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YIHAI INTERNATIONAL HOLDING LTD.

頤海國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1579)

CHANGE IN USE OF PROCEEDS

Reference is made to the prospectus of Yihai International Holding Ltd. (the “**Company**” and together with its subsidiaries, the “**Group**”) dated 30 June 2016 (the “**Prospectus**”) and the 2020 annual report of the Company dated 20 April 2021 (the “**Annual Report**”). Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as defined in the Prospectus and the Annual Report.

CHANGE IN USE OF NET PROCEEDS

As disclosed in the Annual Report, net proceeds from the Global Offering (the “**Net Proceeds**”) of approximately HK\$797.3 million will be utilized by the Company in the same manner and proportions as stated in the Prospectus. As at the date of this announcement, the unutilized amount of Net Proceeds amounted to approximately RMB168.0 million (the “**Unutilized Net Proceeds**”). The Board has resolved to change in use of the Unutilized Net Proceeds as follows:

	Intended utilization of Net Proceeds as disclosed in the Prospectus and Annual Report <i>(in RMB million)</i>	%	Utilized Net Proceeds up to the date of this announcement <i>(in RMB million)</i>	Unutilized Net Proceeds as at the date of this announcement <i>(in RMB million)</i>	Proposed application of the Unutilized Net Proceeds <i>(in RMB million)</i>
Constructing Phase I of our Bazhou Production Base located in Bazhou, Hebei Province	216.1	30	216.1	-	-
Potential strategic acquisition opportunities in the future	180.0	25	12.0	168.0	-
Promoting our products and brand	180.1	25	180.1	-	-
Enhancing our research and development capabilities	72.0	10	72.0	-	-
Working capital and general corporate purposes	72.0	10	72.0	-	168.0
Total	720.2	100	552.2	168.0	168.0

It is expected that the Unutilized Net Proceeds to be fully utilized by the end of 2023.

Save for the aforesaid changes, there is no other change in use of the Net Proceeds.

REASONS FOR AND BENEFITS OF THE CHANGE IN USE OF PROCEEDS

The Board is of the view that the use of proceeds should be appropriately adjusted to maintain maximum flexibility for better accommodation to the changing market conditions and industry environment. The Company has been actively exploring various strategic acquisition opportunities since its listing, but has not found suitable investment opportunity. Accordingly, based on the interests of the Company and its Shareholders as a whole and in light of market conditions and the Company's business needs, the Company, for the sake of enhancing the efficiency and effectiveness of capital utilization, intends to reallocate the balance of the proceeds of RMB168.0 million used for strategic acquisition to daily working capital replenishment purposes. In the event that there are suitable acquisitions in the future, the Company shall still use its own funds directly for the acquisitions, and the Company's merger and acquisition strategy will not be affected because of the change in the use of proceeds raised.

The above proposed change will enable the Company to deploy financial resources in a more efficient manner, which will help the Company to flexibly deploy its business development in accordance with changes in market conditions.

As at the date of this announcement, the Board confirms that there is no material change in the nature of business of the Group as set out in the Prospectus. The Board considers that the change is in the best interest of the Company and Shareholders as a whole and will not have any material adverse effect on the existing business and operations of the Group.

The Board will continuously assess the plans for the use of Unutilized Net Proceeds and may revise or amend such plans where necessary to cope with the changing market conditions and strive for better business performance for the Group.

By order of the Board
Yihai International Holding Ltd.
Shi Yonghong
Chairman

Hong Kong, 24 August 2021

As at the date of this announcement, the executive directors of the Company are Mr. Shi Yonghong, Mr. Guo Qiang, Mr. Sun Shengfeng, Ms. Shu Ping and Mr. Zhao Xiaokai; the non-executive director of the Company is Mr. Zhang Yong; and the independent non-executive directors of the Company are Mr. Yau Ka Chi, Mr. Qian Mingxing and Ms. Ye Shujun.