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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 INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 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.*

INTERIM RESULTS

The board of Directors (the “**Board**”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2019, together with the comparative figures for the six months ended 30 June 2018, which are presented in Hong Kong dollars (“**HK\$**”).

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2019

	Notes	For the three months ended 30 June		For the six months ended 30 June	
		2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Revenue	4, 5	15,831	17,234	28,894	29,455
Cost of sales		(11,686)	(13,564)	(22,496)	(23,097)
Gross profit		4,145	3,670	6,398	6,358
Other income and gains	5	923	1,422	972	874
Selling and distribution expenses		(1,605)	(1,911)	(3,095)	(3,468)
Administrative expenses		(2,725)	(4,417)	(6,623)	(9,067)
Other expenses		(26)	–	(179)	(360)
Finance costs	6	(313)	(159)	(618)	(404)
PROFIT/(LOSS) BEFORE TAX	7	399	(1,395)	(3,145)	(6,067)
Income tax credit/(expense)	8	(144)	–	440	857
PROFIT/(LOSS) FOR THE PERIOD		255	(1,395)	(2,705)	(5,210)
PROFIT/(LOSS) ATTRIBUTABLE TO OWNERS OF THE PARENT		255	(1,395)	(2,705)	(5,210)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT	10				
Basic and diluted (expressed in HK cents per share)		0.03	(0.17)	(0.34)	(0.65)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2019

	For the three months ended 30 June		For the six months ended 30 June	
	2019 <i>HK\$'000</i> (unaudited)	2018 <i>HK\$'000</i> (unaudited)	2019 <i>HK\$'000</i> (unaudited)	2018 <i>HK\$'000</i> (unaudited)
PROFIT/(LOSS) FOR THE PERIOD	<u>255</u>	<u>(1,395)</u>	<u>(2,705)</u>	<u>(5,210)</u>
Exchange differences on translation of foreign operations	<u>(1,858)</u>	<u>(4,587)</u>	<u>(287)</u>	<u>(642)</u>
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX	<u>(1,858)</u>	<u>(4,587)</u>	<u>(287)</u>	<u>(642)</u>
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	<u>(1,603)</u>	<u>(5,982)</u>	<u>(2,992)</u>	<u>(5,852)</u>
ATTRIBUTABLE TO OWNERS OF THE PARENT	<u>(1,603)</u>	<u>(5,982)</u>	<u>(2,992)</u>	<u>(5,852)</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

	<i>Notes</i>	As at 30 June 2019 HK\$'000 (unaudited)	As at 31 December 2018 HK\$'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment	<i>11</i>	10,186	10,685
Right-of-use assets		5,436	–
Financial assets at fair value through profit or loss		4,681	4,632
Prepayments, other receivables and other assets	<i>12</i>	4,778	5,971
Deferred tax assets		3,103	2,648
		<hr/>	<hr/>
Total non-current assets		28,184	23,936
CURRENT ASSETS			
Inventories	<i>13</i>	14,955	14,761
Trade receivables	<i>14</i>	12,161	17,441
Prepayments, other receivables and other assets	<i>12</i>	7,344	5,426
Tax recoverable		129	129
Cash and cash equivalents		33,619	30,938
		<hr/>	<hr/>
Total current assets		68,208	68,695
CURRENT LIABILITIES			
Trade payables	<i>15</i>	5,145	5,122
Other payables and accruals	<i>16</i>	5,161	6,729
Interest-bearing bank borrowings	<i>17</i>	19,482	15,217
Tax payable		1,231	1,234
		<hr/>	<hr/>
Total current liabilities		31,019	28,302
NET CURRENT ASSETS		<hr/> 37,189 <hr/>	<hr/> 40,393 <hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		<hr/> 65,373 <hr/>	<hr/> 64,329 <hr/>

	<i>Notes</i>	As at 30 June 2019 HK\$'000 (unaudited)	As at 31 December 2018 HK\$'000 (audited)
NON-CURRENT LIABILITIES			
Lease liabilities		5,259	–
Other payables and accruals	<i>16</i>	<u>–</u>	<u>1,223</u>
Total non-current liabilities		<u>5,259</u>	<u>1,223</u>
Net assets		<u>60,114</u>	<u>63,106</u>
EQUITY			
Share capital	<i>18</i>	8,000	8,000
Reserves		<u>52,114</u>	<u>55,106</u>
Total equity		<u>60,114</u>	<u>63,106</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 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>	Retained profits/ (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	-	-	-	-	-	-	(5,210)	(5,210)
Other comprehensive loss for the period:								
Exchange differences on translation of foreign operations	-	-	-	-	-	(642)	-	(642)
Total comprehensive loss for the period	-	-	-	-	-	(642)	(5,210)	(5,852)
As at 30 June 2018 (unaudited)	<u>8,000</u>	<u>57,751</u>	<u>(1,000)</u>	<u>5,670</u>	<u>-</u>	<u>10,648</u>	<u>(8,837)</u>	<u>72,232</u>
As at 1 January 2019	<u>8,000</u>	<u>57,751</u>	<u>(1,000)</u>	<u>5,670</u>	<u>-</u>	<u>7,452</u>	<u>(14,767)</u>	<u>63,106</u>
Loss for the period	-	-	-	-	-	-	(2,705)	(2,705)
Other comprehensive loss for the period:								
Exchange differences on translation of foreign operations	-	-	-	-	-	(287)	-	(287)
Total comprehensive loss for the period	-	-	-	-	-	(287)	(2,705)	(2,992)
As at 30 June 2019 (unaudited)	<u>8,000</u>	<u>57,751</u>	<u>(1,000)</u>	<u>5,670</u>	<u>-</u>	<u>7,165</u>	<u>(17,472)</u>	<u>60,114</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2019

		For the six months ended 30 June	
		2019	2018
	Notes	HK\$'000 (unaudited)	HK\$'000 (unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		(3,145)	(6,067)
Adjustments for:			
Finance costs	6	618	404
Fair value gain on financial assets at fair value through profit or loss		(49)	57
Bank interest income	5	(1)	(10)
Depreciation of right-of-use assets		637	–
Depreciation of fixed assets	7	585	174
Recognition of prepaid lease payments for buildings	7	–	164
(Gain)/loss on disposal of items of property, plant and equipment	7	(19)	322
		(1,374)	(4,956)
Increase in inventories		(194)	(4,003)
Decrease in trade receivables		5,280	5,497
Increase in prepayments, other receivables and other assets		(2,277)	(1,825)
Increase/(decrease) in trade payables		23	(2,294)
Decrease in other payables and accruals		(1,569)	(8,285)
Cash used in operations		(111)	(15,866)
Interest received		1	10
Interest paid		(618)	(404)
PRC taxes paid		(107)	(1,363)
Net cash flows used in operating activities		(835)	(17,623)

	For the six months ended 30 June	
	2019	2018
<i>Notes</i>	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of items of property, plant and equipment	(145)	(6,962)
Proceeds from disposal of items of property, plant and equipment	31	2,461
Decrease in pledged deposits	–	9,000
	<u> </u>	<u> </u>
Net cash flows (used in)/from investing activities	<u>(114)</u>	<u>4,499</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
New bank loans	10,693	14,300
Repayments of bank loans	(10,804)	(21,556)
Principal portion of lease payment	(544)	–
	<u> </u>	<u> </u>
Net cash flows used in financing activities	<u>(655)</u>	<u>(7,256)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS		
	(1,604)	(20,380)
Cash and cash equivalents at beginning of period	30,938	57,920
Effect of foreign exchange rate changes, net	(91)	(775)
	<u> </u>	<u> </u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>29,243</u>	<u>36,765</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	<u>33,619</u>	<u>37,517</u>
Cash and cash equivalents as stated in the consolidated statement of financial position	33,619	37,517
Bank overdrafts	<u>(4,376)</u>	<u>(752)</u>
Cash and cash equivalents as stated in the consolidated statement of cash flows	<u>29,243</u>	<u>36,765</u>

NOTES TO FINANCIAL STATEMENTS

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, P.O. 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
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
申西辰鑫企業 (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 interim condensed consolidated financial statements of the Group for the six months ended 30 June 2019 (the “**period**”) 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 (Cap. 622) and the Rules Governing the Listing of Securities on GEM of the Stock Exchange.

The unaudited interim 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 2018 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 (“**HKFRSs**”) (which include all Hong Kong Financial Reporting Standards, HKASs and Interpretations) issued by the HKICPA for the first time for these Financial Statements.

Amendments to HKFRS 9	<i>Prepayment Features with Negative Compensation</i>
HKFRS 16	<i>Leases</i>
Amendments to HKAS 19	<i>Plan Amendment, Curtailment or Settlement</i>
Amendments to HKAS 28	<i>Long-term Interests in Associates and Joint Ventures</i>
HK(IFRIC)-Int 23	<i>Uncertainty over Income Tax Treatments</i>

Annual Improvements 2015–2017 Cycle Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Other than as explained below regarding the impact of HKFRS 16 Leases, the new and revised standards are not relevant to the preparation of the Group’s interim condensed consolidated financial information. The nature and impact of HKFRS 16 are described below:

HKFRS 16 replaces HKAS 17 Leases, HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease, HK(SIC)-Int 15 Operating Leases — Incentives and HK(SIC)-Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have any financial impact on leases where the Group is the lessor.

The Group adopted HKFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2019, and the comparative information for 2018 was not restated and continues to be reported under HKAS 17.

New definition of a lease

Under HKFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their standard-alone prices. A practical expedient is available to a lessee, which the Group has adopted, not to separate non-lease components and to account for the lease and the associated non-lease components (e.g., property management services for leases of properties) as a single lease component.

As a lessee — Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has a lease contract for buildings. As a lessee, the Group previously classified the lease as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low value assets (elected on a lease by lease basis) and short-term leases (elected by class of underlying asset). The Group has elected not to recognise right-of-use assets and lease liabilities for (i) leases of low-value assets; and (ii) leases, that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

Impacts on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and included in interest-bearing bank and other borrowings.

The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019. All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 January 2019:

- Applied the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application
- Used hindsight in determining the lease term where the contract contains options to extend/terminate the lease

The impacts arising from the adoption of HKFRS 16 as at 1 January 2019 are as follows:

	Increase/ (decrease) HK\$'000 (unaudited)
Assets	
Increase in right-of-use assets	5,992
Decrease in prepaid lease payments for buildings	<u>(1,608)</u>
Increase in total assets	<u><u>4,384</u></u>
Liabilities	
Increase in lease liabilities	5,827
Decrease in other payables and accruals	<u>(1,443)</u>
Increase in total liabilities	<u><u>4,384</u></u>

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 are as follows:

	<i>HK\$'000 (unaudited)</i>
Operating lease commitments as at 31 December 2018	8,501
Weighted average incremental borrowing rate as at 1 January 2019	4.75%
Discounted operating lease commitments as at 1 January 2019	7,602
Less: Commitments relating to short-term leases and those leases with a remaining lease term ending on or before 31 December 2019	<u>(1,775)</u>
Lease liabilities as at 1 January 2019	<u><u>5,827</u></u>

Summary of new accounting policies

The accounting policy for leases as disclosed in the annual financial statements for the year ended 31 December 2018 is replaced with the following new accounting policies upon adoption of HKFRS 16 from 1 January 2019:

Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term.

Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

Amounts recognised in the interim condensed consolidated statement of financial position and profit or loss

	Right-of-use assets (unaudited) <i>HK\$'000</i>	Lease liabilities (unaudited) <i>HK\$'000</i>
As at 1 January 2019	5,992	5,827
Depreciation charge	(637)	–
Interest expense	–	140
Payments	–	(684)
Exchange realignment	81	(24)
	<hr/>	<hr/>
As at 30 June 2019	<u>5,436</u>	<u>5,259</u>

4. OPERATING SEGMENT INFORMATION

The Group is principally engaged in the manufacturing and trading 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

(a) Revenue from external customers

	Three months ended		Six months ended	
	30 June		30 June	
	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Mainland China	8,825	10,473	16,114	17,589
Overseas	6,083	5,767	10,998	10,042
Hong Kong	923	994	1,782	1,824
	<u>15,831</u>	<u>17,234</u>	<u>28,894</u>	<u>29,455</u>

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

(b) Non-current assets

	30 June	31 December
	2019	2018
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Mainland China	17,254	11,782
Hong Kong	178	230
	<u>17,432</u>	<u>12,012</u>

The non-current asset information is based on the locations of the assets and excludes deferred tax assets, financial assets at fair value through profit or loss, long-term rental deposits and loan to a vendor included in the prepayments, other receivables and other assets.

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 June		For the six months ended 30 June	
	2019 <i>HK\$'000</i> (unaudited)	2018 <i>HK\$'000</i> (unaudited)	2019 <i>HK\$'000</i> (unaudited)	2018 <i>HK\$'000</i> (unaudited)
<i>Revenue from contracts with customers</i>				
Sales of goods	<u>15,831</u>	<u>17,234</u>	<u>28,894</u>	<u>29,455</u>

Revenue from contracts with customers

(i) Disaggregated revenue information

	For the three months ended 30 June		For the six months ended 30 June	
	2019 <i>HK\$'000</i> (unaudited)	2018 <i>HK\$'000</i> (unaudited)	2019 <i>HK\$'000</i> (unaudited)	2018 <i>HK\$'000</i> (unaudited)
Type of goods				
Sewing threads and garment accessories	<u>15,831</u>	<u>17,234</u>	<u>28,894</u>	<u>29,455</u>
Geographical markets				
Mainland China	8,825	10,473	16,114	17,589
Overseas	6,083	5,767	10,998	10,042
Hong Kong	<u>923</u>	<u>994</u>	<u>1,782</u>	<u>1,824</u>
Total revenue from contracts with customers	<u>15,831</u>	<u>17,234</u>	<u>28,894</u>	<u>29,455</u>
Timing of revenue recognition				
Goods transferred at a point in time	<u>15,831</u>	<u>17,234</u>	<u>28,894</u>	<u>29,455</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 June		For the six months ended 30 June	
	2019 <i>HK\$'000</i> (unaudited)	2018 <i>HK\$'000</i> (unaudited)	2019 <i>HK\$'000</i> (unaudited)	2018 <i>HK\$'000</i> (unaudited)
Sales of goods	<u>–</u>	<u>–</u>	<u>187</u>	<u>39</u>

(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.

	For the three months ended 30 June		For the six months ended 30 June	
	2019 <i>HK\$'000</i> (unaudited)	2018 <i>HK\$'000</i> (unaudited)	2019 <i>HK\$'000</i> (unaudited)	2018 <i>HK\$'000</i> (unaudited)
Other income and gains				
Bank interest income	–	8	1	10
Exchange gains, net	625	877	36	207
Fair value gain on financial assets at fair value through profit or loss	–	–	49	57
Gain on disposal of items of property, plant and equipment	–	261	19	–
Gross rental income	201	276	770	600
Other	97	–	97	–
	<u>923</u>	<u>1,422</u>	<u>972</u>	<u>874</u>

6. **FINANCE COSTS**

An analysis of finance costs is as follows:

	For the three months ended 30 June		For the six months ended 30 June	
	2019 <i>HK\$'000</i> (unaudited)	2018 <i>HK\$'000</i> (unaudited)	2019 <i>HK\$'000</i> (unaudited)	2018 <i>HK\$'000</i> (unaudited)
Interest on lease liabilities	70	–	140	–
Interest on bank loans and overdrafts	243	159	478	404
	<u>313</u>	<u>159</u>	<u>618</u>	<u>404</u>

7. LOSS BEFORE TAX

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

	For the three months ended 30 June		For the six months ended 30 June	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Cost of inventories sold	11,686	13,564	22,496	23,097
Depreciation of fixed assets	302	94	585	174
Depreciation of right-of-use assets	317	–	637	–
Recognition of prepaid lease payments for buildings	–	82	–	164
Auditor's remuneration	298	490	732	790
Employees' benefit expenses (excluding directors' remuneration)	4,309	4,662	9,055	10,142
Net exchange gain	(625)	(877)	(36)	(207)
(Gain)/Loss on disposal of fixed assets	–	(261)	(19)	322
Fair value (gain)/loss on financial assets at fair value through profit or loss	–	1	(49)	(57)

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 six months ended 30 June 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 June		For the six months ended 30 June	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Current — Hong Kong and Mainland China	33	–	33	–
Deferred	111	–	(473)	(857)
Tax (credit)/expense	144	–	(440)	(857)

9. DIVIDENDS

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

10. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT

	For the three months ended 30 June		For the six months ended 30 June	
	2019 (unaudited)	2018 (unaudited)	2019 (unaudited)	2018 (unaudited)
Profit/(loss) attributable to owners of the parent (<i>HK\$'000</i>)	<u>255</u>	<u>(1,395)</u>	<u>(2,705)</u>	<u>(5,210)</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 earnings/(loss) per share (<i>HK cents</i>)	<u>0.03</u>	<u>(0.17)</u>	<u>(0.34)</u>	<u>(0.65)</u>

11. PROPERTY, PLANT AND EQUIPMENT

	Production machinery <i>HK\$'000</i>	Office equipment <i>HK\$'000</i>	Leasehold improvements <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
Net carrying amount at 1 January 2019 (audited)	9,218	593	31	843	10,685
Additions	-	145	-	-	145
Disposals	-	(11)	-	-	(11)
Charge for the period	(406)	(66)	(10)	(103)	(585)
Exchange adjustment	(41)	(3)	-	(4)	(48)
Net carrying amount at 30 June 2019 (unaudited)	<u>8,771</u>	<u>658</u>	<u>21</u>	<u>736</u>	<u>10,186</u>

12. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	As at 30 June 2019 <i>HK\$'000</i> (unaudited)	As at 31 December 2018 <i>HK\$'000</i> (audited)
Prepaid lease payments for buildings ^(Note)	-	1,608
Other prepayments	4,687	2,066
Loans to a vendor	4,665	4,630
Deposits and other receivables	<u>2,770</u>	<u>3,093</u>
	<u>12,122</u>	<u>11,397</u>
Portion classified as non-current assets	<u>(4,778)</u>	<u>(5,971)</u>
Current portion included in prepayments, deposits and other receivables	<u>7,344</u>	<u>5,426</u>

Note: It represents prepaid lease payments for buildings held under operating leases for 15 to 20 years. It was recognised in profit or loss over the lease term and the portion to be recognised within 1 year is classified as a current asset.

13. INVENTORIES

	As at 30 June 2019 <i>HK\$'000</i> (unaudited)	As at 31 December 2018 <i>HK\$'000</i> (audited)
Raw materials	6,671	6,842
Work in progress	3,388	2,606
Finished goods	4,896	5,313
	<u>14,955</u>	<u>14,761</u>

14. TRADE RECEIVABLES

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of provisions, is as follows:

	As at 30 June 2019 <i>HK\$'000</i> (unaudited)	As at 31 December 2018 <i>HK\$'000</i> (audited)
Within 1 month	7,061	5,682
1 to 2 months	3,684	7,771
2 to 3 months	620	1,624
Over 3 months	796	2,364
	<u>12,161</u>	<u>17,441</u>

15. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of each reporting period, based on the transaction date, is as follows:

	As at 30 June 2019 <i>HK\$'000</i> (unaudited)	As at 31 December 2018 <i>HK\$'000</i> (audited)
Within 1 month	1,311	1,930
1 to 2 months	1,052	1,085
2 to 3 months	1,298	679
Over 3 months	1,484	1,428
	<u>5,145</u>	<u>5,122</u>

Interest-bearing bank borrowings are denominated in:

	30 June 2019 HK\$'000	31 December 2018 HK\$'000
HK\$	11,376	7,000
United States Dollar (“US\$”)	8,106	8,217
	19,482	15,217

Notes:

- (a) HK Interpretation 5 Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause issued by the HKICPA requires that a loan which includes a clause that gives the lender the unconditional right to call in the loan at any time (“**repayment on demand clause**”) shall be classified in total by the borrower as current in the statement of financial position. Interest-bearing bank loans and overdrafts of the Group in the amount of approximately HK\$19,482,000 (2018: HK\$15,217,000) include a repayment on demand clause under the relevant loan agreements, among which balances amounting to HK\$193,000 (2018: HK\$3,190,000) that are repayable after one year from 30 June 2019 have been classified as current liabilities. For the purpose of the above analysis, such loans are included within current secured bank loans and analysed into bank loans repayable on demand.
- (b) The Group’s bank facilities (including overdraft facilities) amounted to HK\$20,196,000 (2018: HK\$20,445,000), of which HK\$19,482,000 (2018: HK\$15,217,000) had been utilised as at 30 June 2019.
- (c) The following assets were pledged as security for interest-bearing bank borrowings:

	30 June 2019 HK\$'000	31 December 2018 HK\$'000
Financial assets at fair value through profit or loss	4,681	4,632
Trade receivables	3,875	7,355
	8,556	11,987

18. SHARE CAPITAL

Movements of the share capital of the Company during the reporting period are as follows:

	30 June 2019 HK\$'000	31 December 2018 HK\$'000
Authorised:		
5,000,000 Ordinary shares at HK\$0.01 each	<u>50,000</u>	<u>50,000</u>
Issued and fully paid:		
800,000,000 Ordinary shares at HK\$0.01 each	<u>8,000</u>	<u>8,000</u>

19. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The Group's financial assets include cash and cash equivalents, pledged deposits, trade receivables, financial assets included in prepayments, deposits and other receivables, available-for-sale investments and financial assets at fair value through profit or loss. The Group's financial liabilities include trade payables, interest-bearing bank borrowings and financial liabilities included in other payables.

Management has assessed that:

- (a) the fair values of the Group's financial assets at amortised cost and financial liabilities were approximate to their carrying amounts largely due to the short term maturities of these instruments; and
- (b) the fair value of the Group's financial assets at fair value through profit or loss was categorised within Level 3 of the fair value hierarchy which is measured based on significant unobservable inputs and has been estimated based on the surrender value of the insurance policy.

There were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 during the six months ended 30 June 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged in the manufacturing and selling of sewing threads. 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 textured polyester series, elastic filament sewing threads and weft yarn. The Group's customers are located in the People's Republic of China (the "PRC"), Hong Kong as well as overseas countries, including 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 (the "Guangzhou Production Facilities").

For the six months ended 30 June 2019, the Group's revenue decreased slightly by approximately 1.9% as compared with that for the six months ended 30 June 2018. The gross profit margin increased to approximately 22.1% for the six months ended 30 June 2019 from approximately 21.6% for the corresponding period in the preceding year. The increase in gross profit margin was mainly attributable to the slight decrease in direct material costs during the six months ended 30 June 2019.

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 six months ended 30 June 2018 and 2019:

	Six months ended 30 June				Rate of change %
	2019		2018		
	HK\$'000	% of total revenue	HK\$'000	% of total revenue	
PRC	16,114	55.7	17,589	59.7	(8.4)
Overseas <i>(Note)</i>	10,998	38.1	10,042	34.1	9.5
Hong Kong	1,782	6.2	1,824	6.2	(2.3)
	<u>28,894</u>	<u>100.0</u>	<u>29,455</u>	<u>100.0</u>	(1.9)

Note: For the six months ended 30 June 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\$28.9 million for the six months ended 30 June 2019 from approximately HK\$29.5 million for the six months ended 30 June 2018, representing a decrease of approximately 1.9%. Such decrease in the Group's revenue was mainly attributable to the decreased sales in the PRC market.

Cost of sales

The Group's cost of sales primarily consists of direct material costs, processing fees and staff costs. The cost of sales decreased to approximately HK\$22.5 million for the six months ended 30 June 2019 from approximately HK\$23.1 million for the six months ended 30 June 2018, representing a decrease of approximately 2.6%. The Group's cost of sales decreased as a result of the decrease in revenue and direct material costs.

Gross profit and gross profit margin

The Group's gross profit remained stable at approximately HK\$6.4 million for the six months ended 30 June 2019 and 2018. The Group's gross profit margin increased slightly to approximately 22.1% for the six months ended 30 June 2019 from approximately 21.6% for the six months ended 30 June 2018, which was as a result of the aforementioned reasons.

Other gains, net

The Group's other gains, net increased to approximately HK\$0.8 million for the six months ended 30 June 2019 from approximately HK\$0.5 million for the six months ended 30 June 2018. The significant change was mainly attributable to decrease in loss of disposal of fixed assets for the six months ended 30 June 2019.

Selling expenses

Selling expenses mainly consist of staff costs and transportation expenses. Selling expenses decreased to approximately HK\$3.1 million for the six months ended 30 June 2019 from approximately HK\$3.5 million for the six months ended 30 June 2018, representing a decrease of approximately 10.8%. The decrease in the Group's selling expenses was mainly attributable to the decrease in staff costs for the six months ended 30 June 2019.

Administrative expenses

Administrative expenses primarily consist of staff costs, directors' remuneration, depreciation and audit fee. Administrative expenses decreased to approximately HK\$6.6 million for the six months ended 30 June 2019 from approximately HK\$9.1 million for the six months ended 30 June 2018, representing a decrease of approximately 27.0%. Such decrease was mainly attributable to the decrease in staff costs for the six months ended 30 June 2019.

Loss before income tax

As a result of the foregoing, the Group's loss before income tax decreased by approximately 48.2%, or approximately HK\$2.9 million, from approximately HK\$6.1 million for the six months ended 30 June 2018.

Total comprehensive loss attributable to owners of the parent

The total comprehensive loss attributable to owners of the Company decreased to approximately HK\$3.0 million for the six months ended 30 June 2019 from approximately HK\$5.9 million for the six months ended 30 June 2018, representing a decrease of approximately 48.9%.

Basic and diluted loss per Share

The basic loss per share of the Company (the “Share(s)”) for the six months ended 30 June 2019 was approximately HK0.34 cents (2018: HK0.65 cents), representing a decrease of approximately HK0.31 cents, or approximately 47.7%, which is in line with the loss for the period attributable to the owners of the parent, when compared to the six months ended 30 June 2018.

Interim dividend

The Board did not recommend the payment of interim dividend for the six months ended 30 June 2019 (2018: Nil).

Liquidity and financial resources

For the six months ended 30 June 2019, the Group’s operations were primarily financed through its financing activities. The Directors believe that in the long term, the Group’s operations will continue to be funded by a combination of cash generated from the Group’s operating activities and financing activities.

The Group’s cash and bank balances amounted to approximately HK\$33.6 million and approximately HK\$30.9 million as at 30 June 2019 and 31 December 2018, respectively. The functional currency of the Group is Hong Kong dollars. As at 30 June 2019, 98.4% of the Group’s cash and bank balances were denominated in the functional currency (31 December 2018: 92.8%) and the remaining 1.6% (31 December 2018: 7.2%) in other currencies, mainly Renminbi.

As at 30 June 2019 and 31 December 2018, the Group had net current assets of approximately HK\$37.2 million and approximately HK\$40.4 million, respectively, which included trade receivables, prepayments, other receivables, other assets, inventories, cash and cash equivalents and pledged deposits. The Group’s current ratio decreased to approximately 2.2 as at 30 June 2019 from approximately 2.4 as at 31 December 2018 due to the decrease in trade receivables and increase in bank loans.

Gearing ratio

The Group’s gearing ratio is calculated based on net debt (including interest-bearing bank borrowings, trade payables and other payables and accruals, less cash and cash equivalents) divided by the total equity plus net debt at the respective reporting date. The gearing ratio was not applicable to the Group as at 30 June 2019 and 31 December 2018 as its cash and bank balances were more than its bank borrowings. The Group believes that the cash at banks and the bank borrowings provide adequate liquidity to satisfy the Group’s funding requirements.

Commitments

As at 30 June 2019, the Group did not have any significant capital commitments (as at 31 December 2018: Nil).

Capital structure

There has been no change in the capital structure of the Group during the six months ended 30 June 2019. The share capital of the Group only comprises ordinary Shares.

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

Details of changes in the Company's share capital for the six months ended 30 June 2019 are set out in note 18 to the condensed consolidated financial statements of this announcement.

Significant investments

As at 30 June 2019, the Group did not hold any significant investments (as at 31 December 2018: Nil).

Material acquisitions or disposals of subsidiaries and affiliated companies

On 22 June 2017, the Group completed a group reorganisation (the "**Reorganisation**"), details of which are set out in the section headed "History, Reorganisation and Corporate Structure" of the prospectus of the Company dated 30 November 2017 (the "**Prospectus**"). Subsequent to the completion of the Reorganisation and up to 30 June 2019, the Group did not have any acquisitions or disposals of subsidiaries and affiliated companies.

Future plans for material investments and capital assets

Save as those disclosed in the Prospectus, the Group currently has no other plans for material investments and capital assets.

Contingent liabilities

As at 30 June 2019, the Group did not have material contingent liabilities (as at 31 December 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. The Group currently does not have a foreign currency hedging policy. Nevertheless, the Group's management will continue to closely the foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Pledge of assets

As at 30 June 2019 and 31 December 2018, the following assets were pledged to banks to secure certain banking borrowings granted to the Group:

	As at 30 June 2019 HK\$'000 (unaudited)	As at 31 December 2018 HK\$'000 (audited)
Financial asset at fair value through profit or loss	4,681	4,632
Trade receivables	3,875	7,355
	8,556	11,987

Employees and remuneration policies

As at 30 June 2019, the Group employed a total of 175 employees (2018: 178), of whom 169 were located in the PRC and 6 were located in Hong Kong. The Group's staff costs mainly comprised salary, social insurance and housing provident fund. For the six months ended 30 June 2019 and 2018, the Group's total staff costs (excluding Directors' emoluments) amounted to approximately HK\$9.1 million and HK\$10.1 million, respectively. The Group offers remuneration packages comprising basic salaries, discretionary bonuses and allowances to its management and office staff. For the workers at the Guangzhou Production Facilities, the Group offers them with salaries above the minimum wage, provides them with promotion opportunities and allows them budgets for social events such as birthday celebrations.

The remuneration committee of the Company is responsible for reviewing and determining the remuneration packages of the Directors and senior management members with reference to the salaries paid by comparable companies, time commitment and responsibilities of Directors, employment conditions elsewhere in the Group and desirability of performance-based remuneration. Any discretionary bonus and other merit payments are linked to the profit performance of the Group and the individual performance of the Directors and senior management members. The Company adopted a share option scheme (the "**Share Option Scheme**") on 24 November 2017, under which the Company may grant options to, among others, any employee (full-time or part-time) or Directors with a view to rewarding them for their contributions to the Group, giving incentives to them for optimising their performance and efficiency and attracting as well as retaining those whose future contributions are important to the long-term growth and profitability of the Group. Since the adoption of the Share Option Scheme and up to the date of this announcement, no share options have been granted pursuant to the Share Option Scheme.

USE OF PROCEEDS

The Shares were successfully listed on GEM of the Stock Exchange (the “**Listing**”) on 15 December 2017 (the “**Listing Date**”) by way of share offer (the “**Share Offer**”). The Group raised net proceeds of approximately HK\$40.7 million from the Share Offer after deducting commission and expenses borne by the Company in connection with the Share Offer (the “**Net Proceeds**”). The Net Proceeds are intended to be used in accordance with the proposed implementation plans as disclosed under the section headed “Future Plans and Use of Proceeds” in the Prospectus. As at 30 June 2019, the unutilised Net Proceeds amounted to approximately HK\$29.1 million.

As at 30 June 2019, the Net Proceeds had been applied and utilised as follows:

	Net proceeds available <i>HK\$ million</i>	Utilised <i>HK\$ million</i>	Unutilised <i>HK\$ million</i>
Upgrading the Group’s machinery for the production of 100% spun polyester sewing threads for industrial use	20.3	3.1	17.2
Upgrading the Group’s machinery for the production of 100% spun polyester sewing threads for domestic use	7.7	2.2	5.5
Acquiring new cone winding machines	4.1	0.5	3.6
Acquiring new machinery for the production of nylon threads	3.7	1.3	2.4
Setting up a sales office in Zhejiang province	1.2	0.8	0.4
Working capital and other general corporate purposes of the Group	3.7	3.7	–
	<u>40.7</u>	<u>11.6</u>	<u>29.1</u>

An analysis comparing the future plans and use of proceeds contained in the Prospectus with the Group’s actual business progress for the period from the Listing Date up to the date of this announcement:

Business strategy	Implementation plan	Actual progress
Upgrade the Group’s machinery for the production of 100% spun polyester sewing threads for industrial use	— Purchase eight waxing and winding machines for the production of 100% spun polyester sewing threads for industrial use	The Group has purchased and is operating two waxing and winding machines for the production of 100% spun polyester sewing threads for industrial use.
Upgrade the Group’s machinery for the production of 100% spun polyester sewing threads for domestic use	— Purchase two machines for the production of 100% spun polyester sewing threads for domestic use	The Group has purchased and is operating one machine for the production of 100% spun polyester sewing threads for domestic use.

Business strategy	Implementation plan	Actual progress
Acquire new machinery for the production of nylon threads	— Purchase five machines for the production of nylon threads	The Group has purchased and is operating three machines for the production of nylon threads.
Set up a sales office in Zhejiang province	— Lease suitable premises for the Group’s sales office — Renovate the sales office — Purchase office equipment	The Group has leased premises in Zhejiang Province for its sales office and the renovation has been completed.
Acquire new cone winding machines	— Order two cone winding machines to facilitate the Group’s production lines for 100% spun polyester sewing threads and paying the deposit	The Group has purchased and is operating one cone winding machine.

FUTURE PROSPECTS

The future plans and use of proceeds schedule disclosed in the Prospectus were formulated based on the best estimation of the market conditions after the Listing. The discrepancy between the planned use of the Net Proceeds and the actual use mainly arose as a result of the actual market conditions affecting the Group after the Listing. In light of the protectionist trade measures implemented by the United States and the continued economic downturn, the Directors believe that by strictly adhering to the implementation plan set out in the Prospectus, the production capacity of the Group will be unnecessarily enhanced, while the additional machinery may lead to a provision for impairment for such machinery to be made in the future.

In the course of its operations, the Group strongly emphasises the importance of satisfying customers’ needs in respect of high quality and product differentiation and thus has continued to maintain long-term business relationships with its customers. The Directors believe that there are considerable business opportunities in the sewing threads industry in the long term. To satisfy its customers’ potential demands and to take advantage of the business opportunities in the sewing threads industry, the Group will not deviate from the expansion plans set out in the section headed “Future Plans and Use of Proceeds” in the Prospectus. The Directors intend for the expansion plans to be implemented in a prudent and conservative manner with consideration of the market conditions at the time.

The Directors will continue to carefully monitor and assess the situation and, if the expansion plans no longer become feasible for the operation of the Group, the plans may be evaluated and modified so as to ensure that the Group’s business strategies are in the best interests of the Company and the Shareholders as a whole.

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 June 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 British Virgin Islands on 15 August 2016, is wholly and beneficially owned by Mr. Wong Kwok Wai, Albert, 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.
- The letter “L” denotes the person’s long position in the Shares.

Except as disclosed above, as at 30 June 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 Stock 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 June 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%
Good Profit Development 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 British Virgin Islands 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.
- 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 Good Profit Development 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, Good Profit Development 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.

Except as disclosed above, as at 30 June 2019, the Directors are not aware of any interests and short positions owned by any 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 recorded under the provision of Divisions 2 and 3 of Part XV of the SFO, or, who was interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company.

DIRECTORS’ AND CONTROLLING SHAREHOLDERS’ INTERESTS IN COMPETING BUSINESSES

For the six months ended 30 June 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 businesses that competes or may compete with the business of the Group, or had any other conflict of interest with the Group.

CHANGES IN INFORMATION OF DIRECTORS

Pursuant to rule 17.50A of the GEM Listing Rules, the Company is required to disclose any changes to the information required to be disclosed under paragraphs (a) to (e) and (g) of rule 17.50A of the GEM Listing Rules. Mr. Wong Kwok Wai, Albert was appointed as an independent non-executive director of JBB Builders International Limited (stock code: 1903), a company listed on the main board of the Stock Exchange and Yi Hua Holdings Limited (stock code: 2213), a company listed on the main board of the Stock Exchange, on 11 April 2019 and 31 May 2019, respectively. Save as disclosed above, there are no other matters required to be disclosed pursuant to rule 17.50A of the GEM Listing Rules.

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 of the Company (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 of the Company 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 as set out in Appendix 15 to the GEM Listing Rules, the Board is of the view that the Company has complied with the code provisions of the CG code for the period from the Listing Date up to the date of this announcement (the “**Relevant Period**”).

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.

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 during the Relevant Period.

INTERESTS OF THE COMPLIANCE ADVISER

In compliance with 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 has, 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.

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 since the Listing Date and up to the date of this announcement.

EVENTS AFTER THE REPORTING PERIOD

There are no material subsequent events undertaken by the Company or the Group after 30 June 2019 and up to the date of this announcement.

AUDIT COMMITTEE

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 (the chairman of the Audit Committee), 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 consolidated results of the Group for the six months ended 30 June 2019.

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

Hong Kong, 9 August 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.