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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 2022

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 SUMMARY

For the nine months ended 30 September 2022, 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 2022 amounted to approximately HK\$51.6 million;
- loss after taxation for the nine months ended 30 September 2022 amounted to approximately HK\$16.3 million; and
- basic and diluted loss per share of the Company for the nine months ended 30 September 2022 approximately HK3.98 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 2022, together with the unaudited comparative figures for the corresponding period in 2021, 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 2022

	Notes	For the three months ended 30 September		For the nine months ended 30 September	
		2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Revenue	4	15,546	16,755	51,610	49,328
Cost of sales		<u>(14,751)</u>	<u>(13,519)</u>	<u>(46,148)</u>	<u>(40,705)</u>
Gross profit		795	3,236	5,462	8,623
Other income and gains	5	1,622	38	6,944	1,214
Selling and distribution expenses		(1,242)	(1,896)	(4,323)	(5,266)
Administrative expenses		(8,115)	(5,999)	(21,519)	(17,534)
Other expenses		(628)	(559)	(1,837)	(2,362)
Finance costs	6	(734)	(174)	(1,017)	(503)
Impairment loss on goodwill		<u>-</u>	<u>-</u>	<u>-</u>	<u>(11,128)</u>
LOSS BEFORE TAX	7	(8,302)	(5,354)	(16,290)	(26,956)
Income tax expense	8	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
LOSS FOR THE PERIOD		<u>(8,302)</u>	<u>(5,354)</u>	<u>(16,290)</u>	<u>(26,956)</u>
LOSS ATTRIBUTABLE TO OWNERS OF THE PARENT		<u>(8,302)</u>	<u>(5,354)</u>	<u>(16,290)</u>	<u>(26,956)</u>
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT	10				
Basic and diluted (expressed in HK cents per Share)		<u>2.03</u>	<u>1.35</u>	<u>3.98</u>	<u>7.65</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and nine months ended 30 September 2022

	For the three months ended 30 September		For the nine months ended 30 September	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
LOSS FOR THE PERIOD	<u>(8,302)</u>	<u>(5,354)</u>	<u>(16,290)</u>	<u>(26,956)</u>
OTHER COMPREHENSIVE (LOSS)/INCOME				
Exchange differences on translation of foreign operations	<u>(3,375)</u>	<u>60</u>	<u>(5,898)</u>	<u>491</u>
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD, NET OF TAX	<u>(3,375)</u>	<u>60</u>	<u>(5,898)</u>	<u>491</u>
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	<u>(11,677)</u>	<u>(5,294)</u>	<u>(22,188)</u>	<u>(26,465)</u>
ATTRIBUTABLE TO OWNERS OF THE PARENT	<u>(11,677)</u>	<u>(5,294)</u>	<u>(22,188)</u>	<u>(26,465)</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months and nine months ended 30 September 2022

	Share capital HK\$'000	Share premium HK\$'000	Merger reserve HK\$'000	Statutory surplus reserve HK\$'000	Share option reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Accumulated losses HK\$'000	Total equity HK\$'000
As at 1 January 2021	12,000	68,392	(1,000)	5,670	–	10,127	(49,581)	45,608
Loss for the period	–	–	–	–	–	–	(26,956)	(26,956)
Other comprehensive (loss)/income for the period:								
Exchange differences on translation of foreign operations	–	–	–	–	–	491	–	491
Total comprehensive loss for the period	–	–	–	–	–	491	(26,956)	(26,465)
Issue of consideration shares for acquisition	3,372	22,256	–	–	–	–	–	25,628
Issue of new shares under general mandate on year 2020	2,400	11,521	–	–	–	–	–	13,921
Issue of new shares under general mandate on year 2021	2,685	28,828	–	–	–	–	–	31,513
Recognition of equity-settled share option expenses	–	–	–	–	1,155	–	–	1,155
As at 30 September 2021 (unaudited)	<u>20,457</u>	<u>130,997</u>	<u>(1,000)</u>	<u>5,670</u>	<u>1,155</u>	<u>10,618</u>	<u>(76,537)</u>	<u>91,360</u>
As at 1 January 2022	20,457	130,674	(1,000)	5,670	1,155	11,631	(76,822)	91,765
Loss for the period	–	–	–	–	–	–	(16,290)	(16,290)
Other comprehensive (loss)/income for the period:								
Exchange differences on translation of foreign operations	–	–	–	–	–	(5,898)	–	(5,898)
Total comprehensive loss for the period	–	–	–	–	–	(5,898)	(16,290)	(22,188)
Recognition of equity-settled share option expenses	–	–	–	–	3,787	–	–	3,787
As at 30 September 2022 (unaudited)	<u>20,457</u>	<u>130,674</u>	<u>(1,000)</u>	<u>5,670</u>	<u>4,942</u>	<u>5,733</u>	<u>(93,112)</u>	<u>73,364</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months and nine months ended 30 September 2022

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 Windward 3, Regatta Office Park, 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 selling of sewing threads and broad categories of garment accessories, the provision of interior design, furnishing services and furnishing services, and equine related services.

In the opinion of the Directors, 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	
申酉辰鑫企業（上海）有限公司*	PRC/Mainland China	HK\$5,000,000	–	100%	Investment holding
杭州新裕線業有限公司	PRC/Mainland China	RMB500,000	–	100%	Trading of sewing threads and broad categories of garment accessories
Diamond Motto Limited	BVI	US\$300	100%	–	Investment holding
LMP International Limited	Hong Kong	HK\$1	–	100%	Provision of interior design, fitting out and decoration services
Better Dynasty Limited	Hong Kong	HK\$10,000	100%	–	Investment holding
Harbour Equine Limited	Hong Kong	HK\$100	–	100%	Investment holding
Thrill Rank Company Limited	BVI	US\$100	100%	–	Investment holding
Harbour Equine Pty Ltd	Australia	AUS\$100	–	100%	Horse breeding
Harbour Stallion Pty Ltd	Australia	AUS\$100	–	100%	Horse breeding
Harbour Racing Limited	Hong Kong	HK\$100	100%	–	Horse breeding

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

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“**HKFRSs**”), Hong Kong Accounting Standards (“**HKASs**”) and interpretations (hereinafter collectively referred to as the “**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the “**GEM Listing Rules**”) and the Companies Ordinances.

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 2021.

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 2021.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

4. OPERATING SEGMENT INFORMATION

The Group identifies its operating segments and prepared segment information based on the regular internal financial information reported to the Group's executive directors for their decisions about resources allocation to the Group's business components and review of these components' performance.

The Group has three reportable segments as follows:

Manufacture and selling of threads	—	manufacture and selling of high performance sewing threads and broad categories of garment accessories
Interior design and decoration	—	provision of interior design, interior decoration and furnishing services
Equine services	—	providing stallion service, trading and breeding of bloodstocks and other equine services

Information about reportable segment profit or loss:

	Three months ended 30 September 2022			
	Manufacturing and selling of threads <i>HK\$'000</i> (unaudited)	Interior design and decoration <i>HK\$'000</i> (audited)	Equine services <i>HK\$'000</i> (audited)	Total <i>HK\$'000</i> (unaudited)
Turnover				
Revenue form external customers	11,591	3,632	323	15,546
Result				
Segment profit/(loss)	272	9	(2,216)	(1,935)
Corporate and unallocated expenses				(6,367)
Loss before tax				(8,302)
Income tax expense				—
Loss for the period				(8,302)

Nine months ended 30 September 2022

	Manufacturing and selling of threads <i>HK\$'000</i> (unaudited)	Interior design and decoration <i>HK\$'000</i> (audited)	Equine services <i>HK\$'000</i> (audited)	Total <i>HK\$'000</i> (unaudited)
Turnover				
Revenue form external customers	38,190	10,891	2,529	51,610
	<u>38,190</u>	<u>10,891</u>	<u>2,529</u>	<u>51,610</u>
Result				
Segment profit/(loss)	(1,861)	21	(2,057)	(3,897)
Corporate and unallocated expenses				(12,393)
Loss before tax				(16,290)
Income tax expense				-
Loss for the period				(16,290)
	<u><u>38,190</u></u>	<u><u>10,891</u></u>	<u><u>2,529</u></u>	<u><u>51,610</u></u>

Three months ended 30 September 2021

	Manufacturing and selling of threads <i>HK\$'000</i> (unaudited)	Interior design and decoration <i>HK\$'000</i> (audited)	Equine services <i>HK\$'000</i> (audited)	Total <i>HK\$'000</i> (unaudited)
Turnover				
Revenue form external customers	14,138	2,617	-	16,755
	<u>14,138</u>	<u>2,617</u>	<u>-</u>	<u>16,755</u>
Result				
Segment profit/(loss)	(1,703)	599	(983)	(2,087)
Corporate and unallocated expenses				(3,267)
Loss before tax				(5,354)
Income tax expense				-
Loss for the period				(5,354)
	<u><u>14,138</u></u>	<u><u>2,617</u></u>	<u><u>-</u></u>	<u><u>16,755</u></u>

Nine months ended 30 September 2021

	Manufacturing and selling of threads <i>HK\$'000</i> (unaudited)	Interior design and decoration <i>HK\$'000</i> (audited)	Equine services <i>HK\$'000</i> (audited)	Total <i>HK\$'000</i> (unaudited)
Turnover				
Revenue form external customers	39,397	9,931	—	49,328
Result				
Segment loss	(5,571)	(803)	(1,094)	(7,468)
Corporate and unallocated expenses				(19,488)
Loss before tax				(26,956)
Income tax expense				—
Loss for the period				<u>(26,956)</u>

An analysis of revenue by geographic location, based on the location of customer and service provided, is set out below:

	Three months ended 30 September		Nine months ended 30 September	
	2022 <i>HK\$'000</i> (unaudited)	2021 <i>HK\$'000</i> (unaudited)	2022 <i>HK\$'000</i> (unaudited)	2021 <i>HK\$'000</i> (unaudited)
PRC	5,281	5,951	18,250	20,570
Hong Kong	3,799	4,964	12,323	13,988
Overseas	6,466	5,840	21,037	14,770
	<u>15,546</u>	<u>16,755</u>	<u>51,610</u>	<u>49,328</u>

5. OTHER INCOME AND GAINS

An analysis of other income and gains is as follows:

	For the three months ended 30 September		For the nine months ended 30 September	
	2022 <i>HK\$'000</i> (unaudited)	2021 <i>HK\$'000</i> (unaudited)	2022 <i>HK\$'000</i> (unaudited)	2021 <i>HK\$'000</i> (unaudited)
Bank interest income	–	–	–	1
Exchange gains (loss), net	499	(661)	1,265	(699)
Fair value gain/loss on biological assets	(43)	–	2,752	–
Gross rental income	914	683	2,504	1,828
Others	252	16	423	84
	<u>1,622</u>	<u>38</u>	<u>6,944</u>	<u>1,214</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	
	2022 <i>HK\$'000</i> (unaudited)	2021 <i>HK\$'000</i> (unaudited)	2022 <i>HK\$'000</i> (unaudited)	2021 <i>HK\$'000</i> (unaudited)
Interest on lease liabilities	50	90	149	268
Interest on bank loans and overdrafts	684	84	868	235
	<u>734</u>	<u>174</u>	<u>1,017</u>	<u>503</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	
	2022 <i>HK\$'000</i> (unaudited)	2021 <i>HK\$'000</i> (unaudited)	2022 <i>HK\$'000</i> (unaudited)	2021 <i>HK\$'000</i> (unaudited)
Cost of inventories sold	9,923	11,567	32,824	32,335
Depreciation of fixed assets	515	601	1,435	1,442
Depreciation of right-of-use assets	564	361	1,736	1,246
Minimum lease payments under operating leases:				
Land and building and office equipment	(121)	121	85	361
Employees' benefit expenses (excluding Directors' remuneration)	7,282	5,716	18,180	15,703
Net exchange loss/(gain)	(499)	661	(1,265)	699
Loss on disposal of fixed assets	–	9	65	837

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 2020/2021. 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	
	2022 <i>HK\$'000</i> (unaudited)	2021 <i>HK\$'000</i> (unaudited)	2022 <i>HK\$'000</i> (unaudited)	2021 <i>HK\$'000</i> (unaudited)
Current — Hong Kong and Mainland China	—	—	—	—
Deferred	—	—	—	—
Tax expense	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

9. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the nine months ended 30 September 2022.

10. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT

	For the three months ended 30 September		For the nine months ended 30 September	
	2022 (unaudited)	2021 (unaudited)	2022 (unaudited)	2021 (unaudited)
Loss attributable to owners of the parent (<i>HK\$'000</i>)	<u>8,302</u>	<u>5,354</u>	<u>16,290</u>	<u>26,956</u>
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	<u>409,141,860</u>	<u>396,884,251</u>	<u>409,141,860</u>	<u>352,564,451</u>
Basic and diluted loss per Share (<i>HK cents</i>)	<u>2.03</u>	<u>1.35</u>	<u>3.98</u>	<u>7.65</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged in the manufacturing and trading of sewing threads and board categories of garment accessories, provision of interior design, interior decoration services and furnishing services, and provision of equine related services business.

The Group 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 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 business line of interior design, fitting out and decoration services, the Group consider that there is a growing popularity of interior design, fitting-out and decoration in commercial, residential and public sectors in Hong Kong and the Greater Bay Area to seek individuality and style. Hence, the Group expected this line of business can diversify its existing business portfolio and to increase source of income.

Moreover, the Group has acquired quality broodmares and share of the stallions to enter into horse trading and breeding business in Australia. As part of the Group's expanding stallion portfolio we have acquired shareholding in Australia's most exciting young sire in Extreme Choice, the son of champion sire Not A Single Doubt, stands at the famed Hunter Valley Stallion farm Newgate which are rapidly becoming a dominant force in the Australian market. We have also acquired shares in last year's 2 year old champion Farnan when he retired to Kia Ora Stud, along with the likes of Denman, who is highly regarded in the Hong Kong racing scene. We have also acquired a stake in a new sire Portland Sky, being a son of successful Hong Kong Sire Deep Field, which is standing at Widden Stud. In addition, we have acquired an interest in stallion prospect Mo'unga, a Group 1 winning son of Champion sire Savabeel, which is set to retire in 2023 and commence his stud career. Our acquisition also include promising young racehorses including Williamsburg, son of Snitzel, who has won in Group 3 race as a two year old. Our broodmare portfolio reside at some of Australia's leading nurseries including Segenhoe Stud, Newhaven park, Rosemont stud and Twin Hills. The management team have been actively pursuing strategic partnerships with key industry participants to enable the bloodstock arm of the company to take advantage of the booming industry in Australia. With prize money, industry participation and market trends at an all time high in the Australian bloodstock industry we are purposely positioned to benefit from this lucrative market boom.

For the nine months ended 30 September 2022, the Group's recorded an unaudited revenue of approximately HK\$51.6 million, representing an increase of approximately 4.6% as compared with approximately HK\$49.3 million for the nine months ended 30 September 2021. The increase in revenue is mainly attributable to the revenue generated from the equine services. The gross profit margin decrease to approximately 10.6% for the nine months ended 30 September 2022 from approximately 17.5% for the same period in the preceding year.

The loss attributable to the owners of the parent decrease to approximately HK\$16.3 million for the nine months ended 30 September 2022 from approximately HK\$27.0 million for the same period in 2021, representing a decrease of approximately 39.6%. Such decrease was primarily due to the one-off impairment loss of goodwill on the same period of the preceding year.

FINANCIAL REVIEW

Revenue

The revenue was generated from the segment of manufacturing and trading of threads product and interior design and decoration and equine services. The following table sets out a breakdown of the Group's revenue attributable to two segments of the Group of the nine months ended 30 September 2022 and 2021:

	Nine months ended 30 September				Rate of change %
	2022		2021		
	<i>HK\$'000</i>	<i>% of total revenue</i>	<i>HK\$'000</i>	<i>% of total revenue</i>	
Manufacturing and selling of threads	38,190	74.0	39,397	79.9	(3.1)
Interior design and decoration	10,891	21.1	9,931	20.1	9.7
Equine services	2,529	4.9	–	–	–
	<u>51,610</u>	<u>100.0</u>	<u>49,328</u>	<u>100.0</u>	<u>4.6</u>

Manufacturing and trading of threads

The revenue attributable to the manufacturing and trading of threads decreased to approximately HK\$38.2 million for the nine months ended 30 September 2022 from approximately HK\$39.4 million for the nine months ended 30 September 2021, representing a slightly decrease of approximately 3.1%. The revenue decrease was mainly attributable to the decrease in sales in the PRC market for the nine months ended 30 September 2022.

Interior design and decoration

The revenue attributable to the interior design and decoration increased to approximately HK\$10.9 million for the nine months ended 30 September 2022 from approximately HK\$9.9 million for the nine months ended 30 September 2021, representing an increase of approximately 9.7%. The revenue increase was mainly due to the tension of COVID-19 seemed to be abating in Hong Kong during the period.

Equine services

The revenue attributable to the equine services is HK\$2.5 million for the nine month ended 30 September 2022. It is the segment newly setup on 2021, therefore no revenue recorded for the nine months ended 30 September 2021.

Cost of sales

The Group's cost of sales primarily consists of director material costs, processing fees, direct labour costs and welfare and social insurance, agistment costs and bloodstock insurance. The following table sets out a breakdown of the Group's cost of sales attributable to three segments of the Group of the nine months ended 30 September 2022 and 2021:

	Nine months ended		Rate of change %
	30 September		
	2022	2021	
	HK\$'000	HK\$'000	
Manufacturing and selling of threads	32,824	32,335	1.5
Interior design and decoration	7,901	7,462	5.9
Equine services	5,423	908	497.2
	<u>46,148</u>	<u>40,705</u>	<u>13.4</u>

Manufacturing and trading of threads

The cost of sales attributable to the manufacturing and selling of threads increase to approximately HK\$22.9 million for the nine months ended 30 September 2022 from approximately HK\$20.8 million for the nine months ended 30 September 2021, representing an increase of 1.5%. The cost of sales for the manufacturing and selling of threads increased due to the significant increase in direct material costs.

Interior design and decoration

The cost of sales attributable to the interior design and decoration increase to approximately HK\$7.9 million for the nine months ended 30 September 2022 from approximately HK\$7.5 million for the nine months ended 30 September 2021 representing an increase of 5.9%. The cost of sales for the interior design and decoration increased is in line with the increase of the revenue.

Equine services

The cost of sales attributable to the equine services increase to approximately HK\$5.4 million for the nine months ended 30 September 2022 from approximately HK\$0.9 million for the nine months ended 30 September 2021 representing an increase of 497.2%. The increase of cost of sales for equine services is mainly due to the significant agistment cost generated from the bloodstock during the period.

Gross profit and gross profit margin

The Group's gross profit decreased to approximately HK\$5.5 million for the nine months ended 30 September 2022 from approximately HK\$8.6 million for the nine months ended 30 September 2021, representing a decrease of approximately 36.7%. The gross profit margin decrease to approximately 10.6% for the nine months ended 30 September 2022 from approximately 17.5% for the nine months 30 September 2021 was mainly attributable to the segment of manufacturing and selling of threads was deteriorated due to the significant increase in direct material costs. Furthermore, the gross loss recorded by the segment of the equine services which also diluted the gross profit margin of the Group.

Other income and gains/(losses and expenses), net

The Group's other income and gains, net increase to approximately HK\$5.1 million for the nine months ended 30 September 2022 from approximately HK\$1.1 million net loss and expenses for the nine months ended 30 September 2021. The change was mainly attributable to the increase in the exchange gains and the fair value gain on the biological assets for the nine months ended 30 September 2022.

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\$4.3 million for the nine months ended 30 September 2022 from approximately HK\$5.3 million for the nine months ended 30 September 2021, representing a decrease of approximately 17.9%. The decrease in the Group's selling expenses was mainly attributable to the decrease in the staff cost for the nine months ended 30 September 2021.

Administrative expenses

Administrative expenses primarily consist of staff costs, audit fee, Directors' remuneration and legal and professional fees. Administrative expenses increased to approximately HK\$21.5 million for the nine months ended 30 September 2022 from approximately HK\$17.5 million for the nine months ended 30 September 2021, representing an increase of approximately 22.7%. Such increase was mainly attributable to the increase in staff costs and recognition of share option expenses during the period.

Loss before income tax

As a result of the aforesaid, the Group recorded a loss before income tax of approximately HK\$16.3 million for the nine months ended 30 September 2022, representing a decrease of approximately 39.6% from approximately HK\$27.0 million for the corresponding period in the preceding year.

Total comprehensive loss attributable to owners of the parent

The total comprehensive loss attributable to owners of the parent was approximately HK\$22.2 million for the nine months ended 30 September 2022. In comparison, for the corresponding period in 2021, a total comprehensive loss of approximately HK\$26.5 million was recorded. Such change was mainly due to the impairment loss of goodwill on the same period of the preceding year and the combined effect in the Group's loss for the nine months ended 30 September 2022 mentioned above.

Basic and diluted loss per Share

The Company's basic and diluted loss per share for the nine months ended 30 September 2022 was approximately HK3.98 cents (2021: HK7.65 cents), representing a decrease of approximately HK3.67 cents, or approximately 48.0%, which was primarily due to the decrease in loss for the nine months ended 30 September 2022.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the nine months ended 30 September 2022.

CAPITAL STRUCTURE

During the nine months ended 30 September 2022, there was no change in the capital structure of the Group and the share capital of the Group only comprises ordinary shares of the Company (the “Shares”).

As at 30 September 2022, the Company’s issued share capital amounted to approximately HK\$20.5 million, divided by 409,141,860 Shares of HK\$0.05 each.

SIGNIFICANT INVESTMENTS

There were neither significant investment held as at 30 September 2022 nor material acquisitions during the nine months ended 30 September 2022.

There is no plan for material investment or capital assets as at 30 September 2022.

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 and the revenue and cost generated from equine related services in Australia. 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.

CONTINGENT LIABILITIES

As at 30 September 2022, the Group did not have material contingent liabilities (as at 30 September 2021: Nil).

FUTURE PROSPECTS

For the existing principal business of manufacturing and selling of sewing threads, the Group has experienced some difficulties owing to the outbreak of the coronavirus (“**COVID-19**”) pandemic and uncertainties due to the ongoing trade conflict between the People’s Republic of China (the “**PRC**”) and the United States of America (“**U.S.**”) as well as the gradual slowdown of the PRC economy. In coming year, although the tension of COVID-19 seemed to be abating, we expect that the trade conflict between the PRC and the US and the COVID-19 will still continue impacting our business. The Group will continue to pay close attention to the trade conflict and COVID-19 and to evaluate its impact on the financial position, cashflows and operating result of this business line.

For the business line of interior design, fitting out and decoration services, the Group consider that there is a growing popularity of interior design, fitting-out and decoration in commercial, residential and public sectors in Hong Kong and the Greater Bay Area to seek individuality and style. Hence, the Group expected this line of business can diversify its existing business portfolio and to increase source of income.

In additions, as part of the Group’s expanding stallion portfolio we have acquired shareholding in Australia’s most exciting young sire in Extreme Choice, the son of champion sire Not A Single Doubt, stands at the famed Hunter Valley Stallion farm Newgate which are rapidly becoming a dominant force in the Australian market. We have also acquired shares in last year’s 2 year old champion Farnan when he retired to Kia Ora Stud, along with the likes of Denman, who is highly regarded in the Hong Kong racing scene. We have also acquired a stake in a new sire Portland Sky, being a son of successful Hong Kong Sire Deep Field, which is standing at Widden Stud. In addition, we have acquired an interest in stallion prospect Mo’unga, a Group 1 winning son of Champion sire Savabeel, which is set to retire in 2023 and commence his stud career. Our acquisition also include promising young racehorses including Williamsburg, son of Snitzel, who has won in Group 3 race as a two year old. Our broodmare portfolio reside at some of Australia’s leading nurseries including Segenhoe Stud, Newhaven park, Rosemont stud and Twin Hills. The management team have been actively pursuing strategic partnerships with key industry participants to enable the bloodstock arm of the company to take advantage of the booming industry in Australia.

With prize money, industry participation and market trends at an all time high in the Australian bloodstock industry we are purposely positioned to benefit from this lucrative market boom.

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 2022, 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:

Long position in the Shares and Underlying Shares

(a) Ordinary shares of the Company

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)	29.33%
Mr. Leung King Yue, Alex	Beneficial interest	10,100,000 (L)	2.47%

(b) *Share options of the Company*

Name of category of participant	Date of grant of share option	Exercisable period	Exercise price HK\$	Outstanding at 1 January 2022	Number of underlying shares in respect of which share option were granted			Outstanding at 30 September 2022
					Granted during the period	Exercised during the period	Lapsed during the period	
Directors								
Mr. Ma Pok Man, Josiah	13 May 2021	13 May 2021– 12 May 2024	0.57	3,500,000	—	—	—	3,500,000
Mr. Ma Pok Man, Josiah	31 August 2022	31 August 2022– 30 August 2025	0.59	—	4,000,000	—	—	4,000,000
Mr. Shane McGrath	3 January 2022	3 January 2022– 2 January 2025	0.492	—	4,091,418	—	—	4,091,418
Mr. Leung King Yue, Alex	31 August 2022	31 August 2022– 30 August 2025	0.59	—	4,000,000	—	—	4,000,000
Other eligible participants								
Nil				—	—	—	—	—
				<u>3,500,000</u>	<u>12,091,418</u>	<u>—</u>	<u>—</u>	<u>15,591,418</u>

Notes:

- As at the date of this announcement, the Company's issued ordinary share capital was HK\$20,457,093 divided into 409,141,860 Shares of HK\$0.05 each.
- Three Gates Investment Limited (“**Three Gates Investment**”), a company incorporated in the BVI on 15 August 2016, is wholly and beneficially owned by Mr. Wong Kwok Wai, Albert (“**Mr. Wong**”), who is the chairman and an executive Director of the Company. Therefore, Mr. Wong is deemed to be interested in 120,000,000 Shares held by Three Gates Investment by virtue of the SFO.
- During the period, no share options mentioned above were cancelled.

Except as disclosed above, as at 30 September 2022, 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 2022, 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:

Long position in the Shares and Underlying Shares

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 (Notes 2, 3)	29.33%
Gold-Face Finance Limited	Person having a security interest in Shares	80,000,000 (Notes 3, 4)	19.55%
Upbest Credit and Mortgage Limited	Person having a security interest in Shares	80,000,000 (Notes 3, 4)	19.55%
Good Foundation Company Limited	Person having a security interest in Shares	80,000,000 (Notes 3, 4)	19.55%
Upbest Strategic Company Limited	Person having a security interest in Shares	80,000,000 (Notes 3, 4)	19.55%
Upbest Financial Holdings Limited	Person having a security interest in Shares	80,000,000 (Notes 3, 4)	19.55%

Name of Substantial Shareholder	Nature of interest/ Holding capacity	Number of ordinary shares held	Percentage of issued share capital of the Company (Note 1)
Upbest Group Limited	Person having a security interest in Shares	80,000,000 (Notes 3, 4)	19.55%
Fung Wing Cheung, Tony	Beneficial owner	40,800,000	9.97%

Notes:

1. As at the date of this announcement, the Company's issued ordinary share capital was HK\$20,457,093 divided into 409,141,860 Shares of HK\$0.05 each.
2. Three Gates Investment 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.

Except as disclosed above, as at 30 September 2022, 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 nine months ended 30 September 2022 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(1) of the GEM Listing Rules, the changes in the information of Directors subsequent to the date of the Company's 2021 annual report are as follows:

Directors	Changes in position held with the Company
Mr. Chow Chin Hang, Joel	Mr. Chow resigned as portfolio manager and a responsible officer to carry out Type 4 and Type 9 regulated activities under the SFO at Perpetuum Wealth Management Limited since June 2022. Mr. Chow has served as a portfolio manager at Bowen Capital Limited since June 2022.

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 2022.

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 2022.

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 2022.

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. Details of the shareholder's loan agreement are set out in the circular dated 16 February 2021.

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 has been approved by the independent shareholders based on Chapter 20 of the GEM Listing Rules. Details of the loan agreement are set out in the circular dated 16 February 2021 and announcements of the Company dated 8 March 2021.

Save as disclosed above, there are no other transactions for the nine months ended 30 September 2022 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 30 September 2022 and up to the date of this announcement.

AUDIT COMMITTEE

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

The Audit Committee consists of three independent non-executive Directors, namely, Mr. Sung Alfred Lee Ming (chairman), 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 2022.

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

Hong Kong, 14 November 2022

As at the date of this announcement, the Board comprises five executive Directors, namely, Mr. Wong Kwok Wai, Albert, Mr. Chan Yiu Tung, Enoch, Mr. Leung King Yue, Alex, Mr. Ma Pok Man Josiah and Mr. Shane McGrath; and three independent non-executive Directors, namely, Mr. Sung Alfred Lee Ming, Mr. Chan Tsun Choi, Arnold and Mr. Chow Chin Hang, Joel.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with 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.

This announcement will remain on the “Latest Listed Company Information” page of the website of The Stock Exchange of Hong Kong Limited at www.hkexnews.hk for at least 7 days from the date of its publication and be posted on the website of the Company at www.shenyouholdings.com.