proceeds as at 31 January 2024	Balance as at 31 January 2024
20 September 2023	Latest Subscription of new Shares under general mandate	HK\$8.63 million	Strengthening of the Company's financial position	Approximately HK\$2.0 million was used for the repayment of other borrowings ^(Note 1) ; approximately HK\$ 0.7 million was used for the acquisition of machines ^(Note 2) ; and approximately HK\$2.9 million was used as general working capital of the Group.	Approximately HK\$3.0 million

Note 1: The other borrowings are a loan facility amounted to HK\$2.0 million provided by an independent third party repayable on demand in April 2022. The amount was used as general working capital of the Group.

Note 2: On 31 October 2023, a subsidiary of the Company, namely World Smart Company Limited, entered into a sales and purchase agreement to acquire two units of marine engines for trading purposes and a deposit amounted to approximately HK\$0.7 million was paid as deposit. Please refer to the Company's announcement dated 1 November 2023 for details.

Note 3: The remaining net proceeds raised will be used to strengthen the Company's financial position as intended and to provide general working capital for the Group.

LETTER FROM THE BOARD

POTENTIAL DILUTION OF SHAREHOLDING OF THE SHAREHOLDERS

The table below sets out the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) upon full utilization of the New General Mandate (assuming no other Shares are issued or repurchased by the Company from the Latest Practicable Date up to and including the date when the New General Mandate is utilized in full), for illustrative and reference purpose:

	As at the Latest Practicable Date		Upon full utilisation of the New General Mandate (assuming there is no other change in the shareholding structure of the Company from the Latest Practicable Date)	
	Number of Shares	Approximate %	Number of Shares	Approximate %
Directors and substantial Shareholders				
Wong Ming Kwan Victoria (“ Ms. Wong ”) <i>(Notes 1, 4 & 5)</i>	113,636,364	13.2	113,636,364	11.0
Zhu Yuanyan (“ Ms. Zhu ”) <i>(Notes 4 & 5)</i>	70,350,000	8.2	70,350,000	6.8
Chung Wai Sum (“ Mr. Chung ”) <i>(Notes 2)</i>	112,589,600	13.1	112,589,600	10.9
Kor Sing Mung Michael (“ Mr. Kor ”) <i>(Notes 3)</i>	90,997,600	10.5	90,997,600	8.8
Other Public Shareholders	474,182,800	55.0	474,182,800	45.8
Maximum number of new Shares that can be issued under the New General Mandate	–	–	172,351,272	16.7
Total	861,756,364	100.00	1,034,107,636	100.00

Notes:

- Such Shares were registered in the name of DD Innovation Limited (“**DD Innovation**”), a company wholly owned by Ms. Wong. By virtue of the provisions of Part XV of the SFO, Ms. Wong is deemed to be interested in the 96,590,909 Shares of the Company held by DD Innovation. Ms. Wong is a director of DD Innovation. In addition, Ms. Wong directly holds 17,045,455 shares of the Company.
- Such Shares were registered in the name of Solution Smart Holdings Limited (“**Solution Smart**”), a company wholly owned by Mr. Chung. By virtue of the provisions of Part XV of the SFO, Mr. Chung is deemed to be interested in all the Shares held by Solution Smart. Mr. Chung is a director of Solution Smart.
- Such Shares were registered in the name of SMK Investment Company Limited (“**SMK Investment**”), a company wholly owned by Mr. Kor. By virtue of the provisions of Part XV of the SFO, Mr. Kor is deemed to be interested in all the Shares held by SMK Investment. Mr. Kor is a director of SMK Investment.
- Being executive Directors.
- Being substantial Shareholders.

LETTER FROM THE BOARD

Assuming that (i) the grant of the New General Mandate is approved at the EGM; and (ii) no Shares will be issued and/or repurchased and cancelled from the Latest Practicable Date up to the date of the EGM (both dates inclusive), upon full utilization of the New General Mandate, 172,351,272 Shares can be issued, which represents 20% and approximately 16.7% of the aggregate number of the issued Shares as at the Latest Practicable Date and the aggregate number of the enlarged issued Shares respectively. The aggregate shareholding of the existing public Shareholders will be diluted from approximately 55.0% as at the Latest Practicable Date to approximately 45.8% upon full utilization of the New General Mandate, representing a potential maximum dilution in public shareholding by approximately 16.7%. The size of such dilution is comparable to and not greater than that arising from the grant of the Existing General Mandate approved at the 2023 AGM (in which the public Shareholders at the prevailing time were subject to a dilution from 58.2% to 48.5% upon full utilization of the Existing General Mandate).

THE EGM

A notice convening the EGM to be held at Unit 1103-06, China Building, 29 Queen's Road Central, Hong Kong on Thursday, 28 March 2024 at 11:30 a.m. is set out on pages EGM-1 to EGM-3 of this circular for the purpose of considering and, if thought fit, passing the resolution(s) to approve the grant of the New General Mandate.

Pursuant to Rule 17.42A of the GEM Listing Rules, the grant of the New General Mandate will be subject to the Independent Shareholders' approval by way of ordinary resolution(s) at the EGM. Any controlling shareholders and their respective associates, or where there is no controlling shareholder, the Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the relevant resolutions to approve the grant of the New General Mandate.

As at the date of the Latest Practicable Date, to the best knowledge, belief and information of the Directors having made all reasonable enquiries, the Company has no controlling Shareholder. Accordingly, Ms. Wong Ming Kwan Victoria and Ms. Zhu Yuanyan, being executive Directors with interests in the Shares as at the Latest Practicable Date, together with their associates, are required to abstain from voting in favour of the ordinary resolution(s) regarding the grant of the New General Mandate at the EGM. In accordance with Rule 17.42A of the GEM Listing Rules, all votes of the Independent Shareholders at the EGM shall be taken by poll.

LETTER FROM THE BOARD

A form of proxy for use at the EGM is enclosed. If you are unable to attend the EGM in person, you are requested to complete and return the form of proxy to Boardroom Share Registrars (HK) Limited, Room 2103B, 21/F., 148 Electric Road, North Point, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM (i.e. not later than 11:30 a.m. on Tuesday, 26 March 2024 (Hong Kong time)) or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting at the EGM or any adjourned meeting thereof (as the case may be) should you so wish.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Choi Pun Lap, Ms. Ip Sin Nam and Mr. Yu Lap Pan, has been established to advise the Independent Shareholders on the grant of the New General Mandate.

Vinco Financial Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the grant of the New General Mandate.

RECOMMENDATION

Based on the above, the Directors (including members of the Independent Board Committee whose views are set out in the letter from the Independent Board Committee in this circular after taking into account the advice of the Independent Financial Adviser) consider that the grant of the New General Mandate is fair and reasonable and is in the best interests of the Company and the Shareholders as a whole, and recommend the Independent Shareholders to vote in favour of the relevant resolution(s) to be proposed at the EGM as set out in the notice of EGM attached to this circular.

Your attention is drawn to the letter of advice from the Independent Financial Adviser set out in pages 17 to 31 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in connection with the grant of the New General Mandate and the letter from the Independent Board Committee set out in pages 15 to 16 of this circular which contains its recommendation to the Independent Shareholders in relation to the grant of the New General Mandate.

LETTER FROM THE BOARD

ADDITIONAL INFORMATION

Your attention is drawn to the letter from the Independent Board Committee and the Letter from Vinco Financial to this circular.

* *For identification purposes only*

Yours faithfully,
By Order of the Board
Shanyu Group Holdings Company Limited
Wong Ming Kwan Victoria
Executive Director



Shanyu Group Holdings Company Limited
善裕集團控股有限公司

(incorporated in the Cayman Islands with limited liability)
(Stock Code: 8245)

12 March 2024

To the Independent Shareholders

Dear Sir or Madam,

PROPOSED REFRESHMENT OF EXISTING GENERAL MANDATE

We refer to the circular of the Company to the Shareholders dated 12 March 2024 (the “**Circular**”), in which this letter forms part. Unless the context requires otherwise, capitalised terms used in this letter will have the same meanings as defined in the Circular.

The Independent Board Committee has been established to advise the Independent Shareholders on whether the proposed grant of the New General Mandate is fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

We wish to draw your attention to the letter from the Board as set out on pages 4 to 14 of the Circular and the letter of advice from Vinco Financial, the Independent Financial Adviser, appointed to advise the Independent Board Committee and the Independent Shareholders, as set out on pages 17 to 31 of this circular in relation to the proposed grant of the New General Mandate.

Having taken into consideration the factors and reasons as stated in the letter from the Board, and the opinion as stated in the letter of advice from the Independent Financial Adviser, we consider that the proposed grant of the New General Mandate is fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

as a whole, and accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution(s) to be proposed at the EGM to approve the proposed grant of the New General Mandate.

Yours faithfully,

For and on behalf of the
Independent Board Committee

Choi Pun Lap

Ip Sin Nam

Yu Lap Pan

Independent Non-executive Directors

LETTER FROM VINCO FINANCIAL

The following is the text of a letter of advice from Vinco Financial to the Independent Board Committee and the Independent Shareholders in connection with the proposed refreshment of the Existing General Mandate, which has been prepared for the purpose of incorporation in this circular:



12 March 2024

To the Independent Board Committee and the Independent Shareholders of
Shanyu Group Holdings Company Limited

Dear Sirs,

PROPOSED REFRESHMENT OF EXISTING GENERAL MANDATE

A. INTRODUCTION

We refer to our engagement as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the proposed refreshment of the Existing General Mandate, details of which are set out in the “Letter from the Board” of the circular (the “**Circular**”) issued by the Company to the Shareholders dated 12 March 2024 of which this letter forms part. Capitalised terms used in this letter shall have the same meanings ascribed to them in the Circular unless the context otherwise requires.

At the 2023 AGM, the Shareholders approved, among other things, the Existing General Mandate which authorised the Directors to allot, issue and deal with not more than 143,627,272 new Shares, being 20% of the issued share capital of the Company of 718,136,364 Shares as at the date of the 2023 AGM.

GEM Listing Rules implication

Pursuant to Rule 17.42A of the GEM Listing Rules, the proposed refreshment of the Existing General Mandate will be subject to the Independent Shareholders’ approval by way of an ordinary resolution at the EGM. Any controlling shareholders and their respective associates, or where there

LETTER FROM VINCO FINANCIAL

is no controlling shareholder, the Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the relevant resolutions to approve the proposed refreshment of the Existing General Mandate.

As at the Latest Practicable Date, to the best knowledge, belief and information of the Directors having made all reasonable enquiries, the Company has no controlling Shareholder. Accordingly, Ms. Wong Ming Kwan Victoria and Ms. Zhu Yuanyan, being executive Directors with interests in the Shares, together with their associates, are required to abstain from voting in favour of the ordinary resolution regarding the proposed refreshment of the Existing General Mandate at the EGM.

Independent Board Committee

The Independent Board Committee comprising Mr. Choi Pun Lap, Ms. Ip Sin Nam and Mr. Yu Lap Pan, all being the independent non-executive Directors, has been formed to advise the Independent Shareholders as to the fairness and reasonableness of the proposed refreshment of the Existing General Mandate and the transactions contemplated thereunder. We have been appointed and approved by the Board, as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the proposed refreshment of the Existing General Mandate. In our capacity as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders for the purposes of the GEM Listing Rules, our role is to give you an independent opinion as to whether the proposed refreshment of the Existing General Mandate is in the ordinary and usual course of business of the Group on normal commercial terms, and in the interests of the Company and Independent Shareholders as a whole and whether the proposed refreshment of the Existing General Mandate is fair and reasonable so far as the Independent Shareholders are concerned.

Our independence

As at the Latest Practicable Date, we were not connected with the Directors, chief executive and substantial shareholders of the Company or any of their respective subsidiaries or their respective associates and, as at the Latest Practicable Date, did not have any shareholding, directly or indirectly, in any member of the Group or any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group. We were not aware of any relationships or interests between us and the Company or any other parties that could be reasonably be regarded as hindrance to our independence as defined under Rule 17.96 of the GEM Listing Rules to act as the Independence Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the proposed refreshment of the Existing General Mandate. We are eligible to give independent advice and recommendations on the

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proposed refreshment of the Existing General Mandate. Apart from the normal professional fees payable to us in connection with the present appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, no arrangement exists whereby we will receive any fees from the Company, its subsidiaries, its associates or their respective substantial shareholders or associates.

During the past two years, there was no engagement between the Group and us. Also, we are not aware of the existence of or change in any circumstances that would affect our independence. Accordingly, we consider that we are eligible to give independent advice on the proposed refreshment of the Existing General Mandate.

B. BASIS OF OUR OPINION AND RECOMMENDATION

In forming our opinion and recommendation, we have relied on the information, facts and representations contained or referred to in the Circular and the information, facts and representations provided by, and the opinions expressed by the Directors, management of the Company and its subsidiaries. We have no reason to believe that any information and representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material facts, the omission of which would render the information provided and the representations made to us untrue, inaccurate or misleading.

We have assumed that all information, facts, opinions and representations made or referred to in the Circular were true, accurate and complete at the time they were made and continued to be true, accurate and complete as at the date of the circular and that all expectations and intentions of the Directors, management of the Company and its subsidiaries, will be met or carried out as the case may be. We have no reason to doubt the truth, accuracy and completeness of the information, facts, opinions and representations provided to us by the Directors, management of the Company and its subsidiaries. The Directors have confirmed to us that no material facts have been omitted from the information supplied and opinions expressed. We have no reason to doubt that any relevant material facts have been withheld or omitted from the information provided and referred to in the Circular or the reasonableness of the opinions and representations provided to us by the Directors, management of the Company and its subsidiaries.

We also sought and received confirmation from the Directors that no material facts have been omitted from the information supplied and opinions expressed. We have relied on such information and opinions and have not, however, conducted any independent verification of the information provided, nor have we carried out any independent investigation into the business, financial conditions and affairs of the Group or its future prospect.

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The Directors collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading.

We consider that we have reviewed all currently available information and documents particularly, (i) the annual report of the Company for the year ended 31 March 2023 (the “**Annual Report 2023**”); (ii) the interim report of the Company for the six months ended 30 September 2023 (the “**Interim Report 2023**”); (iii) the announcement of the Company dated 17 August 2023, in relation to the poll results of the 2023 AGM; (iv) the announcements of the Company dated 20 September 2023 and 12 October 2023, in relation to the subscription of an aggregate of 143,620,000 new Shares under the Existing General Mandate; and (v) the Announcement. Based on the foregoing, we confirm that we have taken all reasonable steps, which are applicable to the proposed refreshment of the Existing General Mandate, as referred to in Rule 17.92 of GEM Listing Rules (including the notes thereto).

This letter is issued for the information of the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the proposed refreshment of the Existing General Mandate and, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

C. PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion regarding the proposed refreshment of the Existing General Mandate, we have considered the following principal factors and reasons:

1. Background information of the Group

The Group is principally engaged in designing, trading and manufacturing of two-way radios, baby monitors, other communication devices and servicing business of the above products. Set out below in the Table A is a summary of the consolidated financial information of the Group for (i) the year ended 31 March 2022 (“**FY2022**”) and the year ended 31 March 2023 (“**FY2023**”) as extracted from the Annual Report 2023; and (ii) the six months ended 30 September 2022 (“**2022H1**”) and six months ended 30 September 2023 (“**2023H1**”) as extracted from the Interim Report 2023:

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“Table A”

	2023H1 <i>HK\$'000</i> (unaudited)	2022H1 <i>HK\$'000</i> (unaudited)	FY2023 <i>HK\$'000</i> (audited)	FY2022 <i>HK\$'000</i> (audited)
Revenue	16,235	58,617	66,397	126,181
– <i>Two-way radios</i>	9,142	26,773	60,170	92,930
– <i>Baby monitors</i>	5,891	106	47	1,031
– <i>Plastic products</i>	977	–	2,845	–
– <i>Other products/communication devices</i>	225	31,738	3,335	32,220
Profit/(loss) for the year/period	3,721	2,854	(26,448)	(60,447)

	As at 30 September 2023 <i>HK\$'000</i> (unaudited)	As at 31 March 2023 <i>HK\$'000</i> (audited)	2022 <i>HK\$'000</i> (audited)
Total assets	40,611	39,297	56,281
Total liabilities	44,599	45,000	84,332
Net liabilities	(3,988)	(5,703)	(28,051)
Bank balances and cash	5,048	8,429	7,949

FY2023 vs FY2022

With reference to the Annual Report 2023, the revenue of the Group decreased by approximately 47.4% from approximately HK\$126.2 million in FY2022 to approximately HK\$66.4 million in FY2023. Such decrease was mainly due to decrease of number of purchase orders from customers for two-way radios in FY2023. The Group’s revenue of two-way radios decreased by approximately 35.3% from approximately HK\$92.9 million in FY2022 to approximately HK\$60.2 million in FY2023.

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The Group recorded loss for the year of approximately HK\$26.4 million in FY2023, as compared to loss for the year of approximately HK\$60.4 million in FY2022. The decrease in the loss was mainly contributed by the successful implementation of the Group's restructuring scheme which has lowered the cost of sales and administrative expenses and the reversal of impairment losses under expected credit loss recognised in FY2023.

The Group's total assets and total liabilities as at 31 March 2023 were approximately HK\$39.3 million and HK\$45.0 million respectively. The Group's net liabilities were approximately HK\$5.7 million as at 31 March 2023, as compared to that of approximately HK\$28.1 million as at 31 March 2022 mainly due to the increase in goodwill. As disclosed in the Annual Report 2023, a goodwill after impairment amounting to approximately HK\$15.9 million arose from the 100% acquisition of World Smarts Co. Limited as at 31 March 2023.

The gearing ratio as at 31 March 2023, which is calculated based on the sum of borrowings, amount due to related parties and lease liabilities divided by the equity attributable to owners of the company, represented a negative value of approximately 231.9% while as at 31 March 2022, it represented a negative value of approximately 37.9%. We understand that, as at 31 March 2023, the total liabilities (excluding the trade and other payables) have increased, which was mainly due to new borrowings of approximately HK\$3.1 million, while the net liabilities have improved, as compared to those as at 31 March 2022.

2023H1 vs 2022H1

With reference to the Interim Report 2023, the revenue of the Group decreased by approximately 72.3% from approximately HK\$58.6 million in 2022H1 to approximately HK\$16.2 million in 2023H1. Such decrease was mainly due to decrease in number of purchase orders from customers. We note that revenue from two products dropped significantly: (i) the Group's revenue of two-way radios decreased by approximately 65.9% from approximately HK\$26.8 million in 2022H1 to approximately HK\$9.1 million in 2023H1; and (ii) the Group's revenue of other products decreased by approximately 99.3% from approximately HK\$31.7 million in 2022H1 to approximately HK\$0.2 million in 2023H1.

The Group recorded profit for the period of approximately HK\$3.7 million in 2023H1, representing an increase of approximately 30.4% as compared to profit for the period of approximately HK\$2.9 million in 2022H1. Such increase was mainly attributable to (i) the decrease in Group's administrative expenses from approximately HK\$7.4 million in 2022H1 to approximately HK\$3.5 million in 2023H1; and (ii) the increase in other income from approximately HK\$1.2 million in 2022H1 to approximately HK\$4.4 million in 2023H1, despite the decrease of the Group's revenue in 2023H1.

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The Group's total assets and total liabilities as at 30 September 2023 were approximately HK\$40.6 million and HK\$44.6 million respectively. The Group's net liabilities decreased to approximately HK\$4.0 million as at 31 September 2023, as compared to that of approximately HK\$5.7 million as at 31 March 2023 mainly due to increase in profit for the period in 2023H1.

The gearing ratio as at 30 September 2023, which is calculated based on the sum of borrowings, amount due to related parties and lease liabilities divided by the equity attributable to owners of the company, represented a negative value of approximately 293.2% while it represented a negative value of approximately 231.9% as at 31 March 2023. We understand that, as at 30 September 2023, the total liabilities (excluding the trade and other payables) have decreased, which was mainly due to net repayment of amount due to related parties of approximately HK\$1.2 million, while the net liabilities have improved, as compared to those as at 31 March 2023. We understand that the current liabilities, composed of borrowings, amounts due to related parties and lease liabilities, amounted to approximately HK\$11.7 million as at 30 September 2023. We also note that the bank balances and cash of approximately HK\$5.0 million might not be enough for covering the repayment of the borrowings and amounts due to related parties if they are recalled on demand. As such, we considered the gearing ratio to be high.

2. Proposed refreshment of the Existing General Mandate

2.1 Utilisation of the Existing General Mandate

At the 2023 AGM, the Shareholders approved, among other things, the Existing General Mandate which authorised the Directors to allot, issue and deal with not more than 143,627,272 new Shares, being 20% of the issued share capital of the Company of 718,136,364 Shares as at the date of the 2023 AGM.

Reference is made to the announcement of the Company dated 20 September 2023, in relation to the subscription of an aggregate of 143,620,000 new Shares under the Existing General Mandate (the "**Subscription**"). Following completion of the Subscription on 12 October 2023, approximately 99.9% of the Existing General Mandate has been utilised by the Company.

As the Existing General Mandate has almost been fully utilised, the Board proposes to convene the EGM at which an ordinary resolution will be proposed to the Independent Shareholders that:

- (i) the Directors be granted the New General Mandate to allot and issue Shares not exceeding 20% of the aggregate number of the issued Shares as at the date of passing the relevant resolution at the EGM; and

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- (ii) the New General Mandate be extended to Shares repurchased by the Company pursuant to the repurchase mandate granted to the Directors at the 2023 AGM.

The Company has not refreshed the Existing General Mandate since the 2023 AGM. The New General Mandate will last until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting is required by any applicable laws or the Company's articles of association to be held; and
- (iii) its revocation or variation by ordinary resolution(s) of the Shareholders in general meeting.

As at the Latest Practicable Date, the Company has no convertible securities or Share options or awards in issue.

2.2 Reasons for and benefits of the proposed refreshment of the Existing General Mandate

As disclosed in the Letter from the Board, the Group is principally engaged in designing, trading and manufacturing of two-way radios, baby monitors, other communication devices and servicing business of the above products. On top of expanding the Group's designing, trading and manufacturing business, the management of the Group is vigorously developing other promising business lines, with a view to developing the Group into a diversified enterprise engaged in traditional and modern industries. As the Group has been actively expanding and developing its business, the Company may conduct debt and/or equity fund raising exercise when suitable opportunities arise.

As at the Latest Practicable Date, the Company has issued 143,620,000 Shares under the Existing General Mandate, the details of which are set out in the announcements of the Company dated 20 September 2023 and 12 October 2023. Accordingly, approximately 99.9% of the Existing General Mandate has been utilised.

Greater flexibility as compared to issuance of Shares under specific mandate

In the context of the dynamic business environment, time is of the essence in terms of securing suitable investment and fundraising opportunities. Therefore, issuing Shares under specific mandate may not be the most suitable fundraising method for the purpose of capturing investment opportunities in a timely manner due to the lengthy formalities associated with holding a general meeting to obtain the Shareholders' approval after the terms of the potential investment

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opportunities and proposed new Shares issuance are finalised. On the other hand, the grant of the New General Mandate would avoid the uncertainties of not obtaining a specific mandate in a timely fashion and is a more expeditious solution for the Company to respond quickly to market conditions and fundraising opportunities. In addition, whenever an attractive offer for investment in the Shares is received by the Company from potential investors before the next annual general meeting, the Directors will be able to react promptly to such fund raising opportunities by considering the issue of new Shares under the New General Mandate.

In light of the above, the Directors consider that the refreshment of the Existing General Mandate offers the Company with greater financing flexibility to cope with the funding needs of the Company and enables the Company to respond swiftly to market conditions and investment opportunities should such arise before the next annual general meeting by providing a more efficient process of fund raising and avoiding the uncertainties of not obtaining a specific mandate in a timely fashion. Taking into account the above, the Directors are of the view that the grant of the New General Mandate is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

2.3 Review of the Group's cash resources

As discussed in the section headed "Background information of the Group" above, the Group's revenue decreased by approximately 47.4% in FY2023 as compared to that in FY2022 and 72.3% in 2023H1 as compared to that in 2022H1. We note that the bank balances and cash was approximately HK\$5.0 million as at 30 September 2023. On 12 October 2023, 143,620,000 new Shares were issued and the Group has received additional funds of approximately HK\$8.6 million. We have reviewed the management accounts as at 31 January 2024 and noted that the bank balances and cash and bank deposits amounted to approximately HK\$3.0 million. As discussed with the management of the Company, the Group needs approximately HK\$300,000 to settle the operating expenses each month and the obligations to settle the outstanding other payables balances payable to independent third parties amounted to approximately HK\$450,000 in timely manner. The outstanding other payables balances included operating expenses of approximately HK\$300,000 and legal and professional expenses of HK\$150,000. The operating expenses are the financial printing services provided by the Company's financial printer between August 2022 and March 2023. The legal and professional service are the consultation services provided to the Company in relation to a potential acquisition in 2019 which never took place. The above said balances have been long outstanding and were extended by the courtesy of the vendors. The Company foresees that there will be a need to utilise the New General Mandate for fundraising purpose by the Company before the annual general meeting to be held in August 2024.

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2.4 Review of the Group's needs for additional funding

The Group intends to improve the existing products to increase the competitiveness by investing to research and development. As discussed with the management of the Company, the management is in a view that the reason for the decline in demand for the Company's existing two-way radio is the lack of technological elements. Therefore, the management aims to enhance the Company's existing products comprehensively by integrating the latest technologies into the Company's existing products. The management believes that the integration will help to increase the competitive advantage of our existing products and lead to enhance the sales of the Group in the coming years. In addition to improving the Company's existing products, the management is also working to develop new products to generate new revenue streams for the Company. The Group intends to increase its investment in research and development of product enhancement for the Group's existing products as well as new product lines and seek for new customers and sales channels. The Group had sufficient capital to meet its short-term needs from its existing businesses, but had limited cash resources to meet the long-term needs from the existing businesses, new potential research and development projects and new business development. As part of our due diligence, we have reviewed (i) a list of existing products of the Group; and (ii) relevant information of new products of latest technologies as the management of the Group participated in an exhibition before.

As at the Latest Practicable Date, the Company has not yet formulated any concrete plan or agreement with any party to issue Shares by utilising the New General Mandate.

2.5 Review of other financing alternatives

As advised by the management of the Company, the Board will also consider other financing alternatives apart from equity or equity-related financing by utilising the New General Mandate, such as bond offering, debt financing, rights issue, open offer or internal cash resources to meet the financial requirements of the Group, if appropriate, taking into consideration of the then financial position, capital structure and cost of funding of the Group as well as the prevailing market condition.

Debt financing

The Board considers equity or equity-related financing to be an important avenue of funding resource to the Group since it can reduce the reliance on debt financing, which will increase the debt gearing ratio of and create additional interest paying obligations, especially with the recent global interest rate hikes, on the Group. In addition, borrowing from financial institutions may be subject to lengthy due diligence and negotiations and less favourable terms as compared with equity-related financing. The terms of the financing facilities available to the Group may depend

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on the financial institutions' assessment and may require the Company to put up collateral and other securities for such financing facilities. Likewise, bond offering has similar concerns. Under current interest rate hikes, the investors may demand a higher yield from the Company to compensate for the increased cost of borrowing, which can make it more challenging for the Company to secure funding through bond offering.

As discussed with the management of the Group, sole reliance on debt financing is not considered to be preferable given that (i) the Group does not currently have enough assets to be pledged for additional borrowings; (ii) debt financing may be required to undergo a due diligence and negotiation process, and additional financial covenant requirements may be imposed by financial institutions on the Group, which would limit the Group's funding and operational flexibility; (iii) the current level of borrowings and gearing ratio as mentioned above in the "Background information of the Group"; and (iv) the fact that debt financing will increase interest burdens to the Group.

Pre-emptive issues

In respect of other pre-emptive issues such as rights issue and open offer, despite the fact that it allows existing Shareholders to subscribe for their entitlements and maintain their respective shareholding interests in the Company, it may impose financial burden on the existing Shareholders in uncertain market conditions and the ultimate fund-raising size could not be assured by the Company if conducted on a non-underwritten basis. Even if the Company is successful in procuring an underwriter, the underwriting commission will be an additional burden on the Group and may not be beneficial to the Company and the Shareholders as a whole. Furthermore, rights issue and open offer generally require preparation of legal documentation and fulfilment of additional administrative procedures, which are more time consuming and less cost effective. The Company may not be able to grasp potential business opportunities in a timely manner. It will take longer time if general meeting is required to obtain shareholders' approval on the rights issue or open offer. According to the sample timetables stated in the guideline "Guide on Trading Arrangements for Selected Types of Corporate Actions" issued by the Stock Exchange, it is expected to take 29 business days to complete a rights issue or an open offer assuming no general meeting is required to obtain shareholders' approval on the rights issue or open offer, and 41 business days if a general meeting is required. As compared to rights issue or open offer, the proposed refreshment of the Existing General Mandate is less costly in terms of money and time, which allows the Company to be ready to timely capture such opportunity once the New General Mandate is approved at the EGM.

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The Directors have confirmed that they would exercise due and careful consideration when choosing the optimal financing method available to the Group to the best of their knowledge and belief. In addition, the proposed grant of the New General Mandate will provide the Company with an additional alternative and it is reasonable for the Company to have flexibility and discretion in deciding the financing methods to capture any business expansion opportunity in a timely manner. As a result, we concur with the Directors that raising funds through issue of new Shares under the New General Mandate is more flexible, cost effective and time efficient than debt financing and other alternative equity financing methods.

To conclude, taking into account that all possible financing alternatives should be considered whenever there are funding needs by the Group and a decision should only be made after considering specific circumstances at the time, there are drawbacks for each of the alternatives as discussed above. Therefore, the proposed refreshment of the Existing General Mandate is regarded as an additional option to the Group and provide the Company a greater flexibility and discretion in deciding the most appropriate financing method that meet the Group's future funding and business development plans, prior to the next annual general meeting. Therefore, we concur with the Directors' view regarding the drawbacks of other financing alternatives as discussed above, and that the proposed granting of the New General Mandate is in the interests of the Company and the Shareholders as a whole.

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3. Potential dilution of shareholding of the Shareholders

The table below sets out the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) upon full utilisation of the New General Mandate (assuming no other Shares are issued or repurchased by the Company from the Latest Practicable Date up to and including the date when the New General Mandate is utilised in full), for illustrative and reference purpose:

	As at the Latest Practicable Date		Upon full utilisation of the New General Mandate (assuming there is no other change in the shareholding structure of the Company from the Latest Practicable Date)	
	Number of Shares	Approximate %	Number of Shares	Approximate %
Directors and substantial Shareholders				
Wong Ming Kwan Victoria (“ Ms. Wong ”) (Notes 1, 4 & 5)	113,636,364	13.2	113,636,364	11.0
Zhu Yuanyan (“ Ms. Zhu ”) (Notes 4 & 5)	70,350,000	8.2	70,350,000	6.8
Chung Wai Sum (“ Mr. Chung ”) (Notes 2)	112,589,600	13.1	112,589,600	10.9
Kor Sing Mung Michael (“ Mr. Kor ”) (Notes 3)	90,997,600	10.5	90,997,600	8.8
Other Public Shareholders	474,182,800	55.0	474,182,800	45.8
Maximum number of new Shares that can be issued under the New General Mandate	–	–	172,351,272	16.7
	<u>861,756,364</u>	<u>100.00</u>	<u>1,034,107,636</u>	<u>100.00</u>

Notes:

- Such Shares were registered in the name of DD Innovation Limited (“**DD Innovation**”), a company wholly owned by Ms. Wong. By virtue of the provisions of Part XV of the SFO, Ms. Wong is deemed to be interested in the 96,590,909 Shares of the Company held by DD Innovation. Ms. Wong is a director of DD Innovation. In addition, Ms. Wong directly holds 17,045,455 shares of the Company.
- Such Shares were registered in the name of Solution Smart Holdings Limited (“**Solution Smart**”), a company wholly owned by Mr. Chung. By virtue of the provisions of Part XV of the SFO, Mr. Chung is deemed to be interested in all the Shares held by Solution Smart. Mr. Chung is a director of Solution Smart.

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3. Such Shares were registered in the name of SMK Investment Company Limited (“**SMK Investment**”), a company wholly owned by Mr. Kor. By virtue of the provisions of Part XV of the SFO, Mr. Kor is deemed to be interested in all the Shares held by SMK Investment. Mr. Kor is a director of SMK Investment.
4. Being executive Directors.
5. Being substantial Shareholders.

Assuming that (i) the grant of the New General Mandate is approved at the EGM; and (ii) no Shares will be issued and/or repurchased and cancelled from the Latest Practicable Date up to the date of the EGM (both dates inclusive), upon full utilisation of the New General Mandate, 172,351,272 Shares can be issued, which represents 20% and approximately 16.7% of the aggregate number of the issued Shares as at the Latest Practicable Date and the aggregate number of the enlarged issued Shares respectively. The aggregate shareholding of the existing public Shareholders will be diluted from approximately 55.0% as at the Latest Practicable Date to approximately 45.8% upon full utilisation of the New General Mandate, representing a potential maximum dilution in public shareholding by approximately 16.7%. The size of such dilution is comparable to and not greater than that arising from the grant of the Existing General Mandate approved at the 2023 AGM (in which the public Shareholders at the prevailing time were subject to a dilution from 58.2% to 48.5% upon full utilisation of the Existing General Mandate).

4. Fund-raising in the past twelve months

Save for equity fund raising activities mentioned below, the Company has not carried out any other equity fund raising activities in the past twelve-month period immediately preceding the date of the Announcement and up to the Latest Practicable Date:

Date of announcement	Fund raising activities	Net proceeds raised ^(Note 3) (approx.)	Intended use of proceeds	Actual use of the net proceeds as at 31 January 2024	Balance as at 31 January 2024
20 September 2023	Latest subscription of new Shares under general mandate	HK\$8.63 million	Strengthening of the Company's financial position	Approximately HK\$2.0 million was used for the repayment of other borrowings ^(Note 1) ; approximately HK\$ 0.7 million was used for the acquisition of machines ^(Note 2) ; and approximately HK\$2.9 million was used as general working capital of the Group.	Approximately HK\$3.0 million

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Note 1: The other borrowings are a loan facility amounted to HK\$2.0 million provided by an independent third party repayable on demand in April 2022. The amount was used as general working capital of the Group.

Note 2: On 31 October 2023, a subsidiary of the Company, namely World Smart Company Limited, entered into a sales and purchase agreement to acquire two units of marine engines for trading purposes and a deposit amounted to approximately HK\$0.7 million was paid as deposit. Please refer to the Company's announcement dated 1 November 2023 for details.

Note 3: The remaining net proceeds raised will be used to strengthen the Company's financial position as intended and to provide general working capital for the Group.

OPINION AND RECOMMENDATION

Having considered the principal factors and reasons discussed above, we are of the view that the proposed refreshment of the Existing General Mandate, although is not in the ordinary and usual course of business of the Group, are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend (i) the Independent Board Committee to advise the Independent Shareholders; and (ii) the Independent Shareholders, to vote in favour of the ordinary resolution(s) to be proposed at the EGM approving the proposed refreshment of the Existing General Mandate.

Yours faithfully,
For and on behalf of
Vinco Financial Limited
Alister Chung
Managing Director

Note: Mr. Alister Chung is a licensed person registered with the Securities and Future Commission of Hong Kong and a responsible officer of Vinco Financial Limited to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO and has participated in the provision of independent financial advisory services for various transactions involving companies listed in Hong Kong for over 10 years.



Shanyu Group Holdings Company Limited
善裕集團控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8245)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**Meeting**”) of Shanyu Group Holdings Company Limited (the “**Company**”) will be held at Unit 1103-06, China Building, 29 Queen’s Road Central, Hong Kong on Thursday, 28 March 2024 at 11:30 a.m. (or any adjournment thereof will be held at the duly notified place, day and time) for the purpose of considering and, if thought fit, passing with or without modifications, the following resolutions of the Company. Capitalised terms defined in the circular dated 12 March 2024 issued by the Company (the “**Circular**”) shall have the same meanings when used in this notice of Meeting unless otherwise specified.

ORDINARY RESOLUTIONS

1. “**THAT**

- (a) the general mandate (the “**Existing General Mandate**”) granted to the directors of the Company (the “**Directors**”) to allot, issue and deal with the unissued shares of the Company pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 17 August 2023 (the “**2023 AGM**”) be and is hereby revoked (without prejudice to any valid exercise of the Existing General Mandate prior to the passing of this resolution);
- (b) the exercise by the Directors during the Relevant Period (as defined below) of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company (“**Shares**”) and to make or grant offers, agreements and options, which would or might require Shares to be allotted, issued or dealt with, whether during or after the end of the Relevant Period be and is hereby generally and unconditionally approved, provided that, otherwise than pursuant: (a) a rights issue where Shares are offered to shareholders (“**Shareholders**”) of the Company on a fixed record date in proportion to their then holdings of Shares in the Company (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard

NOTICE OF EGM

to any restrictions or obligations under the laws of, or the requirements of any recognized regulatory body or any stock exchange in any territory applicable to the Company); or (b) any scrip dividend or similar arrangement providing for the allotment of securities in lieu of the whole or part of a dividend on Shares in accordance with the articles of association of the Company; or (c) the exercise of subscription rights attaching to share options under any option scheme; or (d) a specific authority granted by the Shareholders in general meeting of the Company, the additional Shares allotted, issued or dealt with (including Shares agreed conditionally or to be allotted, issued or dealt with, whether pursuant to an option or otherwise) shall not in aggregate exceed 20% of the aggregate number of Shares in issue at the date of passing this ordinary resolution and the said approval shall be limited accordingly; and

(c) for the purpose of this ordinary resolution, “Relevant Period” means the period from the passing of this ordinary resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting is required by any applicable laws or the Company’s articles of association to be held; and
- (iii) the revocation or variation of the authority given under this ordinary resolution by an ordinary resolution of the Shareholders in general meeting.”

2. **“THAT** conditional upon the passing of resolution numbered 1 as set out in the notice convening the Meeting, the general and unconditional mandate granted to the Directors to exercise the powers of the Company to allot, issue or otherwise deal with Shares pursuant to resolution numbered 1 as set out in the notice convening the Meeting be and is hereby extended by the addition thereto an amount representing the aggregate number of Shares bought back by the Company under the authority granted pursuant to resolution numbered 5 as set out in the notice convening the 2023 AGM, provided that such amount shall not exceed 10% of the total number of Shares in issue at the date of the 2023 AGM.

By Order of the Board
Shanyu Group Holdings Company Limited
Wong Ming Kwan Victoria
Executive Director

Hong Kong, 12 March 2024

NOTICE OF EGM

Registered office and principal place of business:

Second Floor,
200 Hennessy Road,
Wanchai,
Hong Kong

Notes:

1. A member entitled to attend and vote at the Meeting is entitled to appoint one or more proxies to attend and on a poll vote instead of him. A proxy need not be a member of the Company.
2. In order to be valid, a form of proxy and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, must be deposited at the share registrar and transfer office of the Company in Hong Kong, Unit 1103–06, China Building, 29 Queen’s Road Central, Hong Kong as soon as possible and in any event not less than 48 hours before the time fixed for holding the Meeting (i.e. not later than 11:30 a.m. on Tuesday, 26 March 2024 (Hong Kong time)) or any adjourned meeting thereof. Completion and return of the form of proxy will not preclude any member from attending and voting in person at the Meeting or any adjourned meeting thereof should he so wishes.
3. In case of joint shareholdings, the vote of the senior joint shareholder who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint shareholder(s) and for this purposes seniority will be determined by the order in which the names stand in the Register of Members of the Company in respect of the joint shareholding.
4. Completion and return of the form of proxy will not preclude shareholders from attending and voting in person at the Meeting if shareholders so wish.
5. The resolutions set out in this notice of Meeting will be put to Shareholders to vote taken by way of a poll.