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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)

ANNOUNCEMENT OF QUARTERLY RESULTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

*This announcement, for which the directors (the “**Directors**”) of Shen You Holdings Limited (the “**Company**”) 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 (the “**GEM Listing Rules**”) 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.*

FINANCIAL HIGHLIGHTS

For the nine months ended 30 September 2019, the unaudited operating results of the Company and its subsidiaries (collectively, the “**Group**”) were as follows:

- revenue recorded for the nine months ended 30 September 2019 amounted to approximately HK\$45.0 million;
- loss after taxation for the nine months ended 30 September 2019 amounted to approximately HK\$3.9 million; and
- basic and diluted loss per share of the Company for the nine months ended 30 September 2019 approximately HK0.49 cents.

THIRD QUARTERLY RESULTS

The board of Directors of the Company (the “**Board**”) is pleased to announce the unaudited condensed consolidated financial results of the Group for the three months and nine months ended 30 September 2019, together with the unaudited comparative figures for the corresponding period in 2018, which are presented in Hong Kong dollars (“**HK\$**”).

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the three months and nine months ended 30 September 2019

	<i>Notes</i>	For the three months ended 30 September		For the nine months ended 30 September	
		2019 <i>HK\$'000</i> (unaudited)	2018 <i>HK\$'000</i> (unaudited)	2019 <i>HK\$'000</i> (unaudited)	2018 <i>HK\$'000</i> (unaudited)
Revenue	5	16,064	16,622	44,958	46,077
Cost of sales		<u>(13,433)</u>	<u>(13,617)</u>	<u>(35,929)</u>	<u>(36,714)</u>
Gross profit		2,631	3,005	9,029	9,363
Other income and gains	5	848	1,604	1,820	2,478
Selling and distribution expenses		(1,553)	(1,630)	(4,648)	(5,098)
Administrative expenses		(2,803)	(4,824)	(9,426)	(13,891)
Other expenses		(27)	(38)	(206)	(398)
Finance costs	6	<u>(307)</u>	<u>(232)</u>	<u>(925)</u>	<u>(636)</u>
LOSS BEFORE TAX	7	(1,211)	(2,115)	(4,356)	(8,182)
Income tax (expense)/credit	8	<u>(5)</u>	<u>(17)</u>	<u>435</u>	<u>840</u>
LOSS FOR THE PERIOD		<u><u>(1,216)</u></u>	<u><u>(2,132)</u></u>	<u><u>(3,921)</u></u>	<u><u>(7,342)</u></u>
LOSS ATTRIBUTABLE TO OWNERS OF THE PARENT		<u><u>(1,216)</u></u>	<u><u>(2,132)</u></u>	<u><u>(3,921)</u></u>	<u><u>(7,342)</u></u>
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT	10				
Basic and diluted (expressed in HK cents per Share)		<u><u>(0.15)</u></u>	<u><u>(0.27)</u></u>	<u><u>(0.49)</u></u>	<u><u>(0.92)</u></u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and nine months ended 30 September 2019

	For the three months ended 30 September		For the nine months ended 30 September	
	2019	2018	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
LOSS FOR THE PERIOD	<u>(1,216)</u>	<u>(2,132)</u>	<u>(3,921)</u>	<u>(7,342)</u>
OTHER COMPREHENSIVE LOSS				
Exchange differences on translation of foreign operations	<u>(1,793)</u>	<u>(2,598)</u>	<u>(2,080)</u>	<u>(3,240)</u>
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX	<u>(1,793)</u>	<u>(2,598)</u>	<u>(2,080)</u>	<u>(3,240)</u>
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	<u>(3,009)</u>	<u>(4,730)</u>	<u>(6,001)</u>	<u>(10,582)</u>
ATTRIBUTABLE TO OWNERS OF THE PARENT	<u>(3,009)</u>	<u>(4,730)</u>	<u>(6,001)</u>	<u>(10,582)</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months and nine months ended 30 September 2019

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Merger reserve <i>HK\$'000</i>	Statutory surplus reserve <i>HK\$'000</i>	Available-for-sale investment revaluation reserve <i>HK\$'000</i>	Exchange fluctuation reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
As at 1 January 2018	8,000	57,751	(1,000)	5,670	(825)	11,290	(2,802)	78,084
HKFRS 9 adjustment on retained earnings	-	-	-	-	825	-	(825)	-
As at 1 January 2018 (after adjustment)	8,000	57,751	(1,000)	5,670	-	11,290	(3,627)	78,084
Loss for the period	-	-	-	-	-	-	(7,342)	(7,342)
Other comprehensive loss for the period:								
Exchange differences on translation of foreign operations	-	-	-	-	-	(3,240)	-	(3,240)
Total comprehensive loss for the period	-	-	-	-	-	(3,240)	(7,342)	(10,582)
As at 30 September 2018 (unaudited)	8,000	57,751	(1,000)	5,670	-	8,050	(10,969)	67,502
As at 1 January 2019	8,000	57,751	(1,000)	5,670	-	7,452	(14,767)	63,106
Loss for the period	-	-	-	-	-	-	(3,921)	(3,921)
Other comprehensive loss for the period:								
Exchange differences on translation of foreign operations	-	-	-	-	-	(2,080)	-	(2,080)
Total comprehensive loss for the period	-	-	-	-	-	(2,080)	(3,921)	(6,001)
As at 30 September 2019 (unaudited)	8,000	57,751	(1,000)	5,670	-	5,372	(18,688)	57,105

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months and nine months ended 30 September 2019

1. CORPORATE AND GROUP INFORMATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law (as revised) of the Cayman Islands on 18 August 2016. The registered office address of the Company is Clifton House, 75 Fort Street, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands.

The Company is an investment holding company. During the year, the Company's subsidiaries were principally engaged in the manufacture and trading of high performance sewing threads and broad categories of garment accessories.

The ultimate holding company of the Group is Three Gates Investment Limited, which was incorporated in the British Virgin Islands ("BVI") with limited liability and is controlled by Mr. Wong Kwok Wai, Albert.

As at the date of this announcement, the Company has direct and indirect interests in its subsidiaries, all of which are private limited liability companies (or, if incorporated outside Hong Kong, have substantially similar characteristics to a private company incorporated in Hong Kong), the particulars of which are set out below:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ paid-up/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Strat Tech Holdings Limited	BVI	US\$1	100%	–	Investment holding
Shen You (China) Limited	Hong Kong	HK\$10,000,000	100%	–	Investment holding
Tseyu International Trading Company Limited	Hong Kong	HK\$5,000,000	–	100%	Trading of sewing threads and broad categories of garment accessories
Newchamp Industries Limited	Hong Kong	HK\$30,000,000	–	100%	Trading of sewing threads
Clolab International Limited	Hong Kong	HK\$10,000	–	100%	Dormant
Cheerful Keen Limited	BVI	US\$1	–	100%	Trading of sewing threads and broad categories of garment accessories

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ paid-up/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Guangzhou Xinhua Thread Company Limited *	People's Republic of China (the "PRC")/ Mainland China	HK\$56,250,000	–	100%	Manufacture and trading of sewing threads and broad categories of garment accessories
申酉辰鑫企業（上海） 有限公司*	PRC/Mainland China	HK\$5,000,000	–	100%	Investment holding
杭州新裕線業有限公司	PRC/Mainland China	RMB500,000	–	100%	Trading of sewing threads and broad categories of garment accessories

* Registered as wholly-foreign-owned enterprises under PRC law.

2. BASIS OF PREPARATION

The unaudited quarterly condensed consolidated financial statements of the Group for the nine months ended 30 September 2019 have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the applicable disclosure requirements of the Companies Ordinance (Chapter 622 of the laws of Hong Kong) and the GEM Listing Rules.

The unaudited quarterly condensed consolidated financial statements of the Group do not include all the information and disclosures required in annual consolidated financial statements, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2018.

The accounting policies and methods of computation used in the preparation of these financial statements are consistent with the consolidated financial statements of the Group for the year ended 31 December 2018, except for the adoption of new and revised standards with effect from 1 January 2019 as detailed in note 3 below.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised Hong Kong Financial Reporting Standards (“HKFRS”) (which include all HKFRS, Hong Kong Accounting Standards (“HKAS”) and Interpretations) issued by the HKICPA for the first time for these financial statements.

Amendments to HKFRS 9	Prepayment Features with Negative Compensation
HKFRS 16	Leases
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Annual Improvements 2015–2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Other than the impact of HKFRS 16 as disclosed in note 2.3 of the Group’s financial statements in the Group’s annual report for the year ended 31 December 2018, the Group expects that the adoption of the above new and revised standards will have no significant impact on these financial statements.

4. OPERATING SEGMENT INFORMATION

The Group is principally engaged in the manufacture and selling of high performance sewing threads and broad categories of garment accessories. For management purposes, the Group operates in one business unit and has one reportable operating segment, which is the thread segment that manufactures and sells sewing threads and garment accessories. Accordingly, no further operating segment information is presented.

Geographical information

Revenue from external customers

	For the three months ended 30 September		For the nine months ended 30 September	
	2019 <i>HK\$’000</i> (unaudited)	2018 <i>HK\$’000</i> (unaudited)	2019 <i>HK\$’000</i> (unaudited)	2018 <i>HK\$’000</i> (unaudited)
PRC	9,162	10,222	25,276	27,811
Overseas	5,981	5,851	16,979	15,893
Hong Kong	921	549	2,703	2,373
	<u>16,064</u>	<u>16,622</u>	<u>44,958</u>	<u>46,077</u>

The revenue information is based on the locations of the customers.

5. REVENUE, OTHER INCOME AND GAINS

Revenue represents the net invoiced value of goods sold, after trade discounts and sales taxes.

An analysis of revenue is as follows:

	For the three months ended 30 September		For the nine months ended 30 September	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Sales of goods	<u>16,064</u>	<u>16,622</u>	<u>44,958</u>	<u>46,077</u>

Revenue from contracts with customers

(i) Disaggregated revenue information

	For the three months ended 30 September		For the nine months ended 30 September	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Type of goods				
Sewing threads and garment accessories	<u>16,064</u>	<u>16,622</u>	<u>44,958</u>	<u>46,077</u>
Geographical markets				
PRC	9,162	10,222	25,276	27,811
Overseas	5,981	5,851	16,979	15,893
Hong Kong	<u>921</u>	<u>549</u>	<u>2,703</u>	<u>2,373</u>
Total revenue from contracts with customers	<u>16,064</u>	<u>16,622</u>	<u>44,958</u>	<u>46,077</u>
Timing of revenue recognition				
Goods transferred at a point in time	<u>16,064</u>	<u>16,622</u>	<u>44,958</u>	<u>46,077</u>

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period:

	For the three months ended 30 September		For the nine months ended 30 September	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Sales of goods	<u>–</u>	<u>–</u>	<u>187</u>	<u>39</u>

Revenue from contracts with customers (Continued)

(ii) Performance obligations

Information about the Group's performance obligations is summarised below:

Sale of industrial products

The performance obligation is satisfied upon delivery of the sewing threads and garment accessories and payment is generally due within 30 to 90 days from delivery, except for certain customers where payment in advance is required.

An analysis of other income and gains is as follows:

	For the three months ended 30 September		For the nine months ended 30 September	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Bank interest income	1	1	2	11
Exchange gains, net	481	1,028	517	1,235
Fair value gains on financial assets at fair value through profit or loss	27	57	76	114
Gains on disposal of items of property, plant and equipment	–	–	19	–
Gross rental income	339	291	1,109	891
Others	–	227	97	227
	<u>848</u>	<u>1,604</u>	<u>1,820</u>	<u>2,478</u>

6. FINANCE COSTS

An analysis of finance costs is as follows:

	For the three months ended 30 September		For the nine months ended 30 September	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Interest on lease liabilities	68	–	208	–
Interest on bank loans and overdrafts	239	232	717	636
	<u>307</u>	<u>232</u>	<u>925</u>	<u>636</u>

7. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging/(crediting):

	For the three months ended 30 September		For the nine months ended 30 September	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Cost of inventories sold	13,433	13,617	35,929	36,714
Depreciation of fixed assets	295	223	880	397
Depreciation of right-of-use assets	307	–	944	–
Recognition of prepaid lease payments for buildings	–	82	–	246
Minimum lease payments under operating leases:				
Land and building and office equipment	268	496	891	1,361
Auditor's remuneration	195	310	927	1,100
Employees' benefit expenses (excluding Directors' remuneration)	4,042	4,935	13,097	15,077
Net exchange loss/(gain)	481	(1,028)	(517)	(1,235)
(Gain)/Loss on disposal of fixed assets	–	–	(19)	322
Fair value gain on financial assets at fair value through profit or loss	(27)	(57)	(76)	(114)

8. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which subsidiaries of the Group are domiciled and operate. Pursuant to the rules and regulations of the Cayman Islands and BVI, the Group is not subject to any income tax in the Cayman Islands and BVI.

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the nine months ended 30 September 2018 and 2019.

Pursuant to the PRC Income Tax Law and the respective regulations, the subsidiaries which operate in Mainland China are subject to corporate income tax at a rate of 25% on the taxable income.

	For the three months ended 30 September		For the nine months ended 30 September	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Current — Hong Kong and Mainland China	–	–	32	–
Deferred	5	17	(467)	(840)
Tax expense/(credit)	5	17	(435)	(840)

9. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the nine months ended 30 September 2019.

10. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT

	For the three months ended 30 September		For the nine months ended 30 September	
	2019 (unaudited)	2018 (unaudited)	2019 (unaudited)	2018 (unaudited)
Loss attributable to owners of the parent (<i>HK\$'000</i>)	<u>1,216</u>	<u>2,132</u>	<u>3,921</u>	<u>7,342</u>
Number of Shares	<u>800,000,000</u>	<u>800,000,000</u>	<u>800,000,000</u>	<u>800,000,000</u>
Basic and diluted loss per Share (<i>HK cents</i>)	<u>0.15</u>	<u>0.27</u>	<u>0.49</u>	<u>0.92</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group is principally engaged in the manufacture and selling of high performance sewing threads and broad categories of garment accessories. It currently manufactures polyester sewing threads, which are mainly used for garments. The major product of the Group is 100% spun polyester sewing threads. Other types of sewing threads are also offered, including nylon threads, textured polyester series, elastic filament sewing threads and weft yarn. The Group's customers are located in the PRC, Hong Kong as well as overseas countries, including the United Arab Emirates ("UAE"), Mauritius, Switzerland and the United Kingdom. While the Group's customers in the PRC and Hong Kong are mainly garment manufacturers, its overseas customers are mainly wholesalers. The production facilities of the Group, where the sewing threads manufacturing process is conducted, are located in Liwan, Guangzhou.

For the nine months ended 30 September 2019, the Group's revenue decreased by approximately 2.4% as compared with that for the nine months ended 30 September 2018. The gross profit margin slightly decreased to approximately 20.1% for the nine months ended 30 September 2019 from approximately 20.3% for the same period in the preceding year.

The loss attributable to the owners of the parent decreased to approximately HK\$3.9 million for the nine months ended 30 September 2019 from approximately HK\$7.3 million for the same period in 2018, representing a decrease of approximately 46.6%. Such decrease was primarily due to the decrease in Directors' remuneration as well as staff costs for both the sales department and the administration department.

Financial Review

Revenue

The Group's products are sold in the PRC, Hong Kong as well as overseas. The following table sets out a breakdown of the Group's revenue attributable to domestic and overseas sales of the Group's sewing threads for each of the nine months ended 30 September 2018 and 2019:

	Nine months ended 30 September		2018		Rate of change %
	2019	% of total revenue	2018	% of total revenue	
	HK\$'000		HK\$'000		
PRC	25,276	56.2	27,811	60.4	(9.1)
Overseas (Note)	16,979	37.8	15,893	34.5	6.8
Hong Kong	2,703	6.0	2,373	5.1	13.9
	<u>44,958</u>	<u>100.0</u>	<u>46,077</u>	<u>100.0</u>	(2.4)

Note: For each of the nine months ended 30 September 2018 and 2019, the Group exported its products to countries including but not limited to UAE, Mauritius, Switzerland and the United Kingdom.

The Group's revenue decreased to approximately HK\$45.0 million for the nine months ended 30 September 2019 from approximately HK\$46.1 million for the nine months ended 30 September 2018, representing a decrease of approximately 2.4%. Such slight decrease was mainly attributable to the decrease in sales to the PRC market offset by a slight increase in sales to the Hong Kong and overseas markets.

Cost of sales

The Group's cost of sales primarily consists of direct material costs, processing fees and labour costs. The cost of sales decreased to approximately HK\$35.9 million for the nine months ended 30 September 2019 from approximately HK\$36.7 million for the nine months ended 30 September 2018, representing a decrease of approximately 2.1%. The slight decrease in the Group's cost of sales was in line with the decrease in the Group's revenue.

Gross profit and gross profit margin

The Group's gross profit decreased to approximately HK\$9.0 million for the nine months ended 30 September 2019 from approximately HK\$9.4 million for the nine months ended 30 September 2018, representing a decrease of approximately 3.6%. The slight decrease in gross profit was mainly attributable to the slight decrease in the Group's revenue. The Group's gross profit margin slightly decreased to approximately 20.1% for the nine months ended 30 September 2019 from approximately 20.3% for the nine months ended 30 September 2018.

Other gains, net

The Group recorded other gains, net of approximately HK\$1.6 million for the nine months ended 30 September 2019 as compared with other gains, net of approximately HK\$2.1 million for the nine months ended 30 September 2018. Such change was mainly attributable to the decrease in the exchange gain for the nine months ended 30 September 2019.

Selling and distribution expenses

Selling and distribution expenses mainly consist of staff costs of the sales department and transportation expenses. Selling and distribution expenses decreased to approximately HK\$4.6 million for the nine months ended 30 September 2019 from approximately HK\$5.1 million for the nine months ended 30 September 2018, representing a decrease of approximately 8.8%. The decrease in the Group's selling and distribution expenses was mainly attributable to a decrease in staff costs of the sales department.

Administrative expenses

Administrative expenses primarily consist of staff costs of the administration department, Directors' remuneration, depreciation, rental expenses and legal and professional fees. Administrative expenses decreased to approximately HK\$9.4 million for the nine months ended 30 September 2019 from approximately HK\$13.9 million for the nine months ended 30 September 2018, representing a decrease of approximately 32.1%. Such decrease was mainly attributable to the decrease in Directors' remuneration and staff costs of the administration department and legal and professional fees.

Loss before income tax

As a result of the aforesaid, the Group recorded a loss before income tax of approximately HK\$4.4 million for the nine months ended 30 September 2019, representing a decrease of approximately 46.8% from approximately HK\$8.2 million for the same period in the preceding year.

Total comprehensive loss attributable to owners of the parent

The total comprehensive loss attributable to owners of the parent decreased to approximately HK\$6.0 million for the nine months ended 30 September 2019 from approximately HK\$10.6 million for the nine months ended 30 September 2018, representing a decrease of approximately 43.3%. Such a decrease was mainly attributable to the depreciation of Renminbi against Hong Kong dollars and a decrease in loss for the nine months ended 30 September 2019.

Basic and diluted loss per Share

The Company's basic and diluted loss per Share for the nine months ended 30 September 2019 was approximately HK0.49 cents (2018: HK0.92 cents), representing a decrease of approximately HK0.43 cents, or approximately 46.7%, which was primarily due to the decrease in loss for the nine months ended 30 September 2019.

Interim Dividend

The Board does not recommend the payment of an interim dividend for the nine months ended 30 September 2019.

Capital Structure

During the nine months ended 30 September 2019, there were no changes in the capital structure of the Group and the share capital of the Group only comprises ordinary shares of the Company (the “Shares”).

As at 30 September 2019, the Company’s issued share capital amounted to HK\$8.0 million, divided by 800,000,000 Shares of HK\$0.01 each.

Significant Investments

As at 30 September 2019, the Group did not hold any significant investments (as at 30 September 2018: Nil).

Foreign Exchange Exposure

The Group is exposed to foreign currency risk when it enters into transactions which are not denominated in the Group’s functional currency. Such exposure mainly relates to the distribution and sale of the Group’s products and purchases of raw materials in the PRC. As at 30 September 2019, the Group did not have a foreign currency hedging policy. Nevertheless, the Group’s management monitors foreign exchange exposure closely and will consider hedging significant foreign currency exposure should the need arise.

Contingent Liabilities

As at 30 September 2019, the Group did not have material contingent liabilities (as at 30 September 2018: Nil).

Future Prospects

The Directors envisage that there are considerable business opportunities in the sewing threads industry. With the financial position strengthened and credibility enhanced from the Listing, the Group has confidence in capturing more business opportunities in the sewing threads industry and implementing its expansion plan set out in the section headed “Future Plans and Use of Proceeds” in the prospectus of the Company dated 30 November 2017. The Group places much emphasis on satisfying customers’ needs with high quality and differentiated products and thus maintaining long-term business relationships with its customers. The Group has set up a sales office in Zhejiang province in accordance with its expansion plan with a view to expanding its sales network and exploring new business opportunities to further promote growth of the Group.

In view of the uncertainty of the economic environment as well as the ongoing protectionist measures implemented by the government of the United States of America, the Directors will continue to carefully monitor and assess the situation. In the event that the expansion plan no longer becomes feasible for the operation of the Group, the Directors may evaluate and modify it so as to ensure that the Group's business strategies are in the best interests of the Company and its shareholders (the "Shareholders") as a whole.

OTHER INFORMATION

Interests and Short Positions of Directors and Chief Executive in the Shares, Underlying Shares and Debentures of the Company and any Associated Corporation

As at 30 September 2019, the interests or short positions of each of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "SFO"), which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); (b) recorded in the register required to be kept under section 352 of the SFO; or (c) to be notified to the Company and the Stock Exchange pursuant to rules 5.46 to 5.67 of the GEM Listing Rules were as follows:

Name of Director	Nature of interest/holding capacity	Number of ordinary shares held	Percentage of issued share capital of the Company (Note 1)
Mr. Wong Kwok Wai, Albert	Interest of a controlled corporation	600,000,000 (L) (Notes 2, 3)	75%

Notes:

- As at the date of this announcement, the Company's issued ordinary share capital was HK\$8,000,000 divided into 800,000,000 Shares of HK\$0.01 each.
- Three Gates Investment Limited ("Three Gates Investment"), a company incorporated in the BVI on 15 August 2016, is wholly and beneficially owned by Mr. Wong Kwok Wai, Albert ("Mr. Wong"), who is the chairman and an executive Director of the Company. Therefore, Mr. Wong is deemed to be interested in 600,000,000 Shares held by Three Gates Investment by virtue of the SFO.
- The letter "L" denotes the person's long position in the Shares.

Save as disclosed above, as at 30 September 2019, none of the Directors or the chief executive of the Company had any other interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be recorded in the register kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Exchange according to rules 5.46 to 5.67 of the GEM Listing Rules.

Interests and Short Positions of Substantial Shareholders in the Shares and Underlying Shares of the Company

To the best knowledge of the Directors, as at 30 September 2019, the following persons or corporations (other than the Directors and the chief executive of the Company) who had interests and/or short positions in the shares or underlying shares of the Company which would be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO were as follows:

Name of Substantial Shareholder	Nature of interest/Holding capacity	Number of ordinary shares held	Percentage of issued share capital of the Company (Note 1)
Three Gates Investment	Beneficial owner	600,000,000 (L) (Notes 2, 3)	75%
Gold-Face Finance Limited	Person having a security interest in Shares	400,000,000 (L) (Notes 3, 4, 5)	50%
Upbest Credit and Mortgage Limited	Person having a security interest in Shares	400,000,000 (L) (Notes 3, 4, 5)	50%
Good Foundation Company Limited	Person having a security interest in Shares	400,000,000 (L) (Notes 3, 4, 5)	50%
Upbest Strategic Company Limited	Person having a security interest in Shares	400,000,000 (L) (Notes 3, 4, 5)	50%
Upbest Financial Holdings Limited	Person having a security interest in Shares	400,000,000 (L) (Notes 3, 4, 5)	50%
Upbest Group Limited	Person having a security interest in Shares	400,000,000 (L) (Notes 3, 4, 5)	50%

Notes:

- As at the date of this announcement, the Company's issued ordinary share capital was HK\$8,000,000 divided into 800,000,000 Shares of HK\$0.01 each.
- Three Gates Investment, a company incorporated in the BVI on 15 August 2016, is wholly and beneficially owned by Mr. Wong, who is the chairman and an executive Director of the Company. Therefore, Mr. Wong is deemed to be interested in 600,000,000 Shares held by Three Gates Investment by virtue of his 100% shareholding interest in Three Gates Investment.

3. 400,000,000 Shares held by Three Gates Investment have been charged in favour of Gold-Face Finance Limited (“**Gold-Face**”) as security for a loan granted in favour of Mr. Wong Kwok Wai, Albert, the chairman, chief executive officer, executive director and controlling shareholder of the Company.
4. As Gold-Face is wholly-owned by Upbest Credit and Mortgage Limited, which in turn is wholly-owned by Upbest Strategic Company Limited and Good Foundation Company Limited in equal parts, which in turn are both wholly-owned by Upbest Financial Holdings Limited, which in turn is wholly-owned by Upbest Group Limited, Upbest Credit and Mortgage Limited, Upbest Strategic Company Limited, Good Foundation Company Limited, Upbest Financial Holdings Limited and Upbest Group Limited are all deemed to be interested in the security interest in the 400,000,000 Shares charged in favour of Gold-Face by virtue of the SFO.
5. The letter “L” denotes the person’s long position in the Shares.

Save as disclosed above, as at 30 September 2019, the Directors are not aware of any interests and short positions owned by other parties, other than a Director or the chief executive of the Company who held interests or short positions in the shares and the underlying shares of the Company which were required to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO.

Directors’ and Controlling Shareholders’ Interests in Competing Businesses

The Directors and the controlling shareholders of the Company have confirmed that for the nine months ended 30 September 2019 and up to the date of this announcement, none of the Directors, controlling shareholders of the Company or any of their respective close associates (as defined in the GEM Listing Rules), engaged in any business that competes or may compete with the business of the Group, or had any other conflict of interest with the Group.

Corporate Governance Practices

The Board believes that cultivating and maintaining a culture focused on good corporate governance is essential to effect strong business growth and continue the efficient management of the Company. The Directors are of the view that strong corporate governance practices can safeguard the interests of and ensure accountability to the Shareholders as a whole.

The corporate governance code (the “**CG Code**”) as set out in Appendix 15 to the GEM Listing Rules has been adopted by the Board. Nevertheless, the Directors are committed to regularly reviewing its corporate governance practices to ensure conformity with the standard set out in the CG Code, as well as meeting the rising expectation of the Shareholders and other stakeholders of the Company.

Except for the deviation from code provision A.2.1 of the CG Code, the Board is of the view that the Company has complied with the code provisions of the CG code for the nine months ended 30 September 2019.

Mr. Wong Kwok Wai, Albert is the chairman of the Board and the chief executive officer of the Company and has been involved in the daily operations management of the Group since 2008. The Directors believe that vesting the roles of the chairman of the Board and the chief executive officer of the Company in Mr. Wong will ensure strong and consistent leadership, facilitate the Group's business strategies and boost the effectiveness of its operation. The Board will continue to review and consider splitting the roles of chairman of the Board and the chief executive officer of the Company when such role splitting is beneficial to the Group as a whole.

Interests of the Compliance Adviser

Pursuant to rule 6A.19 of the GEM Listing Rules, the Company has appointed Advent Corporate Finance Limited (“**Advent**”) to be the compliance adviser. The Company has been informed by Advent that neither Advent nor its directors or employees or close associates have, or may have, any interest in the share capital of the Company or any member of the Group (including options or rights to subscribe for such securities), which is required to be notified to the Company pursuant to rule 6A.32 of the GEM Listing Rules, except for the compliance adviser agreement entered into between the Company and Advent dated 23 May 2019.

Model Code for Directors' Securities Transactions

The Company has adopted the standard of dealings regarding securities transactions by the Directors equivalent to the required standard of dealings as set out in rules 5.48 to 5.67 of the GEM Listing Rules. The Directors have all confirmed, having been made specific enquiry by the Company, that they have complied with the required standard of dealings and the required standard concerning securities transactions by the Directors for the nine months ended 30 September 2019.

Purchase, Sale or Redemption of the Company's Listed Securities

Neither the Company nor its subsidiaries purchased, sold or redeemed any of the Company's listed securities for the nine months ended 30 September 2019.

Events after Reporting Date

There are no material subsequent events undertaken by the Group after the reporting period.

Audit Committee

The audit committee of the Company (the “**Audit Committee**”) was established pursuant to rules 5.28 to 5.33 of the GEM Listing Rules and code provision C.3.3 of the CG Code. The Audit Committee is mainly responsible for reviewing financial information, monitoring the Company’s financial reporting system and internal control procedures and maintaining the relationship with the Company’s auditors.

The Audit Committee consists of three independent non-executive Directors, namely, Mr. Sung Alfred Lee Ming (chairman), Dr. Yeung Ngai Man, John and Mr. Zhang Guofu. No member of the current Audit Committee is a member of the previous independent auditor of the Company. The Audit Committee has reviewed this announcement as well as the unaudited third quarterly results of the Group for the nine months ended 30 September 2019.

By order of the Board
Shen You Holdings Limited
Wong Kwok Wai, Albert
Chairman and executive Director

Hong Kong, 8 November 2019

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

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