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## **SUN CHEONG CREATIVE DEVELOPMENT HOLDINGS LIMITED**

**新昌創展控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

*(Provisional Liquidators Appointed)*

*(For Restructuring Purposes)*

**(Stock code: 1781)**

### **UPDATE ON USE OF PROCEEDS AND SUPPLEMENTAL ANNOUNCEMENT TO ANNUAL REPORT**

Reference is made to i.) the prospectus of Sun Cheong Creative Development Holding Limited (the “**Company**”) dated 21 September 2018 (the “**Prospectus**”) and ii.) the audit annual report for the year ended 31 December 2019 (the “**Annual Report**”) of the Company dated 13 July 2020.

The board (the “**Board**”) of directors (the “**Directors**”) of the Company would like to provide an update to the use of net proceeds (the “**Net Proceeds**”) raised from the share offer of the Company as supplemental information to the Annual Report.

Net proceeds from the initial public offering were HK\$97.7 million after deducting all the direct costs associated with the Listing.

As at 30 June 2019, the Company had utilized HK\$45.8 million of the Net Proceeds for the purposes of i.) purchasing or development of moulds and related parts of moulds, ii.) acquisition and replacement of production machineries and equipment, iii.) repayment of interest-bearing bank loan, iv.) enhancement and upgrade of enterprise resource planning system (the “**ERP System**”), v.) product design and development, vi.) advertising and promotion campaign, and vii.) replenishment of working capital.

As at 31 December 2019, the Company had utilized all the Net Proceeds and the unutilized Net Proceeds amounted is zero. Having considered the recent business environment and development of the Company, the Board resolved to revise the schedule of the use of the Net Proceeds.

Details of the use of the Net Proceeds are as follows:

Intended application of the net proceeds	Planned applications HK\$	Percentage of total proceeds %	Actual usage up	Remaining net	Change of use	Actual usage as	Remaining net
			to 31 December 2018 HK\$	proceeds as at 31 December 2018 HK\$	of proceed to repay interest bearing loan HK\$	at 31 December 2019 HK\$	to date of this announcement HK\$
Purchasing or development of moulds and related parts of moulds	27,844,500	28.5%	(2,900,000)	24,944,500	—	(24,944,500)	—
Acquisition and replacement of production machineries and equipment	23,252,600	23.8%	(2,400,000)	20,852,600	—	(20,852,600)	—
Enhancement and upgrade of ERP System	5,568,900	5.7%	—	5,568,900	(5,168,900)	(400,000)	—
Repayment of interest-bearing bank loan (Note 1)	14,459,600	14.8%	(14,459,600)	—	9,431,423	(9,431,423)	—
Product design and development	9,281,500	9.5%	(1,000,000)	8,281,500	(1,949,631)	(6,331,869)	—
Advertising and promotion campaign	8,011,400	8.2%	(1,100,000)	6,911,400	(2,312,892)	(4,598,508)	—
Replenishment of working capital	9,281,500	9.5%	(9,281,500)	—	—	—	—
<b>Total</b>	<b>97,700,000</b>	<b>100.0%</b>	<b>(31,141,100)</b>	<b>66,558,900</b>	<b>—</b>	<b>(66,558,900)</b>	<b>—</b>

*Note 1:* Left amount of Net Proceeds in 2019 for the purposes of i.) enhancement and upgrade of ERP System, ii.) product design and development and iii.) advertising and promotion campaign have been used by the Company to repay interest-bearing bank loan as to relieve the liquidity issue the Company was having during the period of 2019.

## REASONS FOR THE CHANGE IN USE OF PROCEEDS

During the year of 2019, the company had faced liquidity issue to repay its outstanding bank debt and interests due. In order to act upon the best interest of the Company and its shareholders, the Board has reallocated the unutilized Net Proceeds of approximately HK\$9.4 million in 2019 from i.) enhancement and upgrade of ERP System, ii.) product design and development and iii.) advertising and promotion campaign to repay its interest-bearing bank loan as to relieve the Company from its short term liquidity concern during the year of 2019 and to meet its financial obligations with the Board's best effort.

As at the date of this announcement, there has not been any material change to the plan as to the use of the Net Proceeds. The Board confirms that the above supplemental information does not affect other information contained in the Annual Report.

## **SUSPENSION OF TRADING**

At the request of the Company, trading in the shares of the Company has been suspended since 9:00 a.m. on 2 July 2020, and will remain in suspension until further notice.

Shareholders and potential investors should accordingly exercise caution when dealing in the securities of the Company.

By order of the Board  
*(Provisional Liquidators Appointed)*  
*(For Restructuring Purposes)*  
**Sun Cheong Creative Development Holdings Limited**  
**Chan Sai On Bill**  
*Executive Director*

Hong Kong, 14 August 2020

*As at the date of this announcement, the executive Directors are Mr. Chan Sai On Bill and Mr. Ng Chun Chung; and the independent non-executive Directors are Mr. Li Ka Chun, Mr. Sze Chun Wai and Mr. Fung Wai Hang.*

*The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statements in this announcement misleading.*