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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 2018

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 2018, 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 2018 amounted to approximately HK\$46.1 million;
- loss after taxation for the nine months ended 30 September 2018 amounted to approximately HK\$7.3 million; and
- basic and diluted loss per share of the Company for the nine months ended 30 September 2018 approximately HK0.92 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 Company and its subsidiaries (the “**Group**”) for the three months and nine months ended 30 September 2018, together with the unaudited comparative figures for the corresponding period in 2017, 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 2018

	<i>Notes</i>	For the three months ended 30 September		For the nine months ended 30 September	
		2018 <i>HK\$'000</i> (unaudited)	2017 <i>HK\$'000</i> (unaudited)	2018 <i>HK\$'000</i> (unaudited)	2017 <i>HK\$'000</i> (unaudited)
Revenue	4	16,622	18,849	46,077	50,346
Cost of sales		<u>(13,617)</u>	<u>(12,253)</u>	<u>(36,714)</u>	<u>(32,777)</u>
Gross profit		3,005	6,596	9,363	17,569
Other income and gains	5	1,604	2	2,478	60
Selling and distribution expenses		(1,630)	(1,521)	(5,098)	(4,037)
Administrative expenses		(4,824)	(2,496)	(13,891)	(7,339)
Other expenses		(38)	(5,028)	(398)	(10,426)
Finance costs	6	<u>(232)</u>	<u>(462)</u>	<u>(636)</u>	<u>(1,713)</u>
LOSS BEFORE TAX	7	(2,115)	(2,909)	(8,182)	(5,886)
Income tax (expense)/credit	8	<u>(17)</u>	<u>(475)</u>	<u>840</u>	<u>(722)</u>
LOSS FOR THE PERIOD		<u>(2,132)</u>	<u>(3,384)</u>	<u>(7,342)</u>	<u>(6,608)</u>
LOSS ATTRIBUTABLE TO OWNERS OF THE PARENT		<u>(2,132)</u>	<u>(3,384)</u>	<u>(7,342)</u>	<u>(6,608)</u>
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT	10				
Basic and diluted (expressed in HK cents per share)		<u>(0.27)</u>	<u>(0.56)</u>	<u>(0.92)</u>	<u>(1.10)</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and nine months ended 30 September 2018

	For the three months ended 30 September		For the nine months ended 30 September	
	2018 <i>HK\$'000</i> (unaudited)	2017 <i>HK\$'000</i> (unaudited)	2018 <i>HK\$'000</i> (unaudited)	2017 <i>HK\$'000</i> (unaudited)
LOSS FOR THE PERIOD	<u>(2,132)</u>	<u>(3,384)</u>	<u>(7,342)</u>	<u>(6,608)</u>
OTHER COMPREHENSIVE (LOSS)/INCOME				
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:				
Available-for-sale investment:				
Change in fair value	–	–	–	120
Income tax effect	<u>–</u>	<u>–</u>	<u>–</u>	<u>(19)</u>
	–	–	–	101
Exchange differences on translation of foreign operations	<u>(2,598)</u>	<u>1,225</u>	<u>(3,240)</u>	<u>3,487</u>
OTHER COMPREHENSIVE (LOSS)/ INCOME FOR THE PERIOD, NET OF TAX	<u>(2,598)</u>	<u>1,225</u>	<u>(3,240)</u>	<u>3,588</u>
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	<u>(4,730)</u>	<u>(2,159)</u>	<u>(10,582)</u>	<u>(3,020)</u>
ATTRIBUTABLE TO OWNERS OF THE PARENT	<u>(4,730)</u>	<u>(2,159)</u>	<u>(10,582)</u>	<u>(3,020)</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months and nine months ended 30 September 2018

	Share capital HK\$'000	Share premium HK\$'000	Merger reserve HK\$'000	Statutory surplus reserve HK\$'000	Available-for-sale investment revaluation reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Retained profits/ losses (Accumulated) HK\$'000	Total equity HK\$'000
As at 1 January 2017 (audited)	–	–	40,000	5,670	(966)	6,293	10,388	61,385
Loss for the period	–	–	–	–	–	–	(6,608)	(6,608)
Other comprehensive loss for the period:								
Change in fair value of an available-for-sale investment, net of tax	–	–	–	–	101	–	–	101
Exchange differences on translation of foreign operations	–	–	–	–	–	3,487	–	3,487
Total comprehensive income/(loss) for the period	–	–	–	–	101	3,487	(6,608)	(3,020)
As at 30 September 2017 (unaudited)	–	–	40,000	5,670	(865)	9,780	3,780	58,365
As at 1 January 2018	8,000	57,751	(1,000)	5,670	(825)	11,290	(2,802)	78,084
HKFRS 9 adjustment on retained earnings	–	–	–	–	825	–	(825)	–
As at 1 January 2018 (after adjustment)	8,000	57,751	(1,000)	5,670	–	11,290	(3,627)	78,084
Loss for the period	–	–	–	–	–	–	(7,342)	(7,342)
Other comprehensive loss for the period:								
Exchange differences on translation of foreign operations	–	–	–	–	–	(3,240)	–	(3,240)
Total comprehensive loss for the period	–	–	–	–	–	(3,240)	(7,342)	(10,582)
As at 30 September 2018 (unaudited)	8,000	57,751	(1,000)	5,670	–	8,050	(10,969)	67,502

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months and nine months ended 30 September 2018

1. CORPORATE AND GROUP INFORMATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law (as revised) of the Cayman Islands on 18 August 2016. The registered office address of the Company is Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands. The shares of the Company were listed on GEM of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 15 December 2017.

The Company is an investment holding company. During the period, 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.

2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for financial assets at fair value through profit or loss and available-for-sale investment which have been measured at fair value. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

The unaudited condensed consolidated financial statements have been prepared in accordance with the same accounting policies adopted in the 2017 annual financial statements except for the adoption of the standards, amendments and interpretation issued by the HKICPA mandatory for the annual periods beginning on 1 January 2018. The effect of the adoption of these standards, amendments and interpretation is described in our 2017 annual 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 2018. 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 Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, HKASs and Interpretations) issued by the HKICPA for the first time for these Financial Statements.

Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
Amendments to HKFRS 15	Clarifications to HKFRS 15 Revenue from Contracts with Customers
Amendment to HKAS 40	Transfers of Investment Property
HK (IFRIC) — Int 22	Foreign Currency Transactions and Advance Consideration
Annual Improvements 2014–2016 Cycle	Amendments to HKFRS 1 and HKAS 28

Other than the impact of HKFRS 9 and HKFRS 15 as disclosed in note 2.3 of the Group's financial statements in the Group's annual report for the year ended 31 December 2017, the Group expects that the adoption of the above new and revised standards will have no significant impact on these financial statements.

4. OPERATING SEGMENT INFORMATION

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

Geographical information

Revenue from external customers

	For the three months ended 30 September		For the nine months ended 30 September	
	2018 <i>HK\$'000</i> (unaudited)	2017 <i>HK\$'000</i> (unaudited)	2018 <i>HK\$'000</i> (unaudited)	2017 <i>HK\$'000</i> (unaudited)
Mainland China	10,222	8,456	27,811	24,980
Hong Kong	549	3,520	2,373	6,988
Overseas	5,851	6,873	15,893	18,378
	<u>16,622</u>	<u>18,849</u>	<u>46,077</u>	<u>50,346</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, other income and gains is as follows:

	For the three months ended 30 September		For the nine months ended 30 September	
	2018 <i>HK\$'000</i> (unaudited)	2017 <i>HK\$'000</i> (unaudited)	2018 <i>HK\$'000</i> (unaudited)	2017 <i>HK\$'000</i> (unaudited)
Revenue				
Sales of goods	<u>16,622</u>	<u>18,849</u>	<u>46,077</u>	<u>50,346</u>
Other income and gains				
Bank interest income	1	–	11	1
Exchange gains, net	1,028	–	1,235	–
Fair value gain on financial assets at fair value through profit or loss	57	–	114	–
Gain on disposal of items of property, plant and equipment	–	2	–	59
Gross rental income	291	–	891	–
Others	227	–	227	–
	<u>1,604</u>	<u>2</u>	<u>2,478</u>	<u>60</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	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Interest on bank loans and overdrafts	<u>232</u>	<u>462</u>	<u>636</u>	<u>1,713</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	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Cost of inventories sold	13,617	12,253	36,714	32,777
Depreciation	223	93	397	284
Recognition of prepaid lease payments for buildings	82	67	246	206
Minimum lease payments under operating leases:				
Land and building and office equipment	496	429	1,361	1,237
Auditor's remuneration	310	311	1,100	904
Employees' benefit expenses (excluding Directors' remuneration)	4,935	4,572	15,077	11,529
Net exchange loss/(gain)	(1,028)	216	(1,235)	1,007
(Gain)/Loss on disposal of fixed assets	–	(2)	322	(59)
Listing expenses	–	5,151	–	9,418
Fair value gain on financial assets at fair value through profit or loss	(57)	–	(114)	–

8. INCOME TAX

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

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the nine months ended 30 September 2017 and 2018.

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	
	2018 <i>HK\$'000</i> (unaudited)	2017 <i>HK\$'000</i> (unaudited)	2018 <i>HK\$'000</i> (unaudited)	2017 <i>HK\$'000</i> (unaudited)
Current — Hong Kong and Mainland China	—	421	—	533
Deferred	<u>17</u>	<u>54</u>	<u>(840)</u>	<u>189</u>
Tax expense/(credit)	<u><u>17</u></u>	<u><u>475</u></u>	<u><u>(840)</u></u>	<u><u>722</u></u>

9. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the nine months ended 30 September 2018.

10. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT

	For the three months ended 30 September		For the nine months ended 30 September	
	2018 (unaudited)	2017 (unaudited)	2018 (unaudited)	2017 (unaudited)
Loss attributable to owners of the parent (<i>HK\$'000</i>)	<u>2,132</u>	<u>3,384</u>	<u>7,342</u>	<u>6,608</u>
Number of shares	<u>800,000,000</u>	<u>600,000,000</u>	<u>800,000,000</u>	<u>600,000,000</u>
Basic and diluted loss per share (<i>HK cents</i>)	<u>0.27</u>	<u>0.56</u>	<u>0.92</u>	<u>1.10</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group is principally engaged in the manufacturing and selling of sewing threads. It currently manufactures polyester sewing threads, which are mainly used for garments. The major product of the Group is 100% spun polyester sewing threads. Other types of sewing threads are also offered, including textured polyester series, elastic filament sewing threads and weft yarn. The Group's customers are located in the People's Republic of China (the "PRC"), Hong Kong as well as overseas countries, including United Arab Emirates ("UAE"), Mauritius and Australia. 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 2018, the Group's revenue decreased by approximately 8.5% as compared with that for the nine months ended 30 September 2017. The gross profit margin decreased to approximately 20.3% for the nine months ended 30 September 2018 from approximately 34.9% for the same period in the preceding year. The decrease in gross profit margin was mainly attributable to the significant increase in direct material costs, processing fees and staff costs incurred by the Group for the nine months ended 30 September 2018.

Non-recurring listing expenses were not recognised in the Group's unaudited condensed consolidated statements of profit or loss for the nine months ended 30 September 2018. In comparison, non-recurring listing expenses of approximately HK\$9.4 million were recognised for the same period in 2017.

The loss attributable to the owners of the parent increased to approximately HK\$7.3 million for the nine months ended 30 September 2018 from approximately HK\$6.6 million for the same period in 2017, representing an increase of approximately 11.1%. Such increase was primarily due to the increase in staff costs for the sales department and administrative department, which in turn increased the Group's selling expenses and administrative expenses for the nine months ended 30 September 2018.

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 2017 and 2018:

	Nine months ended 30 September				Rate of change %
	2018		2017		
	HK\$'000	% of total revenue	HK\$'000	% of total revenue	
PRC	27,811	60.4	24,980	49.6	11.3
Hong Kong	2,373	5.1	6,988	13.9	(66.0)
Overseas (Note)	15,893	34.5	18,378	36.5	(13.5)
	<u>46,077</u>	<u>100</u>	<u>50,346</u>	<u>100</u>	(8.5)

Note: For each of the nine months ended 30 September 2017 and 2018, the Group exported its products to countries including but not limited to UAE, Mauritius and Australia.

The Group's revenue decreased to approximately HK\$46.1 million for the nine months ended 30 September 2018 from approximately HK\$50.3 million for the nine months ended 30 September 2017, representing a decrease of approximately 8.5%. Such decrease was mainly attributable to the decrease in sales to the Hong Kong and overseas markets.

Cost of sales

The Group's cost of sales primarily consists of direct material costs, processing fees, direct labour costs and welfare and social insurance. The cost of sales increased to approximately HK\$36.7 million for the nine months ended 30 September 2018 from approximately HK\$32.8 million for the nine months ended 30 September 2017, representing an increase of approximately 12.0%. The Group's cost of sales increased due to the significant increase in direct material costs, processing fees, and staff costs.

Gross profit and gross profit margin

The Group's gross profit decreased to approximately HK\$9.3 million for the nine months ended 30 September 2018 from approximately HK\$17.6 million for the nine months ended 30 September 2017, representing a decrease of approximately 46.7%. The decrease in gross profit was mainly attributable to the significant increase in direct material costs, processing fees and staff costs. The Group's gross profit margin decreased to approximately 20.3% for the nine months ended 30 September 2018 from approximately 34.9% for the nine months ended 30 September 2017, which was also a result of the aforementioned reasons.

Other gains/(losses), net

The Group recorded other gains, net of approximately HK\$2.1 million for the nine months ended 30 September 2018 as compared with other losses, net of approximately HK\$10.4 million for the nine months ended 30 September 2017. Such change was mainly attributable to (i) no listing expenses being recognised for the nine months ended 30 September 2018; and (2) the recognition of exchange gain and gross rental income during the nine months ended 30 September 2018.

Selling expenses

Selling expenses mainly consist of staff costs of the sales department and transportation expenses. Selling expenses increased to approximately HK\$5.1 million for the nine months ended 30 September 2018 from approximately HK\$4.0 million for the nine months ended 30 September 2017, representing an increase of approximately 26.3%. The increase in the Group's selling expenses was mainly attributable to the increase in staff costs of the sales department.

Administrative expenses

Administrative expenses primarily consist of staff costs of the administration department, Directors' remuneration and legal and professional fees. Administrative expenses increased to approximately HK\$13.9 million for the nine months ended 30 September 2018 from approximately HK\$7.3 million for the nine months ended 30 September 2017, representing an increase of approximately 89.3%. Such increase was mainly attributable to the increase in staff costs of the administration department, Directors' remuneration, audit fee and legal and professional fees.

Listing expenses

For the nine months ended 30 September 2018, the Group did not recognise any non-recurring listing expenses in the unaudited condensed consolidated statement of profit or loss. Alternatively, listing expenses of approximately HK\$9.4 million were recorded in the Group's unaudited condensed consolidated statement of profit or loss for the nine months ended 30 September 2017.

Loss before income tax

As a result of the aforesaid, the Group recorded a loss before income tax of approximately HK\$8.2 million for the nine months ended 30 September 2018, representing an increase of approximately 39.0% from approximately HK\$5.9 million for the same period of the preceding year.

Total comprehensive loss attributable to the owners of the parent

The total comprehensive loss attributable to the owners of the parent increased to approximately HK\$10.6 million for the nine months ended 30 September 2018 from approximately HK\$3.0 million for the nine months ended 30 September 2017, representing an increase of approximately 250.4%. Such increase was mainly attributable to the appreciation of the Renminbi against the Hong Kong dollar and increase in loss for the nine months ended 30 September 2018.

Basic and diluted loss per Share

The Company's basic and diluted loss per Share for the nine months ended 30 September 2018 was approximately HK0.92 cents (2017: HK1.10 cents), representing a decrease of approximately HK0.18 cents, or approximately 16.4%, which was primarily due to the issue of additional shares of the Company upon the listing of its shares on the Stock Exchange on 15 December 2017.

Interim Dividend

The Board does not recommend the payment of an interim dividend for the nine months ended 30 September 2018.

Capital Structure

The shares of the Company (the “**Shares**”) were listed on 15 December 2017 (the “**Listing Date**”). There has been no change in the capital structure of the Group since the Listing Date and the share capital of the Group only comprises ordinary Shares.

As at 30 September 2018, the Company's issued share capital amounted to HK\$8.0 million, divided by 800,000,000 Shares of HK\$0.01 each.

Significant Investments

As at 30 September 2018, the Group did not hold any significant investments (as at 30 September 2017: 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 2018, the Group did not have a foreign currency hedging policy. Yet, 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 2018, the Group did not have material contingent liabilities (as at 30 September 2017: Nil).

Future Prospects

The shares of the Company were successfully listed on GEM of the Stock Exchange on 15 December 2017 (the “**Listing**”), signifying a remarkable accomplishment for the Group. Besides bringing more business opportunities to the Company, the Listing also enables the Company to enhance its internal corporate governance functions and image. Further, the Listing provided an opportunity for the Company to strengthen its internal control procedures and raise the efficiency of the Group’s daily operations.

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

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 2018, 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 (a) required 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); or (b) required to be recorded in the register required to be kept under section 352 of the SFO; or (c) as otherwise 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 (<i>Note 1</i>)
Mr. Wong Kwok Wai, Albert	Interest of a controlled corporation	600,000,000 (L) (<i>Notes 2, 3</i>)	75%

Notes:

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

Save as disclosed above, as at 30 September 2018, 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 2018, the following persons or corporations (other than the Directors and the chief executive of the Company) who had interests and/or short positions in the shares or underlying shares of the Company which would be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO were as follows:

Name of Substantial Shareholder	Nature of interest/holding capacity	Number of ordinary Shares held	Percentage of issued share capital of the Company (Note 1)
Three Gates Investment	Beneficial owner	600,000,000(L) (Notes 2, 3)	75%

Notes:

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

Save as disclosed above, as at 30 September 2018, 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 three months ended 30 September 2018 and up to the date of this announcement, none of the Directors, controlling shareholders of the Company or any of their respective close associates (as defined in the GEM Listing Rules), engaged in any business that competes or may compete with the business of the Group, or had any other conflict of interest with the Group.

Corporate Governance Practices

The Board believes that cultivating and maintaining a culture focused on good corporate governance is essential to effect strong business growth and continue the efficient management of the Company. The Directors are of the view that strong corporate governance practices can safeguard the interests of and ensure accountability to the shareholders 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 2018.

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

Interests of the Compliance Adviser

Pursuant to rule 6A.19 of the GEM Listing Rules, the Company has appointed Huabang Corporate Finance Limited (“**Huabang**”) to be the compliance adviser. The Company has been informed by Huabang that neither Huabang nor its directors or employees or close associates have, or may have, any interest in the share capital of the Company or an member of the Group (including options or rights to subscribe for such securities), which is required to be notified to the Company pursuant to rule 6A.32 of the GEM Listing Rules, except for the compliance adviser agreement entered into between the Company and Huabang dated 29 November 2017.

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 2018.

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

Neither the Company nor its subsidiaries purchased, sold or redeemed any of the Company’s listed securities since for the nine months ended 30 September 2018.

Events after Reporting Date

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

Audit Committee

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

The Audit Committee consists of three independent non-executive Directors, namely, Mr. Sung Alfred Lee Ming (the chairman), Dr. Yeung Ngai Man, John and Mr. Zhang Guofu. No member of the current Audit Committee is a member of the previous independent auditor of the Company. The Audit Committee has reviewed this announcement as well as the unaudited third quarterly results of the Group for the nine months ended 30 September 2018.

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

Hong Kong, 9 November 2018

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

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