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SHEN YOU HOLDINGS LIMITED

申酉控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8377)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 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.*

INTERIM RESULTS

The board of Directors (the “**Board**”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2020, together with the comparative figures for the six months ended 30 June 2019, which are presented in Hong Kong dollars (“**HK\$**”).

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2020

	Notes	For the three months ended 30 June		For the six months ended 30 June	
		2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Revenue	4, 5	9,409	15,831	17,523	28,894
Cost of sales		(7,688)	(11,686)	(14,531)	(22,496)
Gross profit		1,721	4,145	2,992	6,398
Other income and gains	5	505	923	1,444	972
Selling and distribution expenses		(1,286)	(1,605)	(2,640)	(3,095)
Administrative expenses		(3,217)	(2,725)	(6,490)	(6,623)
Other expenses		(135)	(26)	(372)	(179)
Finance costs	6	(47)	(313)	(250)	(618)
PROFIT/(LOSS) BEFORE TAX	7	(2,459)	399	(5,316)	(3,145)
Income tax credit/(expense)	8	(1)	(144)	(1)	440
PROFIT/(LOSS) FOR THE PERIOD		(2,460)	255	(5,317)	(2,705)
PROFIT/(LOSS) ATTRIBUTABLE TO OWNERS OF THE PARENT		(2,460)	255	(5,317)	(2,705)
			(Restated)		(Restated)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT	10				
Basic and diluted (expressed in HK cents per share)		(0.27)	0.03	(0.60)	(0.32)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	For the three months ended 30 June		For the six months ended 30 June	
	2020 <i>HK\$'000</i> (unaudited)	2019 <i>HK\$'000</i> (unaudited)	2020 <i>HK\$'000</i> (unaudited)	2019 <i>HK\$'000</i> (unaudited)
PROFIT/(LOSS) FOR THE PERIOD	<u>(2,460)</u>	<u>255</u>	<u>(5,317)</u>	<u>(2,705)</u>
OTHER COMPREHENSIVE LOSS				
Exchange differences on translation of foreign operations	<u>(102)</u>	<u>(1,858)</u>	<u>(1,263)</u>	<u>(287)</u>
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX	<u>(102)</u>	<u>(1,858)</u>	<u>(1,263)</u>	<u>(287)</u>
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	<u>(2,562)</u>	<u>(1,603)</u>	<u>(6,580)</u>	<u>(2,992)</u>
ATTRIBUTABLE TO OWNERS OF THE PARENT	<u>(2,562)</u>	<u>(1,603)</u>	<u>(6,580)</u>	<u>(2,992)</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	<i>Notes</i>	As at 30 June 2020 HK\$'000 (unaudited)	As at 31 December 2019 HK\$'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment	<i>11</i>	5,368	6,175
Right-of-use assets	<i>12</i>	4,633	5,530
Financial assets at fair value through profit or loss		4,815	4,742
Prepayments, other receivables and other assets	<i>13</i>	1,789	1,908
		<hr/>	<hr/>
Total non-current assets		16,605	18,355
CURRENT ASSETS			
Inventories	<i>14</i>	12,421	11,382
Trade receivables	<i>15</i>	9,004	10,404
Prepayments, other receivables and other assets	<i>13</i>	9,667	4,821
Tax recoverable		543	–
Cash and cash equivalents		18,284	34,531
		<hr/>	<hr/>
Total current assets		49,919	61,138
CURRENT LIABILITIES			
Trade payables	<i>16</i>	4,422	5,199
Other payables and accruals	<i>17</i>	5,010	4,696
Interest-bearing bank borrowings	<i>18</i>	–	19,967
Lease liabilities	<i>12</i>	2,126	2,155
Tax payable		1,121	1,135
		<hr/>	<hr/>
Total current liabilities		12,679	33,152
NET CURRENT ASSETS		<hr/> 37,240	<hr/> 27,986
TOTAL ASSETS LESS CURRENT LIABILITIES		<hr/> 53,845	<hr/> 46,341
NON-CURRENT LIABILITIES			
Lease liabilities	<i>12</i>	2,710	3,869
		<hr/>	<hr/>
Total non-current liabilities		2,710	3,869
Net assets		<hr/> 51,135	<hr/> 42,472
EQUITY			
Share capital	<i>19</i>	12,000	8,000
Reserves		39,135	34,472
		<hr/>	<hr/>
Total equity		51,135	42,472

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Merger reserve <i>HK\$'000</i>	Statutory surplus reserve <i>HK\$'000</i>	Exchange fluctuation reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
As at 1 January 2019 (audited)	8,000	57,751	(1,000)	5,670	7,452	(14,767)	63,106
Loss for the period	-	-	-	-	-	(2,705)	(2,705)
Other comprehensive loss for the period:							
Exchange differences on translation of foreign operations	-	-	-	-	(287)	-	(287)
Total comprehensive income/(loss) for the period	-	-	-	-	(287)	(2,705)	(2,992)
As at 30 June 2019 (unaudited)	<u>8,000</u>	<u>57,751</u>	<u>(1,000)</u>	<u>5,670</u>	<u>7,165</u>	<u>(17,472)</u>	<u>60,114</u>
As at 1 January 2020 (audited)	8,000	57,751	(1,000)	5,670	6,037	(33,986)	42,472
Loss for the period	-	-	-	-	-	(5,317)	(5,317)
Other comprehensive loss for the period:							
Exchange differences on translation of foreign operations	-	-	-	-	(1,263)	-	(1,263)
Total comprehensive loss for the period	-	-	-	-	(1,263)	(5,317)	(6,580)
Issue of rights shares	<u>4,000</u>	<u>11,243</u>	-	-	-	-	<u>15,243</u>
As at 30 June 2020 (unaudited)	<u>12,000</u>	<u>68,994</u>	<u>(1,000)</u>	<u>5,670</u>	<u>4,774</u>	<u>(39,303)</u>	<u>51,135</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

		For the six months ended 30 June	
	Notes	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		(5,316)	(3,145)
Adjustments for:			
Finance costs	6	250	618
Fair value gain on financial assets at fair value through profit or loss		(73)	(49)
Bank interest income	5	(1)	(1)
Depreciation of right-of-use assets		807	637
Depreciation of fixed assets	7	694	585
(Gain)/loss on disposal of items of property, plant and equipment	7	123	(19)
		(3,516)	(1,374)
Increase in inventories		(1,039)	(194)
Decrease in trade receivables		1,400	5,280
Increase in prepayments, other receivables and other assets		(4,727)	(2,277)
(Decrease)/increase in trade payables		(777)	23
Increase/(decrease) in other payables and accruals		314	(1,569)
Cash used in operations		(8,345)	(111)
Interest received		1	1
Interest paid		(250)	(618)
PRC taxes paid		(566)	(107)
Net cash flows used in operating activities		(9,160)	(835)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		(130)	(145)
Proceeds from disposal of items of property, plant and equipment		–	31
Net cash flows used in investing activities		(130)	(114)

	For the six months ended 30 June	
	2020	2019
<i>Notes</i>	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
CASH FLOWS FROM FINANCING ACTIVITIES		
New bank loans	11,622	10,693
Repayments of bank loans	(31,589)	(10,804)
Issue of rights shares	15,243	–
Principal portion of lease payment	(1,188)	(544)
	<u>(5,912)</u>	<u>(655)</u>
Net cash flows used in financing activities		
	<u>(5,912)</u>	<u>(655)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS		
Cash and cash equivalents at beginning of period	(15,202)	(1,604)
Cash and cash equivalents at beginning of period	34,532	30,938
Effect of foreign exchange rate changes, net	(1,046)	(91)
	<u>(1,046)</u>	<u>(91)</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD		
	<u>18,284</u>	<u>29,243</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	<u>18,284</u>	<u>33,619</u>
Cash and cash equivalents as stated in the consolidated statement of financial position	18,284	33,619
Bank overdrafts	<u>–</u>	<u>(4,376)</u>
Cash and cash equivalents as stated in the consolidated statement of cash flows	<u>18,284</u>	<u>29,243</u>

NOTES TO FINANCIAL STATEMENTS

1. CORPORATE AND GROUP INFORMATION

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

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

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\$45,000,000	–	100%	Trading of sewing threads and broad categories of garment accessories
Newchamp Industries Limited	Hong Kong	HK\$30,000,000	–	100%	Trading of sewing threads
Clolab International Limited	Hong Kong	HK\$10,000	–	100%	Dormant
Cheerful Keen Limited	BVI	US\$1	–	100%	Trading of sewing threads and broad categories of garment accessories
Guangzhou Xinhua Thread Company Limited *	People's Republic of China (the “PRC”)/ Mainland China	HK\$56,250,000	–	100%	Manufacture and trading of sewing threads and broad categories of garment accessories
申酉辰鑫企業(上海)有限公司 *	PRC/Mainland China	HK\$5,000,000	–	100%	Investment holding
杭州新裕線業有限公司	PRC/Mainland China	RMB500,000	–	100%	Trading of sewing threads and broad categories of garment accessories

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

2. BASIS OF PREPARATION

The unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 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 six months ended 30 June 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 manufacturing and trading of sewing threads and broad categories of garment accessories. For management purposes, the Group operates in one business unit and has one reportable operating segment, which is the thread segment that manufactures and sells sewing threads and garment accessories. Accordingly, no further operating segment information is presented.

Geographical information

(a) Revenue from external customers

	Three months ended		Six months ended	
	30 June		30 June	
	2020	2019	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
PRC	6,694	8,825	11,060	16,114
Overseas	2,115	6,083	5,063	10,998
Hong Kong	600	923	1,400	1,782
	9,409	15,831	17,523	28,894

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

(b) Non-current assets

	30 June	31 December
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(audited)
PRC	9,127	10,472
Hong Kong	875	1,233
	10,002	11,705

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

5. REVENUE, OTHER INCOME AND GAINS

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

An analysis of revenue is as follows:

	For the three months ended 30 June		For the six months ended 30 June	
	2020 <i>HK\$'000</i> (unaudited)	2019 <i>HK\$'000</i> (unaudited)	2020 <i>HK\$'000</i> (unaudited)	2019 <i>HK\$'000</i> (unaudited)
<i>Revenue from contracts with customers</i>				
Sales of goods	<u>9,409</u>	<u>15,831</u>	<u>17,523</u>	<u>28,894</u>
Revenue from contracts with customers				
<i>(i) Disaggregated revenue information</i>				
	For the three months ended 30 June		For the six months ended 30 June	
	2020 <i>HK\$'000</i> (unaudited)	2019 <i>HK\$'000</i> (unaudited)	2020 <i>HK\$'000</i> (unaudited)	2019 <i>HK\$'000</i> (unaudited)
Type of goods				
Sale of industrial products	<u>9,409</u>	<u>15,831</u>	<u>17,523</u>	<u>28,894</u>
Geographical markets				
PRC	6,694	8,825	11,060	16,114
Overseas	2,115	6,083	5,063	10,998
Hong Kong	<u>600</u>	<u>923</u>	<u>1,400</u>	<u>1,782</u>
Total revenue from contracts with customers	<u>9,409</u>	<u>15,831</u>	<u>17,523</u>	<u>28,894</u>
Timing of revenue recognition				
Goods transferred at a point in time	<u>9,409</u>	<u>15,831</u>	<u>17,523</u>	<u>28,894</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 industrial products and payment is generally due within 30 to 90 days from delivery, except for certain customers where payment in advance is required.

	For the three months ended 30 June		For the six months ended 30 June	
	2020 <i>HK\$'000</i> (unaudited)	2019 <i>HK\$'000</i> (unaudited)	2020 <i>HK\$'000</i> (unaudited)	2019 <i>HK\$'000</i> (unaudited)
Other income and gains				
Bank interest income	1	–	1	1
Exchange gains, net	(99)	625	509	36
Fair value gain on financial assets at fair value through profit or loss	73	–	73	49
Gain on disposal of items of property, plant and equipment	–	–	–	19
Gross rental income	351	201	646	770
Other	179	97	215	97
	<u>505</u>	<u>923</u>	<u>1,444</u>	<u>972</u>

6. **FINANCE COSTS**

An analysis of finance costs is as follows:

	For the three months ended 30 June		For the six months ended 30 June	
	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	45	70	132	140
Interest on bank loans and overdrafts	2	243	118	478
	<u>47</u>	<u>313</u>	<u>250</u>	<u>618</u>

7. PROFIT/(LOSS) BEFORE TAX

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

	For the three months ended 30 June		For the six months ended 30 June	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Cost of inventories sold	7,688	11,686	14,531	22,496
Depreciation of fixed assets	338	302	694	585
Depreciation of right-of-use assets	361	317	807	637
Lease payments not included in the measurement of lease liabilities	66	–	66	–
Auditor's remuneration	–	298	450	732
Employees' benefit expenses (excluding directors' remuneration)	3,230	4,309	6,875	9,055
Net exchange loss/(gain)	99	(625)	(509)	(36)
(Gain)/loss on disposal of fixed assets	(1)	–	123	(19)
Fair value gain on financial assets at fair value through profit or loss	(73)	–	(73)	(49)

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 the BVI, the Group is not subject to any income tax in the Cayman Islands and the 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 June		For the six months ended 30 June	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Current — Hong Kong and Mainland China	1	33	1	33
Deferred	–	111	–	(473)
Tax (credit)/expense	1	144	1	(440)

9. DIVIDENDS

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

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

	For the three months ended 30 June		For the six months ended 30 June	
	2020 (unaudited)	2019 (unaudited) (restated)	2020 (unaudited)	2019 (unaudited) (restated)
Profit/(loss) attributable to owners of the parent (<i>HK\$'000</i>)	<u>(2,460)</u>	<u>255</u>	<u>(5,317)</u>	<u>(2,705)</u>
Weighted average number of ordinary shares for the purpose of basic and diluted earnings/(loss) per share	<u>926,765,542</u>	<u>839,160,839</u>	<u>882,963,191</u>	<u>839,160,839</u>
Basic and diluted earnings/(loss) per share (<i>HK cents</i>)	<u>(0.27)</u>	<u>0.03</u>	<u>(0.60)</u>	<u>(0.32)</u>

11. PROPERTY, PLANT AND EQUIPMENT

	Production machinery <i>HK\$'000</i>	Office equipment <i>HK\$'000</i>	Leasehold improvements <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
Net carrying amount at 1 January 2020 (audited)	5,244	285	45	601	6,175
Additions	123	7	-	-	130
Disposals	(102)	(8)	-	(13)	(123)
Charge for the period	(535)	(71)	(14)	(74)	(694)
Exchange adjustment	(103)	(6)	-	(11)	(120)
Net carrying amount at 30 June 2020 (unaudited)	<u>4,627</u>	<u>207</u>	<u>31</u>	<u>503</u>	<u>5,368</u>

12. LEASES

The Group as a lessee

The Group has entered into several leases for leasing various properties for the Group's operation. The building leases generally have a lease term between 2 and 4.5 years while the leases of the equipment used in the operation, which involved insignificant lease amounts, generally have a lease term of 12 months or less. Generally, the Group is restricted from assigning and subleasing the leased properties to other parties or entities not forming part of the Group.

(a) *Right-of-use assets*

The carrying amount of the Group's right-of-use assets and the movements during the period are as follows:

	2020 <i>HK'000</i> (unaudited)	2019 <i>HK\$'000</i> (unaudited)
As at 1 January	5,530	5,992
Additions	–	1,330
Depreciation charge	(807)	(1,684)
Exchange realignment	(90)	(108)
	<u>4,633</u>	<u>5,530</u>
As at 30 June 2020/31 December 2019		

(b) *Lease liabilities*

The carrying amount of lease liabilities and the movements during the period are as follows:

	2020 <i>HK'000</i> (unaudited)	2019 <i>HK\$'000</i> (unaudited)
As at 1 January	6,024	5,827
New leases	–	1,330
Accretion of interest recognised during the period/year	132	301
Payments	(1,320)	(1,322)
Exchange realignment	–	(112)
	<u>4,836</u>	<u>6,024</u>
As at 30 June 2020/31 December 2019		
Analysed in to:		
Current portion	2,126	2,155
Non-current portion	2,710	3,869

13. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	As at 30 June 2020 <i>HK\$'000</i> (unaudited)	As at 31 December 2019 <i>HK\$'000</i> (audited)
Other prepayments	8,676	4,070
Loans to a vendor	2,566	3,539
Deposits and other receivables	3,757	2,663
	<u>14,999</u>	10,272
Impairment allowance	(3,543)	(3,543)
	<u>11,456</u>	6,729
Portion classified as non-current assets	(1,789)	(1,908)
	<u>9,667</u>	<u>4,821</u>
Current portion included in prepayments, deposits and other receivables		

14. INVENTORIES

	As at 30 June 2020 <i>HK\$'000</i> (unaudited)	As at 31 December 2019 <i>HK\$'000</i> (audited)
Raw materials	4,429	4,378
Work in progress	2,743	1,973
Finished goods	5,249	5,031
	<u>12,421</u>	<u>11,382</u>

15. TRADE RECEIVABLES

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

	As at 30 June 2020 <i>HK\$'000</i> (unaudited)	As at 31 December 2019 <i>HK\$'000</i> (audited)
Within 1 month	5,795	6,842
1 to 2 months	2,089	2,861
2 to 3 months	679	545
Over 3 months	441	156
	<u>9,004</u>	<u>10,404</u>

16. TRADE PAYABLES

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

	As at 30 June 2020 <i>HK\$'000</i> (unaudited)	As at 31 December 2019 <i>HK\$'000</i> (audited)
Within 1 month	1,678	1,602
1 to 2 months	465	1,240
2 to 3 months	626	791
Over 3 months	1,653	1,566
	<u>4,422</u>	<u>5,199</u>

Notes:

- (a) The following assets were pledged as security for interest-bearing bank borrowings:

	30 June 2020 HK\$'000	31 December 2019 HK\$'000
Financial assets at fair value through profit or loss	–	4,742
Trade receivables	–	3,622
	<u>–</u>	<u>8,364</u>

- (b) All the banking facilities have been cancelled by the bank with effect from 29 April 2020. Therefore, the Group had fully settled all the bank borrowings during the period. The bank has discharged all the pledged assets of the Group and no assets of the Group were pledged to bank as at 30 June 2020.

19. SHARE CAPITAL

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

	30 June 2020 HK\$'000	30 June 2019 HK\$'000
Authorised:		
5,000,000,000 Ordinary shares at HK\$0.01 each	<u>50,000</u>	<u>50,000</u>
Issued and fully paid:		
At the beginning of the reporting period	8,000	8,000
Issue of new shares by way of rights issue ^(Note)	<u>4,000</u>	–
At the end of the reporting period	<u>12,000</u>	<u>8,000</u>

Note: 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. For the details of the aforesaid rights issue, please refer to the section “Financial Review — Capital structure and fund raising activities” in this announcement.

20. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

Management has assessed that:

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

There were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 during the six months ended 30 June 2020.

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 PRC, Hong Kong as well as overseas countries, including 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 six months ended 30 June 2020, the Group's revenue decreased significantly by approximately 39.4% as compared with that for the six months ended 30 June 2019. The gross profit margin decreased to approximately 17.1% for the six months ended 30 June 2020 from approximately 22.1% for the corresponding period in the preceding year. The decrease in gross profit margin was mainly attributable to the increase in the charge rate of the processing fees during the six months ended 30 June 2020.

FINANCIAL REVIEW

Revenue

The Group's products are sold in the PRC, Hong Kong as well as overseas. The following table sets out a breakdown of the Group's revenue attributable to domestic and overseas sales of the Group's sewing threads for each of the six months ended 30 June 2019 and 2020:

	Six months ended 30 June				Rate of change %
	2020		2019		
	<i>HK\$'000</i>	<i>% of total revenue</i>	<i>HK\$'000</i>	<i>% of total revenue</i>	
PRC	11,060	63.1	16,114	55.7	31.4
Overseas <i>(Note)</i>	5,063	28.9	10,998	38.1	54.0
Hong Kong	1,400	8.0	1,782	6.2	21.4
	<u>17,523</u>	<u>100.0</u>	<u>28,894</u>	<u>100.0</u>	39.4

Note: For the six months ended 30 June 2019 and 2020, the Group exported its products to countries including but not limited to UAE, Mauritius and Switzerland.

The Group's revenue decreased to approximately HK\$17.5 million for the six months ended 30 June 2020 from approximately HK\$28.9 million for the six months ended 30 June 2019, representing a decrease of approximately 39.4%. Such decrease in the Group's revenue was mainly due to the outbreak of the coronavirus ("COVID-19") pandemic, which has affected the sales performance in both the PRC 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 decreased to approximately HK\$14.5 million for the six months ended 30 June 2020 from approximately HK\$22.5 million for the six months ended 30 June 2019, representing a decrease of approximately 35.4%. 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\$3.0 million for the six months ended 30 June 2020 from approximately HK\$6.4 million for the six months ended 30 June 2019, representing a decrease of approximately 53.2%. The decrease in gross profit was mainly attributable to the significant decrease in sales for the period. The Group's gross profit margin decreased to approximately 17.1% for the six months ended 30 June 2020 from approximately 22.1% for the six months ended 30 June 2019, which was a result of the increase in the charge rate of the processing fees during the six months ended 30 June 2020.

Other income and gains, net

The Group's other income and gains, net increased to approximately HK\$1.4 million for the six months ended 30 June 2020 from approximately HK\$1.0 million for the six months ended 30 June 2019. The change was mainly attributable to the increase in the exchange gains for the six months ended 30 June 2020.

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\$2.6 million for the six months ended 30 June 2020 from approximately HK\$3.1 million for the six months ended 30 June 2019, representing a decrease of approximately 14.7%. The decrease in the Group's selling expenses was mainly attributable to the decrease in the transportation costs for the six months ended 30 June 2020.

Administrative expenses

Administrative expenses primarily consist of staff costs, audit fee, Directors' remuneration and legal and professional fees. Administrative expenses remained stable for the six months ended 30 June 2020 and 2019. The administrative expenses slightly decreased to approximately HK\$6.5 million for the six months ended 30 June 2020 from approximately HK\$6.6 million for the six months ended 30 June 2019, representing a decrease of approximately 2.0%.

Loss before income tax

As a result of the foregoing, the Group recorded a loss before income tax of approximately HK\$5.3 million for the six months ended 30 June 2020, representing an increase of approximately 69.0% from approximately HK\$3.1 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 Company increased to approximately HK\$6.6 million for the six months ended 30 June 2020 from approximately HK\$3.0 million for the six months ended 30 June 2019, representing an increase of approximately 120.0%.

Basic and diluted loss per Share

The basic loss per share of the Company (the “Share(s)”) for the six months ended 30 June 2020 was approximately HK0.60 cents (2019: HK0.32 cents (restated)), representing an increase of approximately HK0.28 cents, or approximately 87.5%.

Interim dividend

The Board did not recommend the payment of interim dividend for the six months ended 30 June 2020 (2019: Nil).

Liquidity and financial resources

For the six months ended 30 June 2020, the Group’s operations were primarily financed through its operating and financing activities. The Directors believe that in the long term, the Group’s operations will continue to be funded by a combination of cash generated from the Group’s operating and financing activities.

The Group’s cash and bank balances amounted to approximately HK\$18.3 million and approximately HK\$34.5 million as at 30 June 2020 and 31 December 2019, respectively. The functional currency of the Group is Hong Kong dollars. As at 30 June 2020, 97.1% of the Group’s cash and bank balances were denominated in the functional currency (31 December 2019: 98.4%) and the remaining 2.9% (31 December 2019: 1.6%) in other currencies, mainly Renminbi.

As at 30 June 2020 and 31 December 2019, the Group had net current assets of approximately HK\$37.2 million and approximately HK\$28.0 million, respectively, which included trade receivables, prepayments, other receivables other assets, inventories, and cash and cash equivalents. The Group’s current ratio increased to approximately 3.94 as at 30 June 2020 from approximately 1.84 as at 31 December 2019 due to the Rights Issue (as defined below) and the settlement of the bank borrowings.

Gearing ratio

The Group's gearing ratio is calculated based on net debt (including interest-bearing bank borrowings, trade payables, other payables and accruals and lease liabilities, less cash and cash equivalents) divided by the total equity plus net debt at the respective reporting date. The gearing ratio was not applicable to the Group as at 30 June 2020 and 31 December 2019 as its cash and bank balances were more than the aggregate amount of the bank borrowings, trade payables, other payables and accruals, and lease liabilities. The Group believes that the cash at banks provide adequate liquidity to satisfy the Group's funding requirements.

Commitments

As at 30 June 2020, the Group did not have any capital commitments (as at 31 December 2019: Nil).

Capital structure and fund raising activities

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\$15.2 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.

As at 30 June 2020, the Company's issued share capital amounted to HK\$12.0 million, divided by 1,200,000,000 shares of HK\$0.01 each.

Details of changes in the Company's share capital for the six months ended 30 June 2020 are set out in note 19 to the condensed consolidated financial statements of this announcement.

As at 30 June 2020, the net proceeds of the Rights Issue had been utilised as follows:

	Actual net proceeds allocated <i>HK\$ million</i>	Amount utilized up to 30 June 2020 <i>HK\$ million</i>	Balance as at 30 June 2020 <i>HK\$ million</i>
General and administrative expenses	8.0	1.0	7.0
Professional fees	3.0	0.8	2.2
Acquisition of raw materials	4.2	4.2	–
	<u>15.2</u>	<u>6.0</u>	<u>9.2</u>

Significant investments

As at 30 June 2020, the Group did not hold any significant investments (as at 31 December 2019: Nil).

Material acquisitions or disposals of subsidiaries and affiliated companies

For the six months ended 30 June 2020, the Group did not have any acquisitions or disposals of subsidiaries and affiliated companies.

Future plans for material investments and capital assets

On 24 June 2020 and 17 July 2020, the Group entered into a memorandum of understanding (“MOU”) and a supplemental MOU, respectively, in relation to the possible acquisition of not less than 55% of the issued share capital of Diamond Motto Limited (the “Target Group”). The Target Group is principally engaged in furnishing trading and the business of providing interior design, fitting out and decoration services. Details of the aforesaid possible acquisition were set out in the Company’s announcements dated 24 June 2020 and 17 July 2020, respectively.

Save as those 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.

Contingent liabilities

As at 30 June 2020, the Group did not have material contingent liabilities (as at 31 December 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. The Group currently does not have a foreign currency hedging policy. Nevertheless, the Group’s management will continue to closely the foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Pledge of assets

As at 30 June 2020, no assets of the Group were pledged to banks. All the banking facilities have been cancelled by the bank with effect from 29 April 2020. Therefore, the Group had fully settled all the bank borrowings during the period. The bank has discharged all the pledged assets of the Group. As at 31 December 2019, the following assets were pledged to banks to secure certain banking borrowings granted to the Group.

	As at 30 June 2020 HK\$’000 (unaudited)	As at 31 December 2019 HK\$’000 (audited)
Financial asset at fair value through profit or loss	–	4,742
Trade receivables	–	3,622
	<hr/>	<hr/>
	–	8,364
	<hr/> <hr/>	<hr/> <hr/>

Employees and remuneration policies

As at 30 June 2020, the Group employed a total of 159 employees (2019: 175), of whom 151 were located in the PRC and 8 were located in Hong Kong. The Group's staff costs mainly comprised wages and salaries, social insurance, housing provident fund and severance payments. For the six months ended 30 June 2020 and 2019, the Group's total staff costs (excluding Directors' emoluments) amounted to approximately HK\$6.9 million and HK\$9.1 million, respectively. The Group offers remuneration packages comprising basic salaries, discretionary bonuses and allowances to its management and office staffs. For the workers at the Guangzhou Production Facilities, the Group offers them with salaries above the minimum wage, promotion opportunities and budgets for social events.

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

USE OF PROCEEDS OF THE COMPANY'S INITIAL PUBLIC OFFERING

The Shares were successfully listed on GEM of the Stock Exchange (the "**Listing**") on 15 December 2017 (the "**Listing Date**") by way of share offer (the "**Share Offer**"). The Group raised net proceeds of approximately HK\$40.7 million from the Share Offer after deducting commission and expenses borne by the Company in connection with the Share Offer (the "**Net Proceeds**"). The Net Proceeds are intended to be used in accordance with the proposed implementation plans as disclosed under the section headed "Future Plans and Use of Proceeds" in the Prospectus. As at 30 June 2020, the unutilised Net Proceeds amounted to approximately HK\$9.1 million.

As at 30 June 2020, the Net Proceeds had been applied and utilised as follows:

	Net proceeds available <i>HK\$ million</i>	Utilised <i>HK\$ million</i>	Unutilised <i>HK\$ million</i>
Upgrading the Group's machinery for the production of 100% spun polyester sewing threads for industrial use	20.3	3.1	17.2
Upgrading the Group's machinery for the production of 100% spun polyester sewing threads for domestic use	7.7	2.2	5.5
Acquiring new cone winding machines	4.1	0.5	3.6
Acquiring new machinery for the production of nylon threads	3.7	1.3	2.4
Setting up a sales office in Zhejiang province	1.2	0.8	0.4
Working capital and other general corporate purposes of the Group	3.7	3.7	–
	40.7	11.6	29.1
Repayment of banking facilities ^(Note)	–	20.0	–
	40.7	31.6	9.1

Note: The Group made use of approximately HK\$20 million out of the unutilised Net Proceeds for the repayment of the banking facilities. Details of the aforesaid repayment are set out in the Company's announcement dated 31 March 2020.

All the banking facilities have been cancelled by the bank with effect from 29 April 2020. The Group is making its best efforts to obtain new banking facilities for its operation and to continue with the implementation of the planned use of the Net Proceeds.

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

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

USE OF NET PROCEEDS OF THE RIGHTS ISSUE

The Company intends to apply the net proceeds of the Rights Issue after deducting related underwriting fees and other expenses of approximately HK\$15.2 million to pay the Group's general and administrative expenses, professional fees, and to acquire raw materials as mentioned in the Rights Issue Prospectus.

Details of the utilisation of net proceeds of the Rights Issue are set out in the section headed "Financial Review — Capital structure and fund raising activities" in this announcement above.

FUTURE PROSPECTS

The future plans and use of proceeds schedule disclosed in the Prospectus were formulated based on the best estimation of the market conditions after the Listing. The discrepancy between the planned use of the Net Proceeds and the actual use mainly arose as a result of the actual market conditions affecting the Group after the Listing. The continuing trade conflict between the United States of America and the PRC, the PRC's gradual economic slowdown and the recent outbreak of COVID-19 pandemic have presented the Group with uncertainties and multiple challenges, rendering the need for the Group to be prudent in implementing its future plans as set out in the Prospectus. The Directors believe that a strict adherence to the implementation plan will increase the production capacity of the Group, while the additional machinery may lead to a provision for impairment for such machinery to be made in the future.

Meeting the demands of its customers as to high quality and differentiated products is one of the Group's priorities in order to maintain long-term business relationships with its customers. Further, the Directors believe that there are considerable business opportunities in the sewing threads industry in the long term. To satisfy its customers' potential demands and to capture the business opportunities in the sewing threads industry, the Group will continue to implement the expansion plans set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus in a prudent and conservative manner with consideration of the market conditions at the time.

The Directors will continue to carefully monitor and assess the situation and, if the expansion plans no longer suit the operation and the future development of the Group, the Directors may evaluate and modify them so as to ensure that the Group's business strategies are in the best interests of the Company and the Shareholders as a whole.

INTERESTS AND SHORT POSITIONS OF DIRECTORS AND CHIEF EXECUTIVE IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ANY ASSOCIATED CORPORATION

As at 30 June 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	600,000,000 (L) (Notes 2, 3)	50%
Mr. Leung King Yue, Alex	Beneficial interest	50,000,000 (L) (Notes 3)	4.17%

Notes:

- As at the date of this announcement, the Company’s issued ordinary share capital was HK\$12,000,000 divided into 1,200,000,000 Shares of HK\$0.01 each.
- Three Gates Investment Limited (“**Three Gates Investment**”), a company incorporated in the British Virgin Islands on 15 August 2016, is wholly and beneficially owned by Mr. Wong Kwok Wai, Albert, who is the chairman and an executive Director of the Company. Therefore, Mr. Wong is deemed to be interested in 600,000,000 Shares held by Three Gates Investment by virtue of his 100% shareholding interest in Three Gates Investment.
- The letter “L” denotes the person’s long position in the Shares.

Except as disclosed above, as at 30 June 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 Stock Exchange according to rules 5.46 to 5.67 of the GEM Listing Rules.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

To the best knowledge of the Directors, as at 30 June 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	600,000,000(L) (Notes 2, 3)	50%
Gold-Face Finance Limited	Person having a security interest in Shares	400,000,000 (L) (Notes 3, 4, 5)	33.33%
Good Profit Development Limited	Person having a security interest in Shares	400,000,000 (L) (Notes 3, 4, 5)	33.33%
Good Foundation Company Limited	Person having a security interest in Shares	400,000,000 (L) (Notes 3, 4, 5)	33.33%
Upbest Strategic Company Limited	Person having a security interest in Shares	400,000,000 (L) (Notes 3, 4, 5)	33.33%
Upbest Financial Holdings Limited	Person having a security interest in Shares	400,000,000 (L) (Notes 3, 4, 5)	33.33%
Upbest Group Limited	Person having a security interest in Shares	400,000,000 (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 1,200,000,000 Shares of HK\$0.01 each.
- Three Gates Investment, a company incorporated in the British Virgin Islands on 15 August 2016, is wholly and beneficially owned by Mr. Wong who is the chairman and an executive director of the Company. Therefore, Mr. Wong is deemed to be interested in 600,000,000 Shares held by Three Gates Investment by virtue of his 100% shareholding interest in Three Gates Investment.

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

Except as disclosed above, as at 30 June 2020, the Directors are not aware of any interests and short positions owned by any other parties, other than a Director or the chief executive of the Company who held interests or short positions in the shares and the underlying shares of the Company which were required to be recorded under the provision of Divisions 2 and 3 of Part XV of the SFO, or, who was interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company.

DIRECTORS’ AND CONTROLLING SHAREHOLDERS’ INTERESTS IN COMPETING BUSINESSES

For the six months ended 30 June 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 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 2019 annual report are as follows:

Directors	Changes in position held with the Company
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 (“ 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. 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.

Directors

Changes in position held with the Company

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 of the Company are committed to regularly reviewing its corporate governance practices to ensure conformity with the standard set out in the CG Code, as well as meeting the rising expectation of the Shareholders and other stakeholders of the Company.

Except for the deviation from code provision A.2.1 of the CG Code as set out in Appendix 15 to the GEM Listing Rules, the Board is of the view that the Company has complied with the code provisions of the CG code for the period from the Listing Date up to the date of this announcement (the “**Relevant Period**”).

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

MODEL CODE FOR DIRECTORS’ SECURITIES TRANSACTIONS

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

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor its subsidiaries purchased, sold or redeemed any of the Company's listed securities since the Listing Date and up to the date of this announcement.

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, 6 June 2020 and 3 July 2020, respectively.

Save as disclosed above, there are no other transactions for the six months ended 30 June 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 THE REPORTING PERIOD

Proposed share consolidation

The Board proposes to implement the share consolidation on the basis that every five (5) issued and unissued existing shares of HK\$0.01 each will be consolidated into one (1) consolidated share of HK\$0.05 each. The share consolidation is conditional upon, among other things, the approval of the Shareholders at the extraordinary general meeting to be convened on 21 August 2020. Details of the proposed share consolidation are set out in the announcements of the Company dated 16 July 2020 and the circular of the Company dated 5 August 2020, respectively.

Proposed change in board lot size

The Board proposes to change the board lot size for trading on the Stock Exchange from 50,000 existing shares to 10,000 consolidated shares subject to and upon the proposed share consolidation mentioned above becoming effective. Details of the proposed share consolidation are set out in the announcements of the Company dated 16 July 2020 and the circular of the Company dated on 4 August 2020, respectively.

Save as disclosed above, 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 (the chairman of the Audit Committee), 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 consolidated results of the Group for the six months ended 30 June 2020.

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

Hong Kong, 14 August 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 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.