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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 2020**

#### **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 2020, 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 2020 amounted to approximately HK\$31.6 million;
- loss after taxation for the nine months ended 30 September 2020 amounted to approximately HK\$8.6 million; and
- basic and diluted loss per share of the Company for the nine months ended 30 September 2020 approximately HK4.25 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 2020, together with the unaudited comparative figures for the corresponding period in 2019, 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 2020*

	<i>Notes</i>	For the three months ended 30 September		For the nine months ended 30 September	
		2020	2019	2020	2019
		<i>HK\$'000</i> <b>(unaudited)</b>	<i>HK\$'000</i> (unaudited)	<i>HK\$'000</i> <b>(unaudited)</b>	<i>HK\$'000</i> (unaudited)
Revenue	5	<b>14,105</b>	16,064	<b>31,628</b>	44,958
Cost of sales		<b>(10,562)</b>	(13,433)	<b>(25,093)</b>	(35,929)
		<hr/>	<hr/>	<hr/>	<hr/>
Gross profit		<b>3,543</b>	2,631	<b>6,535</b>	9,029
Other income and gains	5	<b>494</b>	848	<b>1,429</b>	1,820
Selling and distribution expenses		<b>(1,869)</b>	(1,553)	<b>(4,509)</b>	(4,648)
Administrative expenses		<b>(4,131)</b>	(2,803)	<b>(10,621)</b>	(9,426)
Other expenses		<b>(1,241)</b>	(27)	<b>(1,104)</b>	(206)
Finance costs	6	<b>(64)</b>	(307)	<b>(314)</b>	(925)
		<hr/>	<hr/>	<hr/>	<hr/>
LOSS BEFORE TAX	7	<b>(3,268)</b>	(1,211)	<b>(8,584)</b>	(4,356)
Income tax (expense)/credit	8	<b>–</b>	(5)	<b>(1)</b>	435
		<hr/>	<hr/>	<hr/>	<hr/>
LOSS FOR THE PERIOD		<b>(3,268)</b>	(1,216)	<b>(8,585)</b>	(3,921)
		<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
LOSS ATTRIBUTABLE TO OWNERS OF THE PARENT		<b>(3,268)</b>	(1,216)	<b>(8,585)</b>	(3,921)
		<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT	10				
Basic and diluted (expressed in HK cents per Share)		<b>1.36</b>	0.72	<b>4.25</b>	2.34
		<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

*For the three months and nine months ended 30 September 2020*

	<b>For the three months ended 30 September</b>		<b>For the nine months ended 30 September</b>	
	<b>2020</b>	2019	<b>2020</b>	2019
	<b>HK\$'000</b>	HK\$'000	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)	<b>(unaudited)</b>	(unaudited)
LOSS FOR THE PERIOD	<u><b>(3,268)</b></u>	<u>(1,216)</u>	<u><b>(8,585)</b></u>	<u>(3,921)</u>
OTHER COMPREHENSIVE LOSS				
Exchange differences on translation of foreign operations	<u><b>2,377</b></u>	<u>(1,793)</u>	<u><b>1,114</b></u>	<u>(2,080)</u>
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX	<u><b>2,377</b></u>	<u>(1,793)</u>	<u><b>1,114</b></u>	<u>(2,080)</u>
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	<u><b>(891)</b></u>	<u>(3,009)</u>	<u><b>(7,471)</b></u>	<u>(6,001)</u>
ATTRIBUTABLE TO OWNERS OF THE PARENT	<u><b>(891)</b></u>	<u>(3,009)</u>	<u><b>(7,471)</b></u>	<u>(6,001)</u>

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months and nine months ended 30 September 2020

	Share capital HK\$'000	Share premium HK\$'000	Merger reserve HK\$'000	Statutory surplus reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Accumulated losses HK\$'000	Total equity HK\$'000
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)	<u>8,000</u>	<u>57,751</u>	<u>(1,000)</u>	<u>5,670</u>	<u>5,372</u>	<u>(18,688)</u>	<u>57,105</u>
As at 1 January 2020	<b>8,000</b>	<b>57,751</b>	<b>(1,000)</b>	<b>5,670</b>	<b>6,037</b>	<b>(33,986)</b>	<b>42,472</b>
Loss for the period	-	-	-	-	-	(8,585)	(8,585)
Other comprehensive loss for the period:							
Exchange differences on translation of foreign operations	-	-	-	-	1,114	-	1,114
Total comprehensive loss for the period	-	-	-	-	1,114	(8,585)	(7,471)
Issue of rights shares	4,000	13,200	-	-	-	-	17,200
Share issuing expenses	-	(2,559)	-	-	-	-	(2,559)
As at 30 September 2020 (unaudited)	<u>12,000</u>	<u>68,392</u>	<u>(1,000)</u>	<u>5,670</u>	<u>7,151</u>	<u>(42,571)</u>	<u>49,642</u>

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months and nine months ended 30 September 2020

### 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\$60,000,000	–	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

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	
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 nine months ended 30 September 2020 (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 to 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 2019.

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 2019, except for the adoption of the standards, amendments and interpretation issued by the HKICPA mandatory for the annual periods beginning on 1 January 2020. The effect of the adoption of these standards, amendments and interpretation is described in note 3 below.

In January 2020, the ICAC conducted a search of the registered office of the Company and the Company’s chairman and chief executive officer was under investigation (the “**Investigation**”) with no prosecution issued by the ICAC up to the date of approval of these consolidated financial statements.

In the opinion of the directors of the Group, the Investigation does not have material impact to these financial statements.

### Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the nine months ended 30 September 2020. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e. existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary; (ii) the carrying amount of any non-controlling interest; and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received; (ii) the fair value of any investment retained; and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

### **3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES**

The Group has adopted the following new and revised HKFRSs.

Amendments to HKFRS 3	<i>Definition of a Business</i>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i>

The adoption of the above new and revised standards has 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	
	2020 <i>HK\$'000</i> (unaudited)	2019 <i>HK\$'000</i> (unaudited)	2020 <i>HK\$'000</i> (unaudited)	2019 <i>HK\$'000</i> (unaudited)
PRC	6,971	9,162	18,031	25,276
Overseas	5,459	5,981	10,522	16,979
Hong Kong	1,675	921	3,075	2,703
	<u>14,105</u>	<u>16,064</u>	<u>31,628</u>	<u>44,958</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	
	2020 <i>HK\$'000</i> (unaudited)	2019 <i>HK\$'000</i> (unaudited)	2020 <i>HK\$'000</i> (unaudited)	2019 <i>HK\$'000</i> (unaudited)
Sales of goods	<u>14,105</u>	<u>16,064</u>	<u>31,628</u>	<u>44,958</u>

## Revenue from contracts with customers

### (i) Disaggregated revenue information

	For the three months ended 30 September		For the nine months ended 30 September	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
<b>Type of goods</b>				
Sewing threads and garment accessories	<u>14,105</u>	<u>16,064</u>	<u>31,628</u>	<u>44,958</u>
<b>Geographical markets</b>				
PRC	6,971	9,162	18,031	25,276
Overseas	5,459	5,981	10,522	16,979
Hong Kong	<u>1,675</u>	<u>921</u>	<u>3,075</u>	<u>2,703</u>
Total revenue from contracts with customers	<u>14,105</u>	<u>16,064</u>	<u>31,628</u>	<u>44,958</u>
<b>Timing of revenue recognition</b>				
Goods transferred at a point in time	<u>14,105</u>	<u>16,064</u>	<u>31,628</u>	<u>44,958</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.

An analysis of other income and gains is as follows:

	For the three months ended 30 September		For the nine months ended 30 September	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Bank interest income	–	1	1	2
Exchange gains, net	–	481	–	517
Fair value gains on financial assets at fair value through profit or loss	–	27	73	76
Gains on disposal of items of property, plant and equipment	–	–	–	19
Gross rental income	331	339	977	1,109
Others	<u>163</u>	<u>–</u>	<u>378</u>	<u>97</u>
	<u>494</u>	<u>848</u>	<u>1,429</u>	<u>1,820</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	
	2020 <i>HK\$'000</i> (unaudited)	2019 <i>HK\$'000</i> (unaudited)	2020 <i>HK\$'000</i> (unaudited)	2019 <i>HK\$'000</i> (unaudited)
Interest on lease liabilities	64	68	196	208
Interest on bank loans and overdrafts	–	239	118	717
	<u>64</u>	<u>307</u>	<u>314</u>	<u>925</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	
	2020 <i>HK\$'000</i> (unaudited)	2019 <i>HK\$'000</i> (unaudited)	2020 <i>HK\$'000</i> (unaudited)	2019 <i>HK\$'000</i> (unaudited)
Cost of inventories sold	10,562	13,433	25,093	35,929
Depreciation of fixed assets	359	295	1,053	880
Depreciation of right-of-use assets	395	307	1,202	944
Minimum lease payments under operating leases:				
Land and building and office equipment	24	268	90	891
Auditor's remuneration	200	195	650	927
Employees' benefit expenses (excluding Directors' remuneration)	3,898	4,042	10,773	13,097
Net exchange loss/(gain)	1,094	481	585	(517)
(Gain)/Loss on disposal of fixed assets	5	–	128	(19)
Fair value gain on financial assets at fair value through profit or loss	–	(27)	(73)	(76)
	<u>–</u>	<u>(27)</u>	<u>(73)</u>	<u>(76)</u>

## 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 period, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime effective from the year of assessment 2018/2019. The first HK\$2,000,000 of assessable profits of this subsidiary is taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

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	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Current — Hong Kong and Mainland China	—	—	1	32
Deferred	—	5	—	(467)
Tax expense/(credit)	<u>—</u>	<u>5</u>	<u>1</u>	<u>(435)</u>

## 9. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the nine months ended 30 September 2020.

## 10. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT

	For the three months ended 30 September		For the nine months ended 30 September	
	2020 (unaudited)	2019 (unaudited) (restated)	2020 (unaudited)	2019 (unaudited) (restated)
Loss attributable to owners of the parent (HK\$'000)	<u>3,268</u>	<u>1,216</u>	<u>8,585</u>	<u>3,921</u>
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	<u>240,000,000</u>	<u>167,832,168</u>	<u>201,827,370</u>	<u>167,832,168</u>
Basic and diluted loss per Share (HK cents)	<u>1.36</u>	<u>0.72</u>	<u>4.25</u>	<u>2.34</u>

The weighted average number of ordinary shares for the three months and nine months ended 30 September 2019 for the purposes of calculating basic loss per share have been adjusted for the issue of new shares under rights issue and the share consolidation which took place on 11 June 2020 and 25 August 2020 respectively.

## 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 and Switzerland. 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 nine months ended 30 September 2020, the Group's revenue decreased by approximately 29.6% as compared with that for the nine months ended 30 September 2019. The gross profit margin slightly increase to approximately 20.7% for the nine months ended 30 September 2020 from approximately 20.1% for the same period in the preceding year.

The loss attributable to the owners of the parent increase to approximately HK\$8.6 million for the nine months ended 30 September 2020 from approximately HK\$3.9 million for the same period in 2019, representing an increase of approximately 118.9%. Such increase was primarily due to the decrease of the sales which reduce the gross profit and the exchange loss during the period.

### 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 2019 and 2020:

	Nine months ended 30 September				Rate of change %
	2020		2019		
	HK\$'000	% of total revenue	HK\$'000	% of total revenue	
PRC	18,031	57.0	25,276	56.2	-28.7%
Overseas (Note)	10,522	33.3	16,979	37.8	-38.0%
Hong Kong	3,075	9.7	2,703	6.0	13.8%
	<u>31,628</u>	<u>100.0</u>	<u>44,958</u>	<u>100.0</u>	-29.6%

Note: For each of the nine months ended 30 September 2019 and 2020, 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\$31.6 million for the nine months ended 30 September 2020 from approximately HK\$45.0 million for the nine months ended 30 September 2019, representing a decrease of approximately 29.6%. Such decrease in the Group's revenue was mainly due to the outbreak of coronavirus ("COVID-19") pandemic, which has effected the sales performance in both PRC 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\$25.1 million for the nine months ended 30 September 2020 from approximately HK\$35.9 million for the nine months ended 30 September 2019, representing a decrease of approximately 30.2%. The decrease in the Group's cost of sales was mainly due to the significant decrease in sales for the period.

#### *Gross profit and gross profit margin*

The Group's gross profit decreased to approximately HK\$6.5 million for the nine months ended 30 September 2020 from approximately HK\$9.0 million for the nine months ended 30 September 2019, representing a decrease of approximately 27.6%. The decrease in gross profit was mainly attributable to the significant decrease in sales for the period. The Group's gross profit margin slightly increased to approximately 20.7% for the nine months ended 30 September 2020 from approximately 20.1% for the nine months ended 30 September 2019.

#### *Other income and gains, net*

The Group recorded other income and gains, net of approximately HK\$1.4 million for the nine months ended 30 September 2020 as compared with other income and gains, net of approximately HK\$1.8 million for the nine months ended 30 September 2019. Such change was mainly attributable to the Group recorded 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\$4.5 million for the nine months ended 30 September 2020 from approximately HK\$4.6 million for the nine months ended 30 September 2019, representing a decrease of approximately 3.0%. The decrease in the Group's selling and distribution expenses was mainly attributable to a decrease in the transportation costs for the nine months ended 30 September 2020.

### *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 increased to approximately HK\$10.6 million for the nine months ended 30 September 2020 from approximately HK\$9.4 million for the nine months ended 30 September 2019, representing an increase of approximately 12.7%. Such increase was mainly attributable to the increase 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\$8.6 million for the nine months ended 30 September 2020, representing an increase of approximately 97.1% from approximately HK\$4.4 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 increased to approximately HK\$7.5 million for the nine months ended 30 September 2020 from approximately HK\$6.0 million for the nine months ended 30 September 2019, representing an increase of approximately 24.5%.

### *Basic and diluted loss per Share*

The Company's basic and diluted loss per Share for the nine months ended 30 September 2020 was approximately HK\$4.25 cents (2019: HK\$2.34 cents (restated)), representing an increase of approximately HK\$1.91 cents, or approximately 81.6%, which was primarily due to the increase in loss for the nine months ended 30 September 2020.

### **Interim Dividend**

The Board does not recommend the payment of an interim dividend for the nine months ended 30 September 2020.

### **Capital Structure**

On 11 June 2020, the Company completed a rights issue and issued 400,000,000 new shares with par value HK\$0.01 each at a subscription price of HK\$0.043 per rights share on the basis of one rights share for every two existing shares held (the "**Rights Issue**"), and the net proceeds of the Rights Issue, after deducting the related expenses, were approximately HK\$14.6 million, which were mainly used for the partial payments of the Group's general and administrative expenses, professional fees and acquisition of raw materials. Detailed terms of the Rights Issue and its results were set out in the Company's prospectus dated 20 May 2020 (the "**Rights Issue Prospectus**") and the announcement dated 11 June 2020, respectively.

In the extraordinary general meeting of the Company on 21 August 2020, it was approved that a share consolidation on the basis that every five (5) issued and unissued Shares of HK\$0.01 each were consolidated into one (1) Share of HK\$0.05 each on 25 August 2020 (“**Share Consolidation**”). Details of the Share Consolidation are set out in the Company’s circular dated 5 August 2020 and the announcement dated 21 August 2020.

As at 30 September 2020, the Company’s issued share capital amounted to HK\$12 million, divided by 240,000,000 Shares of HK\$0.05 each.

### **Significant Investments**

As at 30 September 2020, the Group did not hold any significant investments (as at 30 September 2019: 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 2020, 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 2020, the Group did not have material contingent liabilities (as at 30 September 2019: Nil).

### **Future Plans and Prospects**

As disclosed in the announcements of the Company dated 18 August 2020, 7 September 2020, 28 September 2020 and 20 October 2020 (collectively, the “**Announcements**”), the Company entered into a sale and purchase agreement (the “**SPA**”) in relation to the acquisition of the entire issued share capital of Diamond Motto Limited (the “**Target Group**”).

Save as these disclosed above and in the Company’s prospectus dated 30 November 2017 (the “**Prospectus**”), the Group currently has no other plans for material investments and capital assets.



## 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 2020, 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	120,000,000 (L) (Notes 2, 3)	50%
Mr. Leung King Yue, Alex	Beneficial interest	10,000,000 (L)	4.17%

*Notes:*

1. As at the date of this announcement, the Company’s issued ordinary share capital was HK\$12,000,000 divided into 240,000,000 Shares of HK\$0.05 each.
2. 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 120,000,000 Shares held by Three Gates Investment by virtue of the SFO.
3. The letter “L” denotes the person’s long position in the Shares.

Save as disclosed above, as at 30 September 2020, 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 2020, 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	120,000,000 (L) (Notes 2, 3)	50%
Gold-Face Finance Limited	Person having a security interest in Shares	80,000,000 (L) (Notes 3, 4, 5)	33.33%
Upbest Credit and Mortgage Limited	Person having a security interest in Shares	80,000,000 (L) (Notes 3, 4, 5)	33.33%
Good Foundation Company Limited	Person having a security interest in Shares	80,000,000 (L) (Notes 3, 4, 5)	33.33%
Upbest Strategic Company Limited	Person having a security interest in Shares	80,000,000 (L) (Notes 3, 4, 5)	33.33%
Upbest Financial Holdings Limited	Person having a security interest in Shares	80,000,000 (L) (Notes 3, 4, 5)	33.33%
Upbest Group Limited	Person having a security interest in Shares	80,000,000 (L) (Notes 3, 4, 5)	33.33%

### Notes:

- As at the date of this announcement, the Company's issued ordinary share capital was HK\$12,000,000 divided into 240,000,000 Shares of HK\$0.05 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 120,000,000 Shares held by Three Gates Investment by virtue of his 100% shareholding interest in Three Gates Investment.

3. 80,000,000 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 80,000,000 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 2020, 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 2020 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.

### **Changes in Information of Directors**

Pursuant to rule 17.50A(1) of the GEM Listing Rules, the changes in the information of Directors subsequent to the date of the Company’s 2019 annual report are as follows:

<b>Directors</b>	<b>Changes in position held with the Company</b>
Mr. Leung King Yue, Alex	Mr. Leung was appointed as an executive Director with effect from 4 June 2020.
Mr. Chan Tsun Choi, Arnold	Mr. Chan was appointed as an independent non-executive Director (“ <b>INED</b> ”) with effect from 4 June 2020 and a member of each of the audit committee, the remuneration committee and the nomination committee of the Company with effect from 26 June 2020.

## Directors

## Changes in position held with the Company

Mr. Chow Chin Hang, Joel

Mr. Chow was appointed as an INED with effect from 4 June 2020 and a member of each of the audit committee, the remuneration committee and the nomination committee of the Company with effect from 26 June 2020.

Mr. Gao Biao

Mr. Gao retired as a non-executive Director with effect from 26 June 2020.

Mr. Zhang Guofu

Mr. Zhang retired as an INED and a member of each of the audit committee, the remuneration committee and the nomination committee of the Company with effect from 26 June 2020.

Save as disclosed above, there are no other matters required to be disclosed pursuant to rule 17.50A(1) 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 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 2020.

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 for the nine months ended 30 September 2020.

## **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 2020.

## **Connected Transactions**

### *Shareholder's loan agreement between Mr. Wong and Tseyu International*

On 31 March 2020, Mr. Wong Kwok Wai, Albert, a controlling shareholder of the Company and an executive Director ("**Mr. Wong**"), and Tseyu International Trading Company Limited ("**Tseyu International**"), a wholly-owned subsidiary of the Company, entered into a shareholder's loan agreement in respect of the shareholder's loans provided by Mr. Wong to Tseyu International. The shareholder's loans, amounting to HK\$19,171,000, are interest-free, unsecured and repayable in cash on demand. As the shareholder's loans were provided on normal commercial terms or better and were not secured by the assets of the Group, the shareholder's loans are fully exempt under Chapter 20 of the GEM Listing Rules. Further details of the shareholder's loan agreement between Mr. Wong and Tseyu International are set out in the announcement of the Company dated 31 March 2020.

### *Loan agreement between Mr. Wong and Guangzhou Xinhua*

On 31 March 2020, Mr. Wong and Guangzhou Xinhua Thread Company (廣州新華線業有限公司) ("**Guangzhou Xinhua**"), a wholly-owned subsidiary of the Company, entered into a loan agreement in relation to the intra-group current accounts balance in a sum of RMB16,760,277 (equivalent to HK\$18,603,907) due from Mr. Wong to Guangzhou Xinhua. It was agreed that, among other things, interest shall be payable by Mr. Wong to Guangzhou Xinhua to be accrued at a rate of 2% per annum on the outstanding current accounts balance from the date of the loan agreement and the current accounts balance shall be repaid by Mr. Wong within three years from the date of the loan agreement. Such loan agreement and the transactions contemplated thereunder constitute financial assistance and connected transactions for the Company under Chapter 20 of the GEM Listing Rules and are therefore subject to the reporting, announcement, circular and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules. Details of the loan agreement between Mr. Wong and Guangzhou Xinhua are set out in the announcements of the Company dated 31 March 2020, 21 April 2020, 8 May 2020 and 6 June 2020, 3 July 2020, 14 August 2020, 18 September 2020 and 16 October 2020, respectively.

Save as disclosed above, there are no other transactions for the nine months ended 30 September 2020 under the definition of connected transactions or continuing connected transactions pursuant to Chapter 20 of the GEM Listing Rules. The Company confirms that it has complied with the applicable disclosure requirements in accordance with Chapter 20 of the GEM Listing Rules.

### **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 four independent non-executive Directors, namely, Mr. Sung Alfred Lee Ming (chairman), Dr. Yeung Ngai Man, John, Mr. Chan Tsun Choi, Arnold and Mr. Chow Chin Hang, Joel. 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 2020.

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

Hong Kong, 10 November 2020

*As at the date of this announcement, the Board comprises three executive Directors, namely, Mr. Wong Kwok Wai, Albert, Mr. Chan Yiu Tung, Enoch and Mr. Leung King Yue, Alex and four independent non-executive Directors, namely, Dr. Yeung Ngai Man, John, Mr. Sung Alfred Lee Ming, Mr. Chan Tsun Choi, Arnold and Mr. Chow Chin Hang, Joel.*

*This announcement will remain on the “Latest Company Announcements” page of the GEM website at [www.hkgem.com](http://www.hkgem.com) for at least 7 days from the date of its posting and be posted on the website of the Company at [www.shenyouholdings.com](http://www.shenyouholdings.com).*