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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 2021**

#### **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 results of the Group for the six months ended 30 June 2021, together with the comparative unaudited figures for the corresponding period in 2020, which are presented in Hong Kong dollars (“**HK\$**”) as follows:

### UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

*For the six months ended 30 June 2021*

	Note	For the three months ended 30 June		For the six months ended 30 June	
		2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Revenue	4	18,387	9,409	32,573	17,523
Cost of sales		(15,526)	(7,688)	(27,186)	(14,531)
Gross profit		2,861	1,721	5,387	2,992
Other income and gains	5	406	505	1,176	1,444
Selling and distribution expenses		(1,888)	(1,286)	(3,370)	(2,640)
Administrative expenses		(6,438)	(3,217)	(11,535)	(6,490)
Other expenses		(1,165)	(135)	(1,803)	(372)
Finance costs	6	(185)	(47)	(329)	(250)
Impairment loss on goodwill	7	—	—	(11,128)	—
<b>LOSS BEFORE TAX</b>	8	<b>(6,409)</b>	<b>(2,459)</b>	<b>(21,602)</b>	<b>(5,316)</b>
Income tax expense	9	—	(1)	—	(1)
<b>LOSS FOR THE PERIOD</b>		<b>(6,409)</b>	<b>(2,460)</b>	<b>(21,602)</b>	<b>(5,317)</b>
<b>LOSS ATTRIBUTABLE TO OWNERS OF THE PARENT</b>		<b>(6,409)</b>	<b>(2,460)</b>	<b>(21,602)</b>	<b>(5,317)</b>
				<b>(Restated)</b>	<b>(Restated)</b>
<b>LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT</b>	11				
Basic and diluted (expressed in HK cents per share)		1.80	1.33	6.55	3.01

# UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2021

	For the three months ended 30 June		For the six months ended 30 June	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
<b>LOSS FOR THE PERIOD</b>	<b><u>(6,409)</u></b>	<b><u>(2,460)</u></b>	<b><u>(21,602)</u></b>	<b><u>(5,317)</u></b>
<b>OTHER COMPREHENSIVE INCOME/ (LOSS)</b>				
Exchange differences on translation of foreign operations	<u>894</u>	<u>(102)</u>	<u>431</u>	<u>(1,263)</u>
<b>OTHER COMPREHENSIVE INCOME/ (LOSS) FOR THE PERIOD, NET OF TAX</b>	<b><u>894</u></b>	<b><u>(102)</u></b>	<b><u>431</u></b>	<b><u>(1,263)</u></b>
<b>TOTAL COMPREHENSIVE INCOME/ (LOSS) FOR THE PERIOD</b>	<b><u>(5,515)</u></b>	<b><u>(2,562)</u></b>	<b><u>(21,171)</u></b>	<b><u>(6,580)</u></b>
<b>ATTRIBUTABLE TO OWNERS OF THE PARENT</b>	<b><u>(5,515)</u></b>	<b><u>(2,562)</u></b>	<b><u>(21,171)</u></b>	<b><u>(6,580)</u></b>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

	<i>Notes</i>	<b>As at 30 June 2021 HK\$'000 (unaudited)</b>	<b>As at 31 December 2020 HK\$'000 (audited)</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	12	11,545	4,090
Right-of-use assets		3,662	3,763
Financial assets at fair value through profit or loss		5,144	5,144
Broodmares and Stallions	13	10,766	—
Goodwill		6,683	—
		<hr/>	<hr/>
Total non-current assets		<b>37,800</b>	12,997
<b>CURRENT ASSETS</b>			
Inventories	14	14,017	12,070
Trade receivables	15	16,638	10,034
Prepayments, other receivables and other assets	16	18,857	14,121
Tax recoverable		1,245	—
Cash and cash equivalents		17,589	11,918
		<hr/>	<hr/>
Total current assets		<b>68,346</b>	48,143
<b>CURRENT LIABILITIES</b>			
Trade payables	17	18,923	5,510
Other payables and accruals	18	9,763	4,583
Interest-bearing bank borrowings	19	6,882	—
Lease liabilities		2,317	1,956
Tax payable		903	641
		<hr/>	<hr/>
Total current liabilities		<b>38,788</b>	12,690
<b>NET CURRENT ASSETS</b>		<hr/> <b>29,558</b> <hr/>	<hr/> 35,453 <hr/>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<hr/> <b>67,358</b> <hr/>	<hr/> 48,450 <hr/>

		As at <b>30 June</b> <b>2021</b> <i>Notes</i> <b>HK\$'000</b> <b>(unaudited)</b>	As at 31 December 2020 <i>HK\$'000</i> (audited)
<b>NON-CURRENT LIABILITIES</b>			
Lease liabilities		<u>2,217</u>	<u>2,842</u>
Total non-current liabilities		<u>2,217</u>	<u>2,842</u>
Net assets		<u><b>65,141</b></u>	<u><b>45,608</b></u>
<b>EQUITY</b>			
Share capital	20	<b>17,772</b>	12,000
Reserves		<u><b>47,369</b></u>	<u>33,608</u>
Total equity		<u><b>65,141</b></u>	<u><b>45,608</b></u>

# UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

	Share capital HK\$'000	Share premium HK\$'000	Merger reserve HK\$'000	Statutory surplus reserve HK\$'000	Share option reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Accumulated losses HK\$'000	Total equity HK\$'000
As at 1 January 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 income/(loss) for the period	—	—	—	—	—	(1,263)	(5,317)	(6,580)
Issue of rights shares	4,000	11,243	—	—	—	—	—	15,243
As at 30 June 2020 (unaudited)	<u>12,000</u>	<u>68,994</u>	<u>(1,000)</u>	<u>5,670</u>	<u>—</u>	<u>4,774</u>	<u>(39,303)</u>	<u>51,135</u>
At at 1 January 2021 (audited)	<u>12,000</u>	<u>68,392</u>	<u>(1,000)</u>	<u>5,670</u>	<u>—</u>	<u>10,127</u>	<u>(49,581)</u>	<u>45,608</u>
Loss for the period							(21,602)	(21,602)
Other comprehensive loss for the period:								
Exchange difference on translation of foreign operation						431		431
Total comprehensive income/(loss) for the period	—	—	—	—	—	431	(21,602)	(21,171)
Issue of consideration shares for acquisition	3,372	22,256	—	—	—	—	—	25,628
Issue of new shares under generate mandate	2,400	11,521	—	—	—	—	—	13,921
Recognition of equity-settled share option expenses	—	—	—	—	1,155	—	—	1,155
At at 30 June 2021 (unaudited)	<u>17,772</u>	<u>102,169</u>	<u>(1,000)</u>	<u>5,670</u>	<u>1,155</u>	<u>10,558</u>	<u>(71,183)</u>	<u>65,141</u>

# UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

	Notes	For the six months ended 30 June	
		2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Loss before tax		(21,602)	(5,316)
Adjustments for:			
Finance costs	6	329	250
Fair value gain on financial assets at fair value through profit or loss		—	(73)
Bank interest income	5	(1)	(1)
Impairment loss on goodwill	7	11,128	—
Share option expenses	8	1,155	—
Depreciation of right-of-use assets	8	885	807
Depreciation of fixed assets	8	841	694
Loss on disposal of items of property, plant and equipment	8	828	123
		<u>(6,437)</u>	<u>(3,516)</u>
Increase in inventories		(1,947)	(1,039)
(Increase)/decrease in trade receivables		(6,604)	1,400
Increase in prepayments, other receivables and other assets		(4,738)	(4,727)
Increase/(decrease) in trade payables		1,944	(777)
Increase in other payables and accruals		5,181	314
		<u>(12,601)</u>	<u>(8,345)</u>
Cash used in operations		(12,601)	(8,345)
Interest received		1	1
Interest paid		(329)	(250)
PRC taxes paid		(279)	(566)
Net cash flows used in operating activities		<u>(13,208)</u>	<u>(9,160)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchases of items of property, plant and equipment		(9,124)	(130)
Acquisition of subsidiaries		(17,811)	—
Repayment of lease liabilities		(1,048)	—
		<u>(27,983)</u>	<u>(130)</u>
Net cash flows used in investing activities		<u>(27,983)</u>	<u>(130)</u>

	<b>For the six months ended 30 June</b>	
<i>Notes</i>	<b>2021</b>	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(unaudited)</b>	(unaudited)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
New bank loans	<b>6,881</b>	11,622
Repayments of bank loans	—	(31,589)
Issue of rights shares	—	15,243
Issue of new shares for acquisition	<b>25,628</b>	—
Issue of new shares under general mandate	<b>13,921</b>	—
Principal portion of lease payment	—	(1,188)
	<hr/>	<hr/>
Net cash flows used in financing activities	<b>46,430</b>	(5,912)
	<hr/>	<hr/>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		
	<b>5,239</b>	(15,202)
Cash and cash equivalents at beginning of period	<b>11,918</b>	34,532
Effect of foreign exchange rate changes, net	<b>432</b>	(1,046)
	<hr/>	<hr/>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>		
	<b>17,589</b>	18,284
	<hr/>	<hr/>
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	<b>17,589</b>	18,284
	<hr/>	<hr/>
Cash and cash equivalents as stated in the consolidated statement of financial position	<b>17,589</b>	18,284
	<hr/>	<hr/>
Bank overdrafts	<b>(5,308)</b>	—
	<hr/>	<hr/>
Cash and cash equivalents as stated in the consolidated statement of cash flows	<b>12,281</b>	18,284
	<hr/> <hr/>	<hr/> <hr/>



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

## 1. CORPORATE AND GROUP INFORMATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law (as revised) of the Cayman Islands on 18 August 2016. The registered office address of the Company is Windward 3, Regatta Office Park, 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, the provision of interior design, fitting out and decoration services, and equine services.

In the opinion of the Directors, the ultimate holding company of the Group is Three Gates Investment Limited, which was incorporated in the British Virgin Islands (“BVI”) with limited liability and is controlled by Mr. Wong Kwok Wai, Albert.

As at the date of this announcement, the Company has direct and indirect interests in its subsidiaries, all of which are private limited liability companies (or, if incorporated outside Hong Kong, have substantially similar characteristics to a private company incorporated in Hong Kong), the particulars of which are set out below:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ paid-up/registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Strat Tech Holdings Limited	BVI	US\$1	100%	—	Investment holding
Shen You (China) Limited	Hong Kong	HK\$10,000,000	100%	—	Investment holding
Tseyu International Trading Company Limited	Hong Kong	HK\$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

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	
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
Diamond Motto Limited	Hong Kong	US\$300	100%	—	Investment holding
LMP International Limited	Hong Kong	HK\$1	—	100%	Provision of interior design, fitting out and decoration services
Better Dynasty Limited	Hong Kong	HK\$10,000	100%	—	Investment holding
Prime Dynasty Limited	Hong Kong	HK\$100	—	100%	Investment holding
Thrill Rank Company Limited	BVI	US\$100	100%	—	Investment holding
Hong Kong (8377) Pty Ltd	Australia	AUS\$100	—	100%	Horse breeding
Hong Kong (8377) Stallion Pty Ltd	Australia	AUS\$100	—	100%	Horse breeding

\* 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 2021 (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 2020.

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 2020, except for the adoption of the standards amendments and interpretation issued by the HKICPA mandatory for the annual periods beginning on 1 January 2021. 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 Company (the "**Director**"), 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 2021. 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. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS**

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

### **4. OPERATING SEGMENT INFORMATION**

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

The Group has three reportable segments as follows:

Manufacture and trading of threads	—	manufacture and trading of high performance sewing threads and broad categories of garment accessories
Interior design and decoration	—	trading of furnishing and the provision of interior design, fitting out and decoration services
Equine services	—	providing horse breeding services and horse related services

Information about reportable segment profit or loss:

	<b>Three months ended 30 June 2021</b>			
	<b>Manufacturing and trading of threads <i>HK\$'000</i> (unaudited)</b>	<b>Interior design and decoration <i>HK\$'000</i> (audited)</b>	<b>Equine services <i>HK\$'000</i> (audited)</b>	<b>Total <i>HK\$'000</i> (unaudited)</b>
<b>Turnover</b>				
Revenue form external customers	<u>13,617</u>	<u>4,770</u>	<u>—</u>	<u>18,387</u>
<b>Result</b>				
Segment loss	(2,239)	(808)	(111)	(3,158)
Unallocated corporate income				12
Unallocated corporate expenses				(3,263)
Loss before tax				(6,409)
Income tax expense				—
Loss for the period				<u><u>(6,409)</u></u>

	<b>Six months ended 30 June 2021</b>			
	<b>Manufacturing and trading of threads <i>HK\$'000</i> (unaudited)</b>	<b>Interior design and decoration <i>HK\$'000</i> (audited)</b>	<b>Equine services <i>HK\$'000</i> (audited)</b>	<b>Total <i>HK\$'000</i> (unaudited)</b>
<b>Turnover</b>				
Revenue form external customers	<u>25,259</u>	<u>7,314</u>	<u>—</u>	<u>32,573</u>
<b>Result</b>				
Segment loss	(3,868)	(1,402)	(111)	(5,381)
Unallocated corporate income				12
Unallocated corporate expenses				(16,233)
Loss before tax				(21,602)
Income tax expense				—
Loss for the period				<u><u>(21,602)</u></u>

	Six months ended 30 June 2020			
	Manufacturing and trading of threads <i>HK\$'000</i> (unaudited)	Interior design and decoration <i>HK\$'000</i> (audited)	Equine services <i>HK\$'000</i> (audited)	Total <i>HK\$'000</i> (unaudited)
<b>Turnover</b>				
Revenue form external customers	17,523	—	—	17,523
<b>Result</b>				
Segment loss	(3,476)	—	—	(3,476)
Unallocated corporate income				54
Unallocated corporate expenses				(1,894)
Loss before tax				(5,316)
Income tax expense				(1)
Loss for the period				<u>(5,317)</u>

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

	Three months ended 30 June		Six months ended 30 June	
	2021 <i>HK\$'000</i> (unaudited)	2020 <i>HK\$'000</i> (unaudited)	2021 <i>HK\$'000</i> (unaudited)	2020 <i>HK\$'000</i> (unaudited)
<b>Overseas</b>				
PRC	8,468	6,694	14,619	11,060
Hong Kong	4,547	600	9,024	1,400
Overseas	<u>5,372</u>	<u>2,115</u>	<u>8,930</u>	<u>5,063</u>
	<u>18,387</u>	<u>9,409</u>	<u>32,573</u>	<u>17,523</u>

Information about reportable segment assets and liabilities:

	Manufacturing and trading of threads		Interior design and decoration		Equine services		Total	
	30 June 2021	31 December 2020	30 June 2021	31 December 2020	30 June 2021	31 December 2020	30 June 2021	31 December 2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(audited)	(unaudited)	(audited)	(unaudited)	(audited)	(unaudited)	(audited)
<b>Assets</b>								
Segment assets	51,950	51,989	21,758	—	11,964	—	85,672	51,989
Unallocated corporate assets							20,474	9,692
<b>Consolidated total assets</b>							<b>106,146</b>	<b>61,681</b>
<b>Liabilities</b>								
Segment liabilities	15,678	14,020	12,447	—	11,649	—	39,774	14,020
Unallocated corporate liabilities							1,231	1,512
<b>Consolidated total liabilities</b>							<b>41,005</b>	<b>15,532</b>

## 5. OTHER INCOME AND GAINS

An analysis of other income and gains is as follows:

	Three months ended		Six months ended	
	30 June 2021	30 June 2020	30 June 2021	30 June 2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
<b>Other income and gains</b>				
Bank interest income	1	1	1	1
Exchange gains (loss), net	(231)	(99)	(38)	509
Fair value gain on financial assets at fair value through profit or loss	—	73	—	73
Gain on disposal of items of property, plant and equipment	—	—	—	—
Gross rental income	18	351	68	646
Other	618	179	1,145	215
	<b>406</b>	<b>505</b>	<b>1,176</b>	<b>1,444</b>

## 6. FINANCE COSTS

An analysis of finance costs is as follows:

	Three months ended		Six months ended	
	30 June		30 June	
	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Interest on lease liabilities	89	45	151	132
Interest on bank loans and overdrafts	96	2	178	118
	<u>185</u>	<u>47</u>	<u>329</u>	<u>250</u>

## 7. IMPAIRMENT LOSS ON GOODWILL

For the six months ended 30 June 2021, the Group recognised an impairment loss of HK\$11,128,000 in relation to the goodwill arising on the acquisition of Diamond Motto Limited. Details of the acquisition are set out in the Company's circular dated 12 January 2021 and the announcement dated 9 February 2021.

In connection with the acquisition of Diamond Motto Limited, 67,441,860 consideration shares were transferred at the issue price of HK\$0.215 each. The difference between (i) the grant date fair value of the consideration shares for the Acquisition of Diamond Motto Limited as determined based on the closing price of HK\$0.38 per share of the Company on the completion date and (ii) the issue price of HK\$0.215 per consideration share pursuant to the sale and purchase agreement for the Acquisition of Diamond Motto Limited, has resulted in an increase in the goodwill and share premium by the same amount of approximately HK\$11,128,000.

Given such unexpected increase in the total consideration transferred for Acquisition of Diamond Motto Limited, from HK\$14,500,000, being the consideration as stipulated in sale and purchase agreement for the acquisition of Diamond Motto Limited, to HK\$25,628,000, being the fair value of the consideration having been transferred, and the fact that there have been no other substantial changes in relation to the Acquisition of Diamond Motto Limited from the date of acquisition to the Completion Date, the Directors of the Company considered there is an indicator of which the goodwill may be impaired. According to the impairment assessment made on the Completion Date, the Directors of the Company concluded that the carrying amount of the Diamond Motto Limited exceeded its recoverable amount of HK\$14,500,000 and an impairment loss on goodwill of HK\$11,128,000 had been charged to profit or loss for the six months ended 30 June 2021.



## 8. LOSS BEFORE TAX

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

	Three months ended		Six months ended	
	30 June		30 June	
	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Cost of inventories sold	11,281	7,688	20,768	14,531
Depreciation of fixed assets	434	338	841	694
Depreciation of right-of-use assets	532	361	885	807
Lease payments not included in the measurement of lease liabilities	133	66	240	66
Auditor's remuneration	—	—	—	450
Employees' benefit expenses (excluding directors' remuneration)	4,925	3,230	9,987	6,875
Share options expenses	1,155	—	1,155	—
Net exchange loss/(gain)	231	99	38	(509)
(Gain)/loss on disposal of fixed assets	527	(1)	828	123
Fair value gain on financial assets at fair value through profit or loss	—	(73)	—	(73)

## 9. 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.

	Three months ended		Six months ended	
	30 June		30 June	
	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Current — Hong Kong and Mainland China	—	1	—	1
Deferred	—	—	—	—
Tax (credit)/expense	<u>—</u>	<u>1</u>	<u>—</u>	<u>1</u>

## 10. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2021 (2020: Nil).

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

	For the three months		For the six months	
	ended 30 June		ended 30 June	
	2021	2020	2021	2020
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
		(restated)		(restated)
Loss attributable to owners of the parent (HK\$'000)	<u>(6,409)</u>	<u>(2,460)</u>	<u>(21,602)</u>	<u>(5,317)</u>
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	<u>355,441,860</u>	<u>185,353,108</u>	<u>330,037,260</u>	<u>176,592,638</u>
Basic and diluted loss per share (HK cents)	<u>(1.80)</u>	<u>(1.33)</u>	<u>(6.55)</u>	<u>(3.01)</u>

## 12. PROPERTY, PLANT AND EQUIPMENT

	<b>Total</b> <i>HK\$'000</i>
Net carrying amount at 1 January 2021 (audited)	<b>4,090</b>
Additions	<b>9,124</b>
Disposals	<b>(828)</b>
Charge for the period	<b>(841)</b>
Exchange adjustment	<b>—</b>
	<hr/>
Net carrying amount at 30 June 2021 (unaudited)	<b><u>11,545</u></b>

## 13. BROODMARES AND STALLIONS

Two subsidiaries of the Group has acquired Broodmares and share of quality Stallions to provide horse breeding services in Australia. The quantity and value of Broodmare and Stallion owned by the Group at the end of reporting period are shown below.

	<b>As at 30 June 2021</b>		As at 31 December 2020	
	<i>No. of horse</i>	<i>HK\$'000</i>	<i>No. of horse</i>	<i>HK\$'000</i>
Broodmares	<b>9</b>	<b>4,460</b>	—	—
Stallions	<b>4</b>	<b>6,306</b>	—	—
	<hr/>	<hr/>	<hr/>	<hr/>
Total Broodmare and Stallions	<b><u>13</u></b>	<b><u>10,766</u></b>	<b><u>—</u></b>	<b><u>—</u></b>

— Broodmares represent female thoroughbred that is used for breeding purpose.

— Stallions represent adult mare horses that have not been castrated and are held for breeding purpose.

## 14. INVENTORIES

	As at <b>30 June</b> <b>2021</b> <i>HK\$'000</i> (unaudited)	As at 31 December 2020 <i>HK\$'000</i> (audited)
Raw materials	3,540	4,212
Work in progress	3,706	2,055
Finished goods	6,771	5,803
	<u>14,017</u>	<u>12,070</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 <b>30 June</b> <b>2021</b> <i>HK\$'000</i> (unaudited)	As at 31 December 2020 <i>HK\$'000</i> (audited)
Within 1 month	5,800	8,458
1 to 2 months	4,459	1,576
2 to 3 months	1,109	—
Over 3 months	5,270	—
	<u>16,638</u>	<u>10,034</u>

## 16. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	As at <b>30 June</b> <b>2021</b> <i>HK\$'000</i> <b>(unaudited)</b>	As at 31 December 2020 <i>HK\$'000</i> (audited)
Other prepayments	2,101	2,181
Loans to a vendor	2,904	3,542
Deposits and other receivables	<u>17,413</u>	<u>11,959</u>
	<b>22,418</b>	17,682
Impairment allowance	<u>(3,561)</u>	<u>(3,561)</u>
	<b>18,857</b>	14,121
Portion classified as non-current assets	<u>—</u>	<u>—</u>
Current portion included in prepayments, deposits and other receivables	<u><b>18,857</b></u>	<u>14,121</u>

## 17. 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 <b>30 June</b> <b>2021</b> <i>HK\$'000</i> <b>(unaudited)</b>	As at 31 December 2020 <i>HK\$'000</i> (audited)
Within 1 month	1,836	1,714
1 to 2 months	13,837	1,448
2 to 3 months	1,378	878
Over 3 months	<u>1,872</u>	<u>1,470</u>
	<u><b>18,923</b></u>	<u>5,510</u>



Interest-bearing bank borrowings are denominated in:

	<b>30 June 2021 HK\$'000</b>	31 December 2020 HK\$'000
HK\$	<u><b>6,882</b></u>	<u>—</u>

Notes:

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

	<b>30 June 2021 HK\$'000</b>	31 December 2020 HK\$'000
Property, plant and equipment	<u><b>7,972</b></u>	<u>—</u>

(b) The Group's bank facilities (including overdraft facilities) amount to approximately HK\$10,561,000 (2020: HK\$Nil), of which HK\$6,882,000 (2020: HK\$Nil) has been utilised as at 30 June 2021.

## 20. SHARE CAPITAL

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

	<b>30 June 2021 HK\$'000</b>	31 December 2020 HK\$'000
<b>Authorised:</b>		
1,000,000,000 Ordinary shares at HK\$0.05 each	<u><b>50,000</b></u>	<u>50,000</u>
<b>Issued and fully paid:</b>		
At the beginning of the reporting period	<u><b>12,000</b></u>	<u>8,000</u>
Issue of new shares by way of rights issue	—	4,000
Issue of new shares for acquisition <sup>(Note 1)</sup>	<b>3,372</b>	—
Issue of new shares under general mandate <sup>(Note 2)</sup>	<u><b>2,400</b></u>	<u>—</u>
At the end of the reporting period	<u><b>17,772</b></u>	<u>12,000</u>

*Note 1:* On 9 February 2021, the Group has completed the acquisition of 100% equity interest in Diamond Motto Limited by the allotment and issuance of an aggregate of 67,441,860 consideration shares with par value HK\$0.05 and the closing price of the Company's share on the acquisition date was HK\$0.38. For the details of the aforesaid acquisition, please refer to the section "Financial Review — Capital structure and fund raising activities" in this announcement.

*Note 2:* On 11 February 2011, the Group has completed a subscription of 24,000,000 new shares with par value HK\$0.05 each at HK\$0.30 per subscription share and a placing of 24,000,000 of new shares with par value HK\$0.05 each at HK\$0.30 per placing share. For the details of the aforesaid acquisition, please refer to the section "Financial Review — Capital structure and fund raising activities" in this announcement.

## **21. 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 2021.



## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

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

The Group currently manufactures polyester sewing threads, which are mainly used for garments. The major product of the Group is 100% spun polyester sewing threads. Other types of sewing threads are also offered, including textured polyester series, elastic filament sewing threads and weft yarn. The Group's customers are located in the People's Republic of China (the "PRC"), Hong Kong as well as overseas countries, including the United Arab Emirates ("UAE"), Mauritius and Switzerland. While the Group's customers in the PRC and Hong Kong are mainly garment manufacturers, its overseas customers are mainly wholesalers. The production facilities of the Group, where the sewing threads manufacturing process is conducted, are located in Liwan, Guangzhou (the "**Guangzhou Production Facilities**").

To diversify our business focus, the Group has completed an acquisition for the acquisition of 100% of equity interest of Diamond Motto Limited ("DML") and its subsidiary, LMP International Limited (collectively, the "**DML Group**") on 9 February 2021. DML Group is principally engaged in the provision of interior design, fitting out and decoration services. The Group consider that there is a growing popularity of interior design, fitting-out and decoration in commercial, residential and public sectors in Hong Kong and the Greater Bay Area to seek individuality and style. Hence, the Group expected the new line of business can diversify its existing business portfolio and to increase source of income.

Moreover, the Group has acquired quality broodmares and share of the stallions to enter into horse trading and breeding business in Australia. For the business network of the management in horse racing industry, the group also will provide other horse related services. The Group considered the equine services business will generate the revenue and profit in the first half of year 2022.

For the six months ended 30 June 2021, the Group's recorded an unaudited revenue of approximately HK\$32.6 million, representing an increase of approximately 85.9% as compared with approximately HK\$17.5 million for the six months ended 30 June 2020. The increase in revenue is mainly attributable to successful completion of the acquisition of DML Group and the recovery of the sewing threads business due to the tension of COVID-19 seemed to be abating. The gross profit margin slightly decreased to approximately 16.5% for the six months ended 30 June 2021 from approximately 17.1% for the same period in the preceding year.

## FINANCIAL REVIEW

### Revenue

The revenue was generated from the segment of manufacturing and trading of threads product and interior design and decoration. The following table sets out a breakdown of the Group's revenue attributable to two segments of the Group of the six months ended 30 June 2021 and 2020:

	Six months ended 30 June				Rate of change %
	2021		2020		
	HK\$'000	% of total revenue	HK\$'000	% of total revenue	
Manufacturing and trading of threads	25,259	82.1	17,523	100.0	44.1
Interior design and decoration	7,314	17.9	—	—	—
	<u>32,573</u>	<u>100.0</u>	<u>17,523</u>	<u>100.0</u>	<u>85.9</u>

#### *Manufacturing and trading of threads*

The revenue attributable to the manufacturing and trading of threads increased to approximately HK\$25.3 million for the six months ended 30 June 2021 from approximately HK\$17.5 million for the six months ended 30 June 2020, representing an increase of approximately 44.1%. The revenue increase was mainly attributable to the increase in sales in PRC market and the oversea market due to the tension of COVID-19 seemed to be abating.

#### *Interior design and decoration*

The Group completed the acquisition of Diamond Motto Limited on 9 February 2021. No revenue recorded for the segment of interior design and decoration was recorded for the six months ended 2020 and the revenue for the six months ended 2021 is covered the period from 9 February 2021 to 30 June 2021. The revenue attributable to the interior design decoration for the six months ended 30 June 2021 was HK\$7.3 million.

## Cost of sales

The Group's cost of sales primarily consists of director material costs, processing fees, direct labour costs and welfare and social insurance. The following table sets out a breakdown of the Group's cost of sales attributable to three segments of the Group of the six months ended 30 June 2021 and 2020:

	Six months ended 30 June		Rate of change %
	2021 <i>HK\$'000</i>	2020 <i>HK\$,000</i>	
Manufacturing and trading of threads	20,768	14,531	42.9
Interior design and decoration	6,320	—	—
Equine services	98	—	—
	<u>27,186</u>	<u>14,531</u>	<u>87.1</u>

### *Manufacturing and trading of threads*

The cost of sales attributable to the manufacturing and trading of threads increase to approximately HK\$20.8 million for the six months ended 30 June 2021 from approximately HK\$14.5 million for the six months ended 30 June 2020, representing an increase of 42.9%. The cost of sales for the manufacturing and trading of threads increased is in line with the increase in sale for the period.

### *Interior design and decoration*

The cost of sales attributable to the interior design decoration for the six months ended 30 June 2021 was HK\$6.3 million. No revenue recorded for the six months ended 2020 due to Group completed the acquisition of Diamond Motto Limited during this period.

### *Equine services*

The cost of sales attributable to the equine services for the six months ended 30 June 2021 was HK\$0.1 million. No revenue recorded for the six months ended 2020 and the management expected the revenue will generate on the first half of year 2022.

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

The Group's gross profit increased to approximately HK\$5.4 million for the six months ended 30 June 2021 from approximately HK\$3.0 million for the six months ended 30 June 2020, representing an increase of approximately 80.0%. The increase in gross profit was mainly attributable to the significant increase in sales for the segment of manufacturing and trading of threads and the new segment of interior design and decoration segment acquired by the Group during the six months ended 30 June 2021. The gross profit margin decrease to approximately 16.5% for the six months ended 30 June 2021 from approximately 17.1% for the six months ended 30 June 2020 was mainly attributable to the slightly lower margin for the interior design and decoration for the six months ended 30 June 2021 which diluted the gross profit margin for the Group.

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

The Group's other income and gains, net decreased to approximately HK\$1.2 million for the six months ended 30 June 2021 from approximately HK\$1.4 million for the six months ended 30 June 2020. The change was mainly attributable to the decrease in the exchange gains for the six months ended 30 June 2021.

## **Selling and distribution expenses**

Selling and distribution expenses mainly consist of staff costs of the sales department and transportation expenses. Selling and distribution expenses increased to approximately HK\$3.4 million for the six months ended 30 June 2021 from approximately HK\$2.6 million for the six months ended 30 June 2020, representing an increase of approximately 27.7%. The increase in the Group's selling expenses was mainly attributable to the increase in the transportation costs and staff cost for the six months ended 30 June 2021.

## **Administrative expenses**

Administrative expenses primarily consist of staff costs, audit fee, Directors' remuneration and legal and professional fees. Administrative expenses increased to approximately HK\$11.5 million for the six months ended 30 June 2021 from approximately HK\$6.5 million for the six months ended 31 March 2020, representing an increase of approximately 77.7%. Such increase was mainly attributable to the increase in staff costs for the new business segment and increase in legal and professional fee of the acquisition of the new business segment during the period.

## **Loss before income tax**

As a result of the aforesaid, the Group recorded a loss before income tax of approximately HK\$21.6 million for the six months ended 30 June 2021, representing an increase of approximately 306.3% from approximately HK\$5.3 million for the corresponding period in the preceding year.

## **Total comprehensive loss attributable to owners of the parent**

The total comprehensive loss attributable to owners of the parent was approximately HK\$21.2 million for the six months ended 30 June 2021. In comparison, for the corresponding period in 2020, a total comprehensive loss of approximately HK\$6.6 million was recorded. Such change was mainly due to the impairment loss of goodwill during the acquisition and the combined effect of increase in the Group's loss for the six months ended 30 June 2021 mentioned above.

## **Basic and diluted loss per Share**

The Company's basic and diluted loss per share for the six months ended 30 June 2021 was approximately HK6.55 cents (2020: HK3.01 cents (restated)), representing an increase of approximately HK3.54 cents, or approximately 117.6%, which was primarily due to the increase in loss for the six months ended 30 June 2021.

## **Interim dividend**

The Board did not recommend the payment of interim dividend for the six months ended 30 June 2021 (2020: Nil).

## **Liquidity and financial resources**

For the six months ended 30 June 2021, 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\$17.6 million and approximately HK\$11.9 million as at 30 June 2021 and 31 December 2020, respectively. The functional currency of the Group is Hong Kong dollars. As at 30 June 2021, 98.0% of the Group's cash and bank balances were denominated in the functional currency (31 December 2020: 96.9%) and the remaining 2.0% (31 December 2020: 3.1%) in other currencies, mainly Renminbi.

As at 30 June 2021 and 31 December 2020, the Group had net current assets of approximately HK\$29.6 million and approximately HK\$35.5 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 1.76 as at 30 June 2021 from approximately 3.79 as at 31 December 2020 due to increase of the trade payable and the bank borrowing.

### **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 as at 30 June 2021 and 31 December 2020 was approximately 25.7% and 6.1%, respectively. The Group believes that the cash at banks provide adequate liquidity to satisfy the Group's funding requirements.

### **Commitments**

As at 30 June 2021, the Group did not have any capital commitments (as at 31 December 2020: Nil).

## **CAPITAL STRUCTURE**

On 9 February 2021, the Group has completed the acquisition of 100% equity interest in Diamond Motto Limited by the allotment and issuance of an aggregate of 67,441,860 consideration shares and the closing price of the Company's share on the acquisition date was HK\$0.38. Details of the acquisition are set out in the Company's circular dated 12 January 2021 and the announcement dated 9 February 2021.

On 19 January 2021, the Company entered into the subscription agreement with the subscriber, pursuant to which the subscriber has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue 24,000,000 new Shares at the subscription price of HK\$0.30 per subscription share. Also, the placing agent and the Company entered into the placing agreement, pursuant to which the Company has conditionally agreed to place through the placing agent, on a best effort basis, up to 24,000,000 placing shares at the placing price of HK\$0.30 per placing share to not less than six places who and whose beneficial owners shall be Independent Third Parties. The subscription and placing of the new shares has been completed on 11 February 2021. Details of the subscription and placing of the new shares are set out in the announcements of the Company dated 19 January 2021, 2 February 2021 and 11 February 2021.

As at 30 June 2021, the Company's issued share capital amounted to approximately HK\$17.8 million, divided by 355,441,860 Shares of HK\$0.05 each.

Details of changes in the Company's share capital for the six months ended 30 June 2021 are set out in note 20 to the condensed financial statements of this announcement.

As at 30 June 2021, the net proceeds of the above subscription and placing of the new shares had been utilized as follows :

	Actual net proceeds allocated <i>HK\$ Million</i>	Amount utilized up to 30 June 2021 <i>HK\$ Million</i>	Balance as at 30 June 2021 <i>HK\$ Million</i>	Expected timeline for utilising the unutilised amount <i>HK\$ Million</i>
General working capital of the Group	2.8	2.8	—	—
Possible investment				on or before 31 December 2021
	<u>11.2</u>	<u>3.5</u>	<u>7.7</u>	
	<u><u>14.0</u></u>	<u><u>6.3</u></u>	<u><u>7.7</u></u>	

On 29 June 2021, the Company entered into the subscription agreements with the subscribers, pursuant to which the subscribers have conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue 6,700,000 new shares at the subscription Price of HK\$0.60 per subscription share. Also, the placing agent and the Company entered into the placing agreement, pursuant to which the Company has conditionally agreed to place through the placing agent, on a best effort basis, up to 47,000,000 placing shares at the placing price of HK\$0.60 per placing share to not less than six places who and whose beneficial owners shall be Independent Third Parties. The subscriptions and placing of the new shares have been completed on 22 July 2021. Details of the subscriptions and placing of the new shares are set out in the announcements of the Company dated 29 June 2021, 8 July 2021 and 22 July 2021.

### Significant investments

As disclosed in the announcements of the Company dated 31 May 2021 and 11 June 2021, the Group won several bids to acquire of horses at the 2021 Gold Coast National Broodmare Sale for the horse breeding business.

Save as these disclosed above, as at 30 June 2021 the Group didn't not hold any significant investments (as at 31 December 2020).



## Material acquisitions or disposals of subsidiaries and affiliated companies

As disclosed in the announcements of the Company dated 18 August 2020, 7 September 2020, 28 September 2020, 20 October 2020, 17 November 2020, 17 December 2020, 12 January 2021, 2 February 2021 and the circular of the Company dated 12 January 2021, the Company entered into a sale and purchase agreement in relation to the acquisition of the entire issued share capital of Diamond Motto Limited. The Company has completed the acquisition on 9 February 2021 and disclosed in the announcement of the Company dated 9 February 2021.

## Contingent liabilities

As at 30 June 2021, the Group did not have material contingent liabilities (as at 31 December 2020: 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 and the acquisition of broodmares and stallions and the equine services income in the Australia. The Group currently does not have a foreign currency hedging policy. Nevertheless, the Group's management will continue to closely the foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

## Pledge of assets

As at 30 June 2021 and 31 December 2020, the following assets were pledged to banks to secure certain banking borrowings granted to the Group:

	<b>As at 30 June 2021 HK\$'000 (unaudited)</b>	<b>As at 31 December 2020 HK\$'000 (audited)</b>
Property, plant and equipment	<b><u>7,972</u></b>	<b><u>—</u></b>



## Employees and remuneration policies

As at 30 June 2021, the Group employed a total of 161 employees (2020: 159), of whom 140 were located in the PRC and 21 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 2021 and 2020, the Group's total staff costs (excluding Directors' emoluments) amounted to approximately HK\$10.0 million and HK\$6.9 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.

## 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 2021, the unutilised Net Proceeds amounted to approximately HK\$8.7 million.

As at 30 June 2021, 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>	Expected timeline for unutilised amount <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	on or before 31 December 2021
Upgrading the Group's machinery for the production of 100% spun polyester sewing threads for domestic use	7.7	2.2	5.5	on or before 31 December 2021

	<b>Net proceeds available</b> <i>HK\$ million</i>	<b>Utilised</b> <i>HK\$ million</i>	<b>Unutilised</b> <i>HK\$ million</i>	<b>Expected timeline for unutilised amount</b> <i>HK\$ million</i>
Acquiring new cone winding machines	4.1	0.5	3.6	on or before 31 December 2021
Acquiring new machinery for the production of nylon threads	3.7	1.3	2.4	on or before 31 December 2021
Setting up a sales office in Zhejiang province	1.2	1.2	—	
Working capital and other general corporate purposes of the Group	3.7	3.7	—	
	<u>40.7</u>	<u>11.6</u>	<u>28.7</u>	
Repayment of banking facilities <sup>(Note)</sup>	<u>—</u>	<u>20.0</u>	<u>—</u>	
	<u><u>40.7</u></u>	<u><u>31.6</u></u>	<u><u>8.7</u></u>	

*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:

<b>Business strategy</b>	<b>Implementation plan</b>	<b>Actual progress</b>
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.

<b>Business strategy</b>	<b>Implementation plan</b>	<b>Actual progress</b>
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**

On 12 June 2020, the Company completed a rights issue and issued 400,000,000 new shares with par value HK\$0.01 each at a subscription price of HK\$0.043 per rights share on the basis of one rights share for every two existing shares held (the “**Rights Issue**”), and the net proceeds of the Rights Issue, after deducting the related expenses, were approximately HK\$14.6 million, which were mainly used for the partial payments of the Group’s general and administrative expenses, professional fees and acquisition of raw materials. Detailed terms of the Rights Issue and its results were set out in the Company’s prospectus dated 20 May 2020 (the “**Rights Issue Prospectus**”) and the announcement dated 11 June 2020, respectively.

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

As at 30 June 2021, the net proceeds of the Rights Issue had been utilised as follows:

	<b>Actual net proceeds allocated</b>	<b>Amount utilized up to 30 June 2021</b>	<b>Balance as at 30 June 2021</b>
	<i>HK\$ Million</i>	<i>HK\$ Million</i>	<i>HK\$ Million</i>
General and administrative expenses	7.4	7.4	—
Professional fees	3.0	3.0	—
Acquisition of raw materials	4.2	4.2	—
	<u>14.6</u>	<u>14.6</u>	<u>—</u>

## **FUTURE PROSPECTS**

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

On the other hand, the Group has completed the acquisition for the DML Group which engaged in the provision of interior design, fitting out and decoration services on February 2021. The Group consider that there is a growing popularity of interior design, fitting-out and decoration in commercial, residential and public sectors in Hong Kong and the Greater Bay Area to seek individuality and style. Hence, the Group expected the new line of business can diversify its existing business portfolio and to increase source of income.

In additions, the Group has been acquired of horses for horse breeding operations at the 2021 Gold Coast National Broodmare Sale. The Group will continue to seek for business opportunity in the horse breeding operation and equine services.

The Group would continue to review the existing businesses of the Group from time to time with a view to improving the business operation and financial position of the Group. The Board considers that it is beneficial for the Group to seek suitable investment opportunities with a view to increasing the value of the Group and maximising returns to the Shareholders.

## 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 2021, the interests or short positions of each of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the “SFO”), which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); (b) recorded in the register required to be kept under section 352 of the SFO; or (c) to be notified to the Company and the Stock Exchange pursuant to rules 5.46 to 5.67 of the GEM Listing Rules were as follows:

### Long position in the Shares and Underlying Shares

#### (a) Ordinary shares of the Company

Name of Director	Nature of interest/ Holding capacity	Number of ordinary shares held	Percentage of issued share capital of the Company (Note 1)
Mr. Wong Kwok Wai, Albert	Interest of a controlled corporation	120,000,000 (L) (Notes 2)	33.76%
Mr. Leung King Yue, Alex	Beneficial interest	10,000,000 (L)	2.81%

(b) *Share options of the Company*

Name of director	Number of share options				Outstanding at 30 June 2021	Approximate % of total issued ordinary shares	Date of grant	Exercisable period	Exercise price HK\$
	Outstanding at 1 January 2020	Granted during the year	Exercised during the year	Lapsed during the year					
Mr. Ma Pok Man, Josiah	—	3,500,000	—	—	3,500,000	0.98%	13 May 2021	13 May 2021- 12 May 2024	0.57

*Notes:*

1. As at the date of this announcement, the Company's issued ordinary share capital was HK\$17,772,093 divided into 355,441,860 Shares of HK\$0.05 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, who is the chairman and an executive Director of the Company. Therefore, Mr. Wong is deemed to be interested in 120,000,000 Shares held by Three Gates Investment by virtue of the SFO.
3. During the period, no share options mentioned above were cancelled.
4. Details of the Share Option Scheme are set out under the section of “SHARE OPTION SCHEME” in this announcement.

Except as disclosed above, as at 30 June 2021, 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 2021, the following persons or corporations (other than the Directors and the chief executive of the Company) who had interests and/or short positions in the shares or underlying shares of the Company which would be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO were as follows:

### Long position in the Shares and Underlying Shares

<b>Name of Substantial Shareholder</b>	<b>Nature of interest/ Holding capacity</b>	<b>Number of ordinary shares held</b>	<b>Percentage of issued share capital of the Company (Note 1)</b>
Three Gates Investment	Beneficial owner	120,000,000 (Notes 2, 3)	33.76%
Gold-Face Finance Limited	Person having a security interest in Shares	80,000,000 (Notes 3, 4)	22.51%
Upbest Credit and Mortgage Limited	Person having a security interest in Shares	80,000,000 (Notes 3, 4)	22.51%
Good Foundation Company Limited	Person having a security interest in Shares	80,000,000 (Notes 3, 4)	22.51%
Upbest Strategic Company Limited	Person having a security interest in Shares	80,000,000 (Notes 3, 4)	22.51%
Upbest Financial Holdings Limited	Person having a security interest in Shares	80,000,000 (Notes 3, 4)	22.51%
Upbest Group Limited	Person having a security interest in Shares	80,000,000 (Notes 3, 4)	22.51%
Mr. Leong Chi Wai	Interest of controlled corporation	17,875,972 (Note 5)	5.03%

Name of Substantial Shareholder	Nature of interest/ Holding capacity	Number of ordinary shares held	Percentage of issued share capital of the Company (Note 1)
Glory Radiance International Limited	Beneficial owner	17,875,972 (Note 5)	5.03%
Fung Wing Cheung, Tony	Beneficial owner	24,000,000	6.75%

*Notes:*

- As at the date of this announcement, the Company's issued ordinary share capital was HK\$17,772,093 divided into 355,441,860 Shares of HK\$0.05 each.
- Three Gates Investment is wholly and beneficially owned by Mr. Wong, who is the chairman and an executive Director of the Company. Therefore, Mr. Wong is deemed to be interested in 120,000,000 Shares held by Three Gates Investment by virtue of his 100% shareholding interest in Three Gates Investment.
- 80,000,000 Shares held by Three Gates Investment have been charged in favour of Gold-Face Finance Limited ("**Gold-Face**") as security for a loan granted in favour of Mr. Wong Kwok Wai, Albert, the chairman, chief executive officer, executive director and controlling shareholder of the Company.
- As Gold-Face is wholly-owned by Upbest Credit and Mortgage Limited, which in turn is wholly-owned by Upbest Strategic Company Limited and Good Foundation Company Limited in equal parts, which in turn are both wholly-owned by Upbest Financial Holdings Limited, which in turn is wholly-owned by Upbest Group Limited, Upbest Credit and Mortgage Limited, Upbest Strategic Company Limited, Good Foundation Company Limited, Upbest Financial Holdings Limited and Upbest Group Limited are all deemed to be interested in the security interest in the 80,000,000 Shares charged in favour of Gold-Face by virtue of the SFO.
- Glory Radiance International Limited ("**Glory Radiance**") is wholly and beneficially owned by Mr. Leong Chi Wai. Mr. Leong Chi Wai is deemed to be interested in the 17,875,972 Shares held by Glory Radiance by virtue of the SFO.

Except as disclosed above, as at 30 June 2021, 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 2021 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 2020 annual announcement are as follows:

### **Directors**

### **Changes in position held with the Company**

Mr. Ma Pok Man, Josiah    Mr. Leung was appointed as an executive Director with effect from 13 May 2021.

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

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

On 31 March 2020, Mr. Wong and Guangzhou Xinhua Thread Company (廣州新華線業有限公司) (“**Guangzhou Xinhua**”), a wholly-owned subsidiary of the Company, entered into a loan agreement in relation to the intra-group current accounts balance in a sum of RMB16,760,277 (equivalent to HK\$18,603,907) due from Mr. Wong to Guangzhou Xinhua. It was agreed that, among other things, interest shall be payable by Mr. Wong to Guangzhou Xinhua to be accrued at a rate of 2% per annum on the outstanding current accounts balance from the date of the loan agreement and the current accounts balance shall be repaid by Mr. Wong within three years from the date of the loan agreement. Such loan agreement has been approved by the independent shareholders based on Chapter 20 of the GEM Listing Rules. Details of the loan agreement are set out in the circular dated 16 February 2021 and announcements of the Company dated 8 March 2021.

Save as disclosed above, there are no other transactions for the six months ended 30 June 2021 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**

Except for the subscriptions and placing completed on 22 July 2021 which disclosed on the section of “Capital structure and fund raising activities” on this announcement, there are no material subsequent events undertaken by the Group after the reporting period.

### **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 three independent non-executive Directors, namely, Mr. Sung Alfred Lee Ming (the chairman of the Audit Committee), 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 2021.

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

Hong Kong, 12 August 2021

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

*This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

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